



Minutes of the meeting of the Agri-Food and Biosciences Institute Board  
held at  
AFBI Hillsborough, Large Park, Hillsborough  
on Wednesday 20 December 2006 at 10.00 am

**Present:**

**Board Members**

Mr Sean Hogan, Chairperson  
Professor David McDowell, Deputy  
Chairperson  
Mr Kieran Campbell  
Dr Michael Hollywood  
Dr Christine Kennedy  
Mr Nicholas Mack  
Mr John McKinley  
Professor Stewart McNulty  
Mr James Noble  
Mr John Rankin  
Mr Michael Walker

**In attendance:** Dr George McIlroy, Chief Executive Officer  
Dr Robin Boyd, Head of Chief Executive's Office  
Mr Stephen Dolan, Head of Business Support Unit  
Mr Manus McGuinness (Secretary)

**Apologies :** Professor Grace Mulcahy  
Mr Jim Stewart

**1. Minutes of the meeting held on 15 November 2006**

On a proposal by Mr Campbell, seconded by Mr Walker, the minutes of the meeting held on 15 November 2006 were agreed subject to a typographical correction.

**2. Matters arising**

**2.1 REAP Meeting (2.2)**

Dr McIlroy reported that he had been in contact with Dr Alan Lennon, Chairperson of REAP who had welcomed the opportunity for the two bodies to meet. The mechanics and timing of a meeting are being examined, probably to tie in with the February 2007 Board meeting.

### **3. Report from Chief Executive's Office (CEO)**

#### **3.1 Management Statement and Financial Memorandum (MSFM)**

3.1.1 Dr Boyd presented the MSFM which had now been approved by the DARD Departmental Board and DFP. Although the MSFM was the responsibility of the Business Support Unit, Dr Boyd had managed its development to this final stage because of his involvement in the setting up of AFBI and early drafting of the documents. The Management Statement sets out the broad framework in which AFBI operates while the Financial Memorandum sets out details of the financial arrangements in which the Institute is required to operate. DARD were now formally asking for agreement and signing by the AFBI Board Chairperson and Chief Executive.

3.1.2 Dr McIlroy referred to the comments of Brian Whalley at the Board Seminar on 15 December about the importance of the MSFM and the need to maintain this as a living document. Mr Hogan supported the approach of signing off the MSFM as a living document with provision for its review and revision in the light of experience. The arrangements for changes to the document would be raised when the Chairperson and Chief Executive met the DARD Permanent Secretary on 21 December 2006. In discussion there was support for the evolutionary approach to accepting the document. The provisions in paragraph 1.1.5 of the Management Statement for making amendments and the guiding principle of flexibility were noted and welcomed.

3.1.3 On a proposal by Mr Walker, seconded by Dr Kennedy, the Board approved the MSFM as presented. The acceptance letter to DARD should raise the following points:

- That the Board has signed off the MSFM as a living document, subject to agreed arrangements for future review and revision.
- Clarification that the provision for amendments in paragraph 1.1.5 of the Management Statement also covers the Financial Memorandum.
- That DARD agree to the MSFM being placed on the AFBI Intranet.

The Board also complimented the AFBI Executive team for their work at the various stages of drafting and in bringing the document to this final stage.

## **4. Report from Business Support Unit (BSU)**

### **4.1 Finance/VAT Issue**

4.1.1 Mr Dolan presented the Finance table which had been circulated to members prior to the meeting. The latest overall projected deficit of £650k, reduced from the £1.1m deficit in the previous month's figures, reflected a £450k easement discovered by DARD which they had indicated could be applied to the VAT bill. When taken with the £1.1m already in the AFBI baseline, the total in-year provision for VAT was £1.6m. The £1.1m was also in the AFBI baseline for future years. He had been in discussions with the VAT consultants to try and identify how the VAT liability could be reduced and there was the potential to reduce the irrecoverable VAT.

4.1.2 In discussion on this issue the Board, while welcoming the in-year easement from DARD, held strongly to the principle already established that the VAT deficit problem was one for DARD and DFP to resolve, not AFBI. The Board members wished to record a number of points in support of this position:

- There is no guarantee that additional resources will be provided to meet the VAT deficit in future years.
- While strategies to reduce the VAT liability are supported, the totality of the bill in future years is uncertain and, as the commercial circumstances of AFBI change, the VAT bill could be substantially higher than in the current year.
- Even if the strategy to reduce the liability was successful, an emergency response situation (completely outwith the control of AFBI) could result in a massive VAT bill with serious consequences for AFBI business.
- A strategy based on opportunistic budgeting could not be sustained. Resolution of the issue based on the established principle of full funding for VAT liability is essential for efficient management of AFBI business in the long term.
- Year on year uncertainty of funding to meet the VAT bill would undermine the reputation of AFBI as a credible, efficient organisation.
- The strenuous efforts being made by AFBI to reduce the VAT liability offers little benefit to AFBI and in effect resolves a DARD problem. DARD/DFP should give a budgetary commitment to meet AFBI's potential VAT liability each year.

4.1.3 In conclusion, the Board believes that DARD's provision of funding for the AFBI VAT bill establishes the principle that funding is a DARD/DFP issue. The Chairperson and Chief Executive should present this as the Board's position to the DARD Permanent Secretary at the meeting on 21 December 2006. The Board asked that a comprehensive paper setting out the options for addressing the issues, including a legal challenge, should be brought to the January meeting.

## 4.2 **Business Planning**

Mr Dolan advised the Board that the AFBI business planning process would commence in January. This will need to address issues such as the changed operating environment within AFBI, the challenges to funding and increasing non-DARD sources of income. An offer from the Strategic Investment Board to guide AFBI through the initial stages of preparing a comprehensive business plan for the forthcoming year was welcomed.

## 4.3 **Pension Matters**

4.3.1 Mr Dolan updated members on developments. After meeting with the AFBI legal advisers an appointment with their specialist pensions advisory unit was confirmed for the new year. Upon a first reading of the relevant papers the legal advisors indicated that there is a potential liability in respect of the former ARINI pensionable employees, that on the face of it the liability would most likely lie with DARD, that £3m is a reasonable provision to meet the financial liability based upon the NILGOSC actuarial assessment and that the presentation of a business case to DARD would be the most appropriate mechanism to validate any future payments.

4.3.2 Mr Dolan is to further discuss the matter with the AFBI legal advisers following their more in-depth analysis of the facts in the New Year. He had requested the NILGOSC actuary to prepare an update of the scheme liability details as at March 2006 and will prepare a business case for DARD upon receipt of legal opinion and the response from the actuary. In response to a question from a member, Mr Dolan explained that the £3m had been provided in the ARINI accounts for 2005-06, while DARD hold the corresponding resources for making the payment.

4.3.3 In discussion the Board expressed its concerns at the delay in resolving the pensions problem, which had not been created by AFBI, and the effect on the morale of staff affected. The situation should not be allowed to drift further and it could lead to a question of trust in the Board. The Board asked that the pensions issue be resolved quickly and stated that DARD needed to address this matter and that a business case should be put to the Department as soon as possible. It was agreed that the pensions issue should be raised at the meeting with the DARD Permanent Secretary on 21 December 2006.

4.3.4 The Board stated that AFBI needed to focus its efforts on commercial operations and unresolved issues such as pensions and VAT were strangling the organisation in moving forward. The Board asked for a list of all the problems being resolved by the AFBI executive following the creation of AFBI on 1 April 2006.

#### 4.4 **AFBI Recruitment**

Mr Dolan reported that an offer had been made for the Procurement Manager post. Sift panels had completed their work for Scientific posts and panels for other admin posts would sit in January.

#### 4.5 **Internal Audit Services**

Mr Dolan said that AFBI management were very pleased with the activities of the new Internal Auditors (Deloitte and Touche). They have completed Terms of Reference for a number of audit reviews and SMT have agreed the 3-year Audit Plan. The auditors have already undertaken some field work and a number of audit reports will be presented before the end of the financial year. The auditors will also undertake a review of project management arrangements for new build early in the New Year and aim to report before the end of the financial year. The detailed plans and ToR for reviews will be presented to the Audit Committee in January.

#### 4.6 **Risk Management**

4.6.1 Mr Dolan said that there were no significant movements in the AFBI Board Risk Register to report to the meeting. He referred members to the papers governing the AFBI Risk Management Strategy. These set out the proposed Risk Management Strategy and reporting arrangements for AFBI. He highlighted a number of features in the proposals – the matrix for assessing risks, linking risks to Divisional objectives, embedding the arrangements at Branch, Divisional and Corporate levels and monthly review of risk management by SMT. The new risk management arrangements will be launched in workshop training for staff down to Branch level. Training will also cover the preparation of business plans and their links with risks. Mr Dolan said that the Internal Auditors had made a valuable contribution to these developments.

4.6.2 The Board welcomed the proposals as a comprehensive and user friendly document and praised AFBI management for the progress made in this area. The bottom up approach and the real and contributory role of SMT were mentioned as positive aspects. A number of points were made in discussion:

- before finalising the AFBI arrangements a cross reference with the Orange Book should be undertaken to ensure completeness.

- The arrangements should include a list of the controls currently in place to manage risks (not necessarily on the reporting pro-formae).
- SMT should make a strategic analysis of the environment in which AFBI operates and write risks at this level.
- There needs to be clarity on how risks are actually monitored, i.e. the mechanisms and tools.

4.6.3 The balance between the need to manage risks and being innovative was raised. An inclusive, comprehensive and formal Risk Register should not inhibit innovative proposals for business risks which would bring benefits to AFBI. While AFBI operations must be conducted with due regard to governance, accountability etc, there was another side to business risks, i.e. well managed risk taking. The Board would be prepared to consider such risks and take a strategic view.

4.6.4 Effective planning of AFBI business and finance to meet business objectives and to minimise the risk to achieving the objectives raised a question on the need for an annual grant letter from DARD. This should be issued well in advance of the incoming financial year. It was agreed that the question of a formal arrangement for an annual grant letter would be raised with the DARD Permanent Secretary at the meeting on 21 December 2006.

#### 4.7 **Rewards and Recognition Scheme**

4.7.1 Mr Dolan presented a draft paper, Rewards and Recognition Scheme, which set out the Executive's proposals for performance rewards to AFBI staff. The paper addressed and made proposals on two aspects:

Rewards to Staff Scheme – the aim of the scheme is to provide incentives to staff to identify potential IPR and commercial applications arising from their work and to give rewards where these opportunities realise increased income to AFBI. A similar scheme operates across government bodies in GB on the back of the Baker Report recommendations.

Special Bonus Scheme – to reflect staff performance over and above the normal requirements. Most staff had participated in the NICS special bonus scheme before they moved to AFBI. The paper outlined some modifications to the NICS scheme for implementation in AFBI. It was hoped that such a scheme would provide an incentive to AFBI staff and underpin the belief that the creation of AFBI is a positive move, for both employees and customers.

4.7.2 Mr Dolan explained that the schemes would have to be approved by DFP for implementation in AFBI. Trade Union Side (TUS) will be consulted once the internal drafting is complete. However, it should be noted that TUS did not approve the existing bonus scheme, were opposed to such schemes in principle and that AFBI might be forced to operate without TUS co-operation.

4.7.3 The general Board response was that the issues and arguments had been well presented in the paper and should be supported. The following were the main points made in discussion:

- Great care needs to be taken in preparing the bonus scheme. The right circumstances, structures, cultures and management need to be in place in the organisation. It is essential that the right people receive the right bonuses, at the right level and at the right time. A poorly managed scheme could act as a disincentive.
- Any document should reflect the fact that in NI relative rewards between public and private sector were more favourable to the public sector than in GB but that AFBI still required a system as an incentive to staff and to maximise returns to the organisation.
- AFBI should be seen to implement the Baker proposals. This is important for its commercial success.
- A bonus scheme is needed for managing the enhancement of AFBI's commercial operations.
- DARD is not being asked for resources to fund the schemes.
- Once the schemes are approved the presentation to staff needed to emphasise that these were positive mechanisms for staff incentives and not compensation for the loss of Civil Service status. The aim is to focus upon AFBI moving forward and improving on the previous structures.
- There needs to be clear criteria for earning rewards and bonuses. Sole responsibility for making decisions and giving out bonuses should not be delegated to managers.
- Implementation of the schemes is key to their success. A comprehensive presentation of possible reward scenarios would help to pin down and allay some concerns about implementation. There needs to be a transparent mechanism for appealing.
- This matter might be best taken forward by a small focus group, such as the Remuneration Committee who would present their proposals to the Board.

4.7.4 Dr McIlroy said that, on reflection, the proposals might be better presented in separate papers for each scheme. The special bonus scheme (to a large extent) is dependent upon DARD grant-in-aid, whereas the rewards scheme is the implementation of government policy and AFBI is following the arrangements already operating in the rest of the UK. The rewards scheme should be separately submitted to DARD sponsor branch followed by the amended special bonus scheme.

4.7.5 The Board agreed that the Remuneration Committee should review the proposed schemes and bring an amended paper to the Board for approval at the January or February meeting. Mr Campbell, who has substantial experience of the special bonus scheme agreed to participate in the deliberations of the Remuneration Committee.

## **5. Any other business**

### **5.1 Corystes Invitation**

Mr Hogan said that he would like to see members attend the New Year event on board AFBI's marine research vessel "Corystes" which will be held on 3 January 2007. Invitations will shortly be sent to Board members. The DARD Board, other senior staff and AFBI Senior Management were also being invited.

### **5.2 Board Seminar**

Mr Hogan thanked members for making the Board training event on 15 December 2006 such a successful day. A thank you note from Brian Whalley, who had facilitated the training, will be copied to members. Brian will also be sending some follow up material. In a brief discussion the Board agreed that members' declaration of interests should be placed on the AFBI website.

### **5.3 Organisation Chart**

Mr Dolan, in drawing members' attention to the chart which had been circulated, noted that this was constructed to Branch Head level which was in line with the risk management structure. Mr Hogan asked that the chart should be revised to show where the AFBI Board sits in the organisation. He also suggested that pen pictures and photographs of Board members should be placed on the website.

### **5.4 AFBI Diaries**

Dr McIlroy informed members that AFBI pocket diaries for 2007 were available and could be obtained through the Board Secretary.



**6. Date of next meeting**

The next meeting will be held at 10.00 am on Wednesday 17 January 2007 at AFBI Stormont (Veterinary Sciences Division).

Signed: \_\_\_\_\_  
(Chairperson)

*Date:* \_\_\_\_\_