



Minutes of the meeting of the Agri-Food and Biosciences Institute Board
held at
AFBI Loughgall, Manor House, Loughgall
on Wednesday 18 October 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
Professor Stewart McNulty
Mr James Noble
Mr John Rankin
Mr Jim Stewart
M Michael Walker

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

Apologies : Mr Nicholas Mack
Mr John McKinley
Professor Grace Mulcahy

1. Minutes of the meeting held on 20 September 2006

On a proposal by Mr Walker seconded by Dr Hollywood the minutes of the meeting held on 20 September 2006 were agreed.

2. Matters arising

2.1 Business Plan – Research Targets (5.1)

2.1.1 A number of points were made in discussion about targets for AFBI research activity:

- Over 80% of AFBI research is in response to DARD commissioned work;

- over the first 3 years, DARD will move to a position where it will award up to 50% of its research work via open, competitive tendering;
- over its first few years, AFBI will increase its non-DARD contract work from 5% to 10% and charging for AFBI services will be on a full cost recovery basis.
- The AFBI Board should have an input into decisions on research activity at the strategic and corporate level. Such proposals, at the appropriate level, would be brought to the Board. These should make a distinction between DARD funded research and external contracts.
- Research targets which are linked to performance are set for individual Project Leaders and there is an annual review of performance against targets including timing and funding targets.
- There should be a methodology in place to track performance on the targets set in the Strategic Plan.

2.1.2 The importance of research to AFBI's business and reputation was stressed and concern was expressed about some negative press reports on the recent Beef Open Day at Hillsborough. In discussion, the points were made that research at Hillsborough was conducted to high quality standards and the press reports did not reflect this. Board members who had attended the Open Day stated that it had been a very successful event and the criticisms were not justified. The point was made that AFBI research was driven mainly by the needs of the customer and the decision on what research should be done was not always in AFBI hands. In conclusion, the Board recorded its continuing confidence in the AFBI Executive and staff in relation to its research activity and performance.

2.2 Performance Measures (6.3)

A paper was tabled on Performance Measures for the AFBI Board, revised for the changes agreed at the previous meeting. The Board agreed that the revised paper could be placed on the Board website.

3. DARD Commissioning

3.1 This item arose from discussions at the previous meeting about the current state of play in AFBI's relationship with DARD as an intelligent customer.

Dr McIlroy summarised the background to the establishment of AFBI. A PAC report had criticised the lack of separation within DARD between the policy customer and the delivery of contracted scientific services. The O'Hare Review had recommended the establishment of an "*arms length*" body and development of an intelligent policy customer role within the Department.

Dr McIlroy presented a slide on DARD contractual arrangements as envisaged by O'Hare and updated members on current developments in the proposed structure and links, for example the Research and Education Advisory Panel (REAP) has been established as an "*Independent Expert Advisory Committee*" and a DARD Scientific Adviser would be recruited in the near future.

- 3.2 Discussions focused mainly on the need to maximise the opportunities for AFBI during a time when DARD structures and processes were developing post-O'Hare and to establish links with the key stakeholders in DARD and beyond. The DARD Scientific Adviser will be supported by a small unit and will need to look outside the Department for information and advice. It was important to establish a link from the AFBI Board to the Adviser. While there was some contact with REAP, the Board felt that a more formal relationship should be established. As a first step in this, Dr McIlroy was asked to seek to arrange for REAP to make a presentation to the Board and for the members of both bodies to meet.
- 3.3 It was agreed that a copy of Dr McIlroy's presentation slide and a list of the members of REAP would be sent to Board members.

4. Report from Chief Executive's Office (CEO)

4.1 Management Statement and Financial Memorandum (MSFM)

Dr Boyd reported that the MSFM had been sent by DARD to DFP for final approval.

4.2 Research & Development Contracts

Dr Boyd summarised progress across the various activities in the Chief Executive's Office. He presented a table showing the number and projected value of current Non-DARD contracts for the period 2006 to 2010, i.e. 62 contracts with a value of £2.435m. In discussion it was explained that this position was only a starting point in the process of looking at the research business that AFBI needs to double in its formative years. It must also be seen as one in a series of keeping the Board informed of AFBI research business. This indeed was a two way process and Dr McIlroy said that AFBI management welcomed advice from the Board on this important aspect of business. Mr Hogan agreed that Board members had considerable commercial and managerial expertise and they would be keen to help. The Board was also advised that there were some 30 new research projects with DARD policy people for approval and this had created a delay in the approval process. The Board concluded that the information presented by Dr Boyd showed that a good foundation was being set for future research business and the Executive was commended on the work to date.

5. Report from Business Support Unit (BSU)

5.1 Finance

- 5.1.1 Mr Dolan presented a new finance table which had been circulated to members prior to the meeting. He explained that this format for monitoring AFBI expenditure had been agreed with the Sponsor Branch. In overall terms, projected expenditure for the year shows a shortfall of £1.5m on the control total of £35.773m for net resource (i.e. excluding notional costs). The Sponsor Branch has agreed that any additional income generated can be retained without a reduction in the control figure. Mr Dolan highlighted the £600k saving on salaries resulting from the freeze on wholesale recruitment, the high spend to date on GAE which reflected up-front payments early in the financial year and additional income of £1.2m. Although the percentage spend to date on current/programme was on target, there was a projected overspend of over £3m. This has arisen because the budget allocation is a baseline figure and does not reflect the higher actual spend and in-year bids granted last year. The £1.5m shortfall could be covered by the bids on TB/BR (£400k) and VAT (£1.1m) made in in-year monitoring. The quantum of the VAT problem was uncertain and could be affected by recovery of some input VAT and lower than estimated input VAT.
- 5.1.2 In discussion, it was clear that the VAT shortfall remained the single most difficult budget issue facing AFBI. The Board reiterated its support for the AFBI management position that this was not a problem created by AFBI but was one for DFP/Treasury to address. This is also the Board's policy on the issue. While it is a book exercise in overall fiscal terms the reality for AFBI is that non-recovery of input VAT represents hard cash year on year. The Board also supported the stance that AFBI should not attempt to meet any of the VAT shortfall. Despite AFBI's considerable efforts to make savings, a potential deficit of £1.1m may arise. This situation is due to underfunding of AFBI by DARD. AFBI will continue to request the additional funding from DARD. Any savings arising from efficiencies, freeze on recruitment etc should be used to meet the Non-VAT pressures. The budget figures would therefore need to be adjusted to identify the VAT separately. On a point of clarification it was explained that the additional income of £1.2m was matched by additional expenditure as enshrined in the full cost recovery basis for charging.
- 5.1.3 On a proposal by Mr Rankin, seconded by Mr Stewart, the Board expressed its full support for the Chief Executive in maintaining the Institute's policy on the VAT issue. It was agreed that the Chairperson and Chief Executive would seek a meeting with appropriate DARD Senior Officials to discuss the issue before the next Board meeting.

5.2 Internal Audit Services

Mr Dolan reported that tenders had been received from 4 firms for the provision of internal audit services to AFBI. These would be evaluated the following day and it was expected that the new Head of Internal Audit would attend the Audit Committee meeting on 24 October 2006.

5.3 Information Communication Technology (ICT)

Mr Dolan advised that he had no new information to report on ICT developments. It was agreed that this item would be removed from the standard BSU update to the Board.

5.4 Recruitment

Mr Dolan reported that 380 application forms had been requested for the essential AFBI posts advertised recently and over 100 completed applications had been returned. The next stage is to set up the panels to select the new staff.

5.5 Pension Matters

5.5.1 Mr Dolan reported on correspondence from the Government Actuary and NILGOSC. As a result of the information provided, provision of £3m had been made in the ARINI accounts for 2005-06 to meet a financial liability in relation to the transfer of former ARINI staff. DARD would be meeting the corresponding resource outturn. This arrangement meant that, even if the liability is greater than £3m, it should not present DARD with a cash flow problem.

5.5.2 The Government Actuary Department is preparing a pack which will be sent to each employee affected by the transfer. This will set out the options in relation to the move from NILGOSC to PCSPS. The Board, in recognising the importance for staff morale and the need for assistance in making decisions on future pension, agreed that financial support should be provided to staff who wished to seek independent advice.

5.6 Risk Management

Mr Dolan said that there were no significant movements in the AFBI Board Risk Register to report to the meeting. He explained that work to address the whole risk management strategy and arrangements for AFBI was ongoing. A paper would be going to the Audit Committee meeting on 24 October 2006 and the Committee would report back to the Board at the November meeting.

6. Any other business

6.1 Board Event

6.1.1 Mr Hogan referred to previous discussion about a facilitated event to help members further develop their understanding of AFBI as an organisation, the Board's corporate goals in this and how these can be achieved. In the first 6 months of AFBI the Board has tended to operate in an "oversight" capacity and now is an opportune time to look at the Board's role in the development of its corporate goals. Mr Hogan proposed to proceed as follows:

- 15 November 2006 - conclude essential Board business within the first hour at the next Board meeting. Then move into confidential session, using Chatham House Rules, to consider where we have got to as an organisation, our corporate goals and strategies, whether these are the right ones or if they need to be refocused or changed.
- 15 December 2006 - a seminar/workshop to be facilitated by Brian Whalley, Director of Public Accountability Training Ltd.
- 20 December 2006 - a paper on the corporate aims and goals would come to the Board for approval by members (or to a future meeting if not ready).

6.1.2 The Board agreed the proposed action. Two members present will be unable to attend the event on 15 December due to previous inescapable commitments. Appropriate follow-up will be provided for those members who cannot attend the event.

7. Date of next meeting

The next meeting will be held at 10.00 am on Wednesday 15 November 2006 at AFBI Headquarters, Newforge.

Following lunch, Dr Mike Camlin and his senior staff gave a presentation of the work at Loughall and conducted a tour of the site.

Signed: _____
(Chairperson)

Date: _____