



The James Hutton Institute
BOARD MEETING
Board Room, Dundee
21 January 2015, 09:00h

- Chair:** Ray Perman (RP)
- Board members:** Julia Brown (JB)
Brian Clark (BC)
Stephen Hall (SH)
Deborah Keith (DK)
Laura Meagher (LM)
Allan Stevenson (AS)
George Thorley GT
Ian Gambles (IG) – by telephone
- Apologies:** Joan MacNaughton (JM)
Marian Scott (MS)
Alan Werritty (AW)
- Attendees:** Iain Gordon (IJG)
Colin Campbell (CC)
Beth Corcoran (BeC)
Mark Sinclair (MDS)
Bob Ferrier (BF)
- Secretariat:** Anne Pack (AP)

Closed Session

Opening remarks

RP welcomed DK and SH to their first Board meeting.

- 1 Apologies**
Apologies were received from Joan MacNaughton, Marian Scott and Alan Werritty.
- 2 Register of Interests**
LM is a Trustee of Macaulay Development Trust.
RP is a Director of the David Hume Institute.
ICG is a Director of the Forestry Commission
- 3 Minutes of the meeting held on 19 November 2014.**

The minutes were accepted as a true record of the meeting.

4 Matters arising

Item 4: Configuration of the Board.

Four members, retired from the Board in the last few months. The remaining original members of the Board are required to go by 2017. Three members will leave late 2016 and three in 2017.

It was felt the Board had done extremely well to recruit five new excellent Board members – the four who recently took up post and one who joined last year. This year, with another member leaving, there is the opportunity to recruit one more member. The Board was reminded that replacements for the Chairs of the three sub-committees should be included in the rejuvenation plan.

The next step should be a skills matrix to ensure the membership is aligned with our strategy. It was suggested that incoming members should possess skills in business, commerce, finance and science skills.

All other matters were either discharged or dealt with in the agenda.

5 Strategy Planning and Budget

5.1 CR update

- Early in 2014 it became clear that the Institute had to reduce its staff numbers as its salary bill was unsustainable. An exercise was carried out within the Science Groups, and Finance and Corporate Services (FCS). A voluntary exit scheme was established to encourage staff to come forward. The unions have been consulted throughout each phase. Fifty nine staff members left through Voluntary Exit (VE) and Voluntary Redundancy (VR). The scheme moved into a Compulsory Redundancy (CR) phase during which redundancy pools were identified, as well as areas to disinvest in. Staff members selected were scored according to pre-agreed criteria. The final panel to identify names for CR was held on 10th December. Three people were identified. One posed a reputational risk for the Institute – One has been redeployed into a project recently won. IJG has spoken with Scottish Government (SG) about obtaining funding for the third post. A decision is awaited. SG has explicitly advised that it does not wish any staff leaving under CR.

Summary position:

59 posts lost through VE/VR

1 post through CR

7 posts not replaced following retirement, leavers *etc*

The Institute has downsized by 67 posts and achieved £2.5m savings.

The relationship with the Trade Union (TU) appears to have been handled well, with no negative press reports. Controls are being implemented to stop a head-count re-growth. All recruitment applications are now considered by the Executive team at their weekly meetings. Applications must have a sound business case to support the activity in the organisation. Another measure is that new Terms and Conditions (T&Cs) for new starts has been implemented, with spot points instead of incremental steps built in. Appointments are now offered as three years fixed-term contracts.

The Institute will be judged on the success of income generation. A Plan B budget will be required in the event of a 3-5% funding reduction *per annum* from SG. External earnings must increase for the Institute to survive and grow. Senior management will invest in the infrastructure and support skills to allow staff to achieve this objective.

A number of things are currently underway to help the organisation realign itself to optimise opportunity for increasing external income. The Income Generation Strategy is about facilitating the scientists to do their jobs in realising ambition and maximising their talent. There are three important things in terms of the cultural change moving forward: one is the ITT for 2016-21 for SG funding, which is very different from previous programmes. It is much more aligned to customer needs. Another is that we are streamlining the commercial subsidiaries, bringing it closer to the Institute, and providing a mechanism for exploiting opportunities with industry. There is the peer-review of the Themes.

5.2 Financial scenarios for 2015/16 and 2016/17

two years ago it became known that the Institute was moving into an area of overspend, but the reasons were not known. Over the following year, an analysis of the science manpower was undertaken and a plan created to identify where the science effort was going. This revealed unallocated staff time-which couldn't be charged to a RESAS programme or through commercial business. Further analysis revealed staff involved and provided the basis for areas to be looked at under VE. At the same time, the Income Generation review was identifying areas to grow.

With the approach of the ITT, discussions took place with SG on a monthly basis about finance, and-on a three-weekly basis to talk about science. As a result of increased interaction there is a better understanding between the Institute and its main customer, SG, on income generation.

£ in summary, the Institute had hazy financial information two years ago, and that we are now much better informed. In March 2014 the Board decided the Institute had to do something about its unsustainable salaries figure, and it supported the implementation of a VE/VR/CR scheme.

- It was felt that the Institute's future over the next two years is uncertain in many ways. The challenge is of addressing a profitable, successful future.

5.3 Proposal for revised KPIs

The Audit & Finance (A&F) committee requested a draft of a revised set of KPIs, for comment and agreement to the Board. The Board provided initial comments on what it would like included/excluded. The Institute's KPIs will subsume the subsidiary's KPIs. a contract pipeline was requested; contracts secured, applied for, proposals to funding bodies, expected outcome, *etc.* to help predict probably successes medium-long-term. It was felt there were too many KPIs and questioned whether some of the annual events, such as Potatoes in Practice, were KPIs. It was suggested a subset of KPIs could be added on a separate page, showing dates and targets, graded red, green and amber.

5.4 Organisational Change Programme

The Institute faces relationship challenges, and it is critical that all effort goes into incremental growth.

It was agreed the programme needs to link outputs from various reviews – Science Group *etc.*

Individuals need to engage and consider how they could be part of the programme. Successful external income earners could mentor and teach the less successful earners. Theme Leaders are currently challenged with mentoring staff to realise opportunities.

5.5 RESAS Programme

The Institute will tender for the 2016-21 programme. There are a broad range of things within the portfolio that the Institute would like to capture. This is an opportunity to enforce

the Hutton brand and demonstrate a degree of forward look to help position the Institute. the bids are subject to external review, and although there may be competition between the MRPs there is some joint preparation for the bids.

6 Regular reports

6.1 Chief Executive

This report was received for information.

There was a discussion about the Institute's activity in China. It was felt that getting funding out of China was notoriously difficult and that the sums involved are relatively small. a number of projects are being developed, but a strategic decision needs to be made on our involvement in China.

6.2 Finance Report

BeC reported that the Institute had just received £0.5m in capital funding. The Institute is still running at a £300k deficit.

BeC highlighted that Period 9 accounts have just been produced. MSC achieved less than originally forecast due to falling oil and gas prices. DK asked if the financial targets for MRS and MSC were available. BeC said the business plans would be included in the induction documentation on 17th March.

AS requested more detail on costs in the Finance Report and the CEO Report. For example on page 14 of the CEO report, costs for refurbishment of the farmhouse at Hartwood are 4 or 5 times higher than initially predicted. AS would like more transparency on Hartwood. AS asked for detail on what the £500k for capital from SG is being spent on. BeC said that she would include capital list in future.

DK asked what happens in the event of overspend. BeC said that this comes out of reserves. The Board approved an overspend earlier this year.

MDS highlighted that under agri-renewables, solar panels had been installed at Glensaugh. MDS is also working with Dundee City Council on agri-renewables initiatives. Business cases will come to the Board once approved by the Executive.

7 Minutes of sub-committee meetings since last Board meeting

7.1 ACS – 18 November 2014

The minutes of the ACS meeting held on 18 November 2014 were received for information. BeC said that the Science Group reviews had been concluded and that good news stories from Communications are awaited. The Themes Review takes place 9th – 12th February. BC made a strong plea to the Board to read the documentation. He gave thanks to David Miller, BF and AP for bringing it all together.

7.2 Audit & Finance

AS said that there had been a meeting in December and that the draft minutes would be provided for the next meeting. Internal auditors, Henderson Loggie, have a three year mandate for reporting on ongoing audits. He said this was an important role and tool for management to address weaker areas. They are carrying out a corporate governance audit. External auditors, Johnston Carmichael, are on their second three year term.

7.3 Nominations & Remuneration

GT said the next meeting will take place before the next Board meeting at which the following items will be discussed:

- CEO appraisal
- Recommendations for timetable for appointment of chair
- Board replacement schedule for six members of the Board

8 Minutes of commercial subsidiary meetings

8.1 James Hutton Ltd

The minutes of the meeting held on 15th October were received for information. AS said that the last meeting was held in December, but that the draft minutes were not yet available. The meeting focused on the merger of the two commercial subsidiaries which will be complete by end March. Customer management of the legacy subsidiaries are being carefully handled.

It was likely that MRS's figures would be on or over budget this year. MSC is expected to have a revenue downturn due to the decline in North Sea oil prices,

9 Other reports

9.1 Media Digest

This was received for information.

9.4 Health & Safety

This was received for information.

10 AOB

The Chair encouraged members to consider moving to receiving and using electronic versions of board papers to relieve the burden of paperwork to the Board.

Dates of meetings in 2015:

March 18th Dundee, followed by Health & Safety session 13:30 – 15:30 [Induction 2-4pm 17th]

May 20th Aberdeen

July 22nd Dundee

September 23rd Aberdeen

November 18th Dundee