



Minutes of the meeting of the Agri-Food and Biosciences Institute Board
held at
AFBI, Crossnacreevy
on Wednesday 16 August 2006 at 10.00 am

Present :

Board Members

Professor David McDowell, Deputy
Chairperson
Dr Michael Hollywood
Dr Christine Kennedy
Mr John McKinley
Professor Stewart McNulty
Mr James Noble
Mr John Rankin
Mr Jim Stewart
Mr Michael Walker

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

Apologies : Mr Sean Hogan, Chairperson
Mr Kieran Campbell
Mr Nicholas Mack
Professor Grace Mulcahy
Mr Stephen Dolan

Professor McDowell, in welcoming members to Crossnacreevy, explained that this was part of a planned series of visits to all AFBI sites over the next year. He was pleased to chair the meeting in Mr Hogan's absence. The programme for the day included a presentation on the work at Crossnacreevy and a tour to see the field trails currently underway.

1. Minutes of the meeting held on 21 June 2006

The minutes of the meeting held on 21 June 2006 were agreed subject to the date in the first sentence of Item 1 being changed to 17 May 2006.

Matters arising

2.1 Power of Direction Notices (2.2)

Professor McDowell reported that the Notices had been signed by DARD Permanent Secretary and the AFBI Board Chairman and had issued to DCAL and FSA on 23 June 2006.

2.2 AFBI – QUB Memorandum of Understanding (MOU) (3.1)

2.2.1 Dr Boyd reported that the MOU had been finalised and signed by QUB and the AFBI Chief Executive. The points raised in the previous Board meeting had been addressed in the final document. In the case of the MOU with the University of Ulster, a further draft was awaited from the University.

2.2.2 Members discussed wider issues in relation to AFBI's contract research activities and its role in planning and delivering an emergency response. A number of comments and points were made in discussion:

- (i) MOUs with universities are a general framework which establishes a partnership and the relationship with an institution. They cannot be totally prescriptive or cover all eventualities.
- (ii) AFBI is an emerging Institution for which the earning of external (non-DARD) funding is a key driver. At the same time it needs to have an effective emergency response capability.
- (iii) There are inevitable tensions and conflicts between the legislative requirements, the need to complete contracted work, what should be considered as force majeure (e.g. epizootic disease is not) and DARD's perception of whether AFBI can handle an emergency response in the face of competing contract work. An emergency response would be by Ministerial Directive and DARD would bear the cost of any compensation payments that might arise if other non-DARD contracted work had to be stopped.
- (iv) While AFBI has yet to deal with a real emergency, this should not prevent ongoing consideration and planning for such a situation. AFBI has representation on and direct input to the DARD contingency planning to the highest level and has its own Contingency Plan in place. The CEO has an ongoing communication link with the DARD Permanent Secretary's Office. There is an integrated governance approach with AFBI fully in the loop.

- (v) AFBI is clear on its responsibility within the overall provision of an emergency response in relation to each type of animal disease.
- (vi) AFBI has its own contingency plan and crisis management team. AFBI will hold internal exercises to practice its response to an emergency situation. Board members felt that these exercises should be held on a regular basis and that the Board should see the conclusion from the exercises. Also, that the emergency response role is a unique part of AFBI activity and the Board would wish to be kept informed of developments.

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

3.1 Management Statement and Financial Memorandum (MSFM)

3.1.1 Dr Boyd reported that the draft of the MSFM is expected to be received from DARD shortly. There had been a delay because a new Supply Officer in DFP had raised some questions. DARD also had a few points to clarify. The version from DARD should have only minor changes to that already seen by the Board. Dr McIlroy reminded members that this was a working document which would be open to review as the working relationship with DARD developed. He advised the Board of current tensions with the Sponsor Division because of its initial tendency to micro manage some aspects of AFBI. The issue had been discussed at a meeting with the Sponsor Division the previous week in an agreed attempt to establish the "arms length" of the new and developing relationship between the DARD Sponsoring Branch and the Institute. Dr McIlroy wished to draw the Board's attention to this issue but was not asking the Board to take any action at this stage. The AFBI Board has the right to review the document in the future. In discussion on the role of the Audit Committee in this process, it was agreed that the Committee would keep a watching brief on the implementation and operation of the provisions of the documents and how AFBI was meeting these.

3.2 Other activities of the Chief Executive's Office

3.2.1 Dr Boyd referred to continuing work on developing and managing research contracts, including a comprehensive database of all contracts, and on a Marketing Strategy for AFBI. While there is an ongoing income stream for external and collaborative contracts, the longer-term target is to double the income over the next few years. Income is also earned on R & D from DARD. There was a backlog of some 20 research proposals that were currently being considered by DARD.

3.2.2 The following comments and points were made in discussion:

- (i) It is important to meet the challenge of increasing income. There is an NIAO-approved contracts database in place and it is the intention to bring this information to the Board at the appropriate time. The proposals for a Marketing Strategy will also be brought to the Board.
- (ii) A financial rewards scheme has been drawn up and this will be brought to the Board for their consideration shortly. This scheme will encourage staff to maximise external funding. Concern was expressed that staff should not be penalised because they were working in non-research areas, e.g. statutory analytical and diagnostic. A substantial amount of R & D is generated by this work and any rewards scheme should recognise this. It was important to have an effective performance management system in place to address these issues.
- (iii) It is important for AFBI to have the freedom to manage this substantial commercial aspect of our business. There may be a case for seeking special powers, as the Ports have, outside the usual DFP criteria.
- (iv) It is recognised that the business of contract work is critical to AFBI's sustainability. AFBI's performance in this aspect is important and sends out a positive message to the industry. Information on performance management and on how budgets are being used to meet that performance should be made available.

3.2.3 It was agreed that the Board would not be involved in operational matters. That is for the Executive to manage. The Board should provide the strategic direction, questioning whether the appropriate strategic approaches are being taken, for example in marketing. The Executive should provide the Board with the confidence that the mechanisms and processes are being managed in the most effective way.

4. Report from Business Support Unit (BSU)

In Mr Dolan's absence, Dr Mcllroy presented the report.

4.1 Finance

4.1.1 Dr Mcllroy explained that Health and Education were the only sectors to have successful bids in the June monitoring round. DARD did not succeed in any of its bids, including those for AFBI. The position is therefore that AFBI is facing total pressures and a budget deficit of some £2.9 million in the 2006-07 financial year. The likelihood that

June monitoring could be problematic had been flagged up at the June Board meeting. However, a budget shortfall of the magnitude now shown could not be sustained. The issue had been raised at a meeting with the Sponsor Division the previous week and an options paper detailing the impact on AFBI's work will be prepared. Each of the three main Divisions have been asked for options papers.

4.1.2 The experience of in-year monitoring is that resources to meet bids are normally not released until later monitoring rounds. For AFBI, the September round is now critical. If bids are not met the Institute will have financial problems before December. The issues, and the full backing of the Board for the bids, will have to be spelled out in the September submission. Dr McIlroy also alerted the Board to the bigger political picture in which monitoring was being managed this year and the potential treatment of financial pressures.

4.1.3 The question of the difficult resource position leading to a breach of the Corporate Plan was raised. The Sponsor Branch has accepted that the Strategic Plan, which the Board has already seen and noted, will be accepted as the Corporate Plan. A Business Plan for 2006-07, including business links to budgets, will be brought to the September meeting of the Board. Any risk to achieving the Plan will be highlighted in the AFBI Risk Register. The point was made that the current year from 1 April 2006 should be considered as the shadow period. Another point raised referred to the accountability of the Board for meeting the Institute's financial responsibilities. In this, it would be helpful to have a projected expenditure profile against budget on which action could be taken and the Minister informed at the appropriate time.

4.1.4 The Board agreed that an options paper would be brought to the September meeting. The September monitoring submission should express the acute concern of the Board that the bids need to be met if the Institute is not to run out of money.

4.2 **Risk Management**

Dr McIlroy presented the Risk Register Report to the meeting and highlighted the Risks relating to Sponsor Division's management approach to AFBI and budget deficiency which had already been discussed. He also pointed to the improved position in relation to the DARD payments system. In response to a question, Dr McIlroy explained that the "*red light*" ranking of a number of risks did not indicate a continuing worsening position. The Board were content with reporting of risks on an exception basis as demonstrated in the Risk Register Report.

4.3 **Provision of Internal Audit Services**

Dr McIlroy reminded members of DARD's agreement to AFBI appointing its own internal auditors and to DARD Internal Audit acting

in a quality assurance role. DARD and the NIAO had signed off the Terms of Reference for the proposed AFBI Internal Audit Service and Central Procurement Directorate were proceeding with tendering. The AFBI Internal Audit Service is expected to commence in late September. It was suggested that AFBI's liability for VAT was one issue which the new AFBI Internal Audit should be asked to look at.

4.4 DARD ICT Services to AFBI

Dr McIlroy reported that a SLA had been signed with DARD Information Services Branch (ISB) guaranteeing the services to be provided to AFBI. ISB are currently considering a proposed upgrade of the AFBI network. The Board will be kept informed of developments.

4.5 AFBI Recruitment Procedures

Dr McIlroy advised members that the NICS Recruitment Service would not provide ongoing Recruitment Services to AFBI. The Institute had therefore procured through competitive tender an external Recruitment Service. A number of recruitment competitions are progressing.

4.6 Pension Matters

Dr McIlroy reported that the issue of financial liability in relation to the transfer of former ARINI staff to the Principal Civil Service Pension Scheme (PCSPS) was ongoing. AFBI contended that any liability to meet a funding deficit lay with DARD. AFBI has instructed the Government Actuary Department (GAD) to seek a quotation from NILGOSC on the amount they are prepared to transfer to the PCSPS. This will enable GAD to calculate the liability. The point was made in discussion that AFBI should not be liable for any deficit incurred before 1 April 2006. An update on the position will be presented at the next meeting when consideration will be given to whether it would be helpful for the Board to put a letter into the system.

5. Audit Committee meeting on 27 June 2006

- 5.1 Dr Hollywood referred members to his note and draft minutes of the Audit Committee meeting held on 27 June 2006. The Committee had debated whether to send the minutes to the Board at draft stage and had concluded that draft minutes would be helpful in keeping the Board informed and in facilitating early consideration of the issues and views by the Board. The meeting on 27 June had been positive and constructive and the Committee had been pleased with the NIAO attitude and contribution to the Committee's work which pointed to a pragmatic, helpful and positive relationship.

Dr Hollywood invited comments and questions on the developments.

5.2 Members welcomed the thorough and effective structures which had been established for this most important sub-committee of the Board. This gives assurance to the Board and Dr Hollywood was complimented on his work in setting up the Committee. The point was made that the Audit Committee was a key interface with the Executive team who will, in turn, be ready to respond with whatever information or material is needed. The early engagement with NIAO was a positive and welcome move.

6. Any other business

6.1 Board Event

The Board discussed the seminar on Public Accountability which 5 members had attended on 5 July 2006. Those who attended felt that it was an excellent event. In particular, the issues raised in the formal sessions had prompted informal discussions among the Board participants which had been very worthwhile. They proposed that a facilitated discussion using the same material for the whole Board would be a useful exercise. The point was made that it is common practice for Boards to have an “away day” in which issues such as roles, responsibilities, future programme, governance, etc. could be discussed. The Executive might also participate. The Board agreed in principle to holding an event for members. The Chairman and Executive should consider an appropriate format and arrangements and bring a proposal to the Board.

6.2 Board Meetings and Visits

In response to concerns expressed by some members, the Board discussed the arrangements for the visit to Agriculture, Food and Environmental Sciences Division in Newforge following the meeting on 21 June 2006. Because the Board meeting ran late and the need to fit in with the lunch arrangements, the programme for the visit had to be severely curtailed at the last minute. It was felt that this was unfair to staff who had put a lot of effort into preparing the presentation of their work and gave the impression of a lack of concern by the Board. It was agreed that we should try to rearrange a Board visit to the areas which had missed out on 21 June.

6.3 Action by Members

Prof McDowell reminded members to return their completed forms for Code of Practice and Register of Interests to the Board Secretariat.

7. Date of next meeting

The next meeting will be held at 10.00 am on Wednesday 20 September 2006 at AFBI Headquarters, Newforge.

Following lunch Dr Mike Camlin and his senior staff gave a presentation and overview of the work at Crossnacreevy and led a tour of the site.

Signed: _____
(Chairperson)

Date: _____