

**Minutes of the Meeting of the  
Agri-Food and Biosciences Institute (AFBI) Board  
held at AFBI Hillsborough  
on Thursday 12 September 2019 at 9.30am**

**Present – Board Members**

Mr Colin Coffey, Chair	Dr Michelle Costello-Smith	Ms Joan Houston
Mrs Roberta Brownlee	Ms Theresa Cullen	Mrs Maureen McKeague
Mr Ian Buchanan	Mrs Fiona Hanna	Mrs Sharon Smyth
Ms Kate Burns	Dr Richard Horton	Mr Richard Solomon

**In Attendance - AFBI Executive**

Dr Stanley McDowell, Chief Executive Officer  
Mrs Josephine Kelly, Director of Finance and Corporate Affairs Division  
Dr Elizabeth Magowan, Director of Sustainable Agri-Food Sciences Division  
Dr Alastair Douglas, Acting Director of Veterinary Sciences Division  
Mr Conor O'Neill, Head of Finance  
Dr Eileen Stewart, Head of Emergency Planning, Safety and Estate Branch (Item 13)

Mr James Adams, AFBI Secretariat

**AFBI Board Apprentice**

Mr Alan Wilson

**Visitors**

IP & Licensing Manager, Queen's University Belfast (Item 12)  
Ms Alison Caldwell, Director of DAERA Estate Transformation Division (Item 13)

**1. Welcome and Introduction ACTION**

The Chair welcomed everyone to the meeting, in particular Mr Alan Wilson who was attending his first meeting as the AFBI Boardroom Apprentice.

**2. Apologies**

There were no apologies to record.

### **3. Conflict of Interests/Register of Interests Declaration**

**ACTION**

Mr Solomon informed the Board that a close relative is employed by a legal firm which operates in the area of Intellectual Property but confirmed that the close relative is not involved in any cases relating to AFBI. The Board thanked Mr Solomon for bringing this to the Board's attention but based on the declaration, did not consider this a conflict of interest and was content to proceed. However, should circumstances change, Mr Solomon was asked to alert the Board if he felt that there could be a perceived conflict of interest in the future.

### **4. Draft Minutes of the AFBI Board Meeting held on 27 June 2019**

The draft minutes from the AFBI Board meeting held on 27 June 2019 were approved as an accurate reflection of the business conducted at the meeting.

#### **4.1 Action Sheet from AFBI Board Meeting held on 27 June 2019**

The Board noted the progress against actions as per the action sheet subject to the following:

##### **4.1.1 *Duty of Care / Work Life Balance***

Ms Cullen advised the Board that issue will be placed on the agenda of the next Organisational Development & Human Resources Committee meeting.

**ODHR**

### **5. Chair's Remarks**

The Chair informed the Board that he had held a number of engagements with stakeholders which included the following:-

- Attended his quarterly meeting with the DAERA Permanent Secretary and discussions included the DAERA Science Transformation Programme and the provision of AFBI costing information to DAERA;
- Attended the Estate Transformation Workshop and highlighted the importance of AFBI to the NI Agri-food sector;
- Attended his first informal quarterly meeting with the DAERA Deputy Secretary, Mr Brian Doherty and held positive discussions around operating as an Arm's Length Body;
- Met with DAERA's Head of Food and Farming Group and the Chief Veterinary Officer (CVO) and held positive discussions around science strategy.

- Met with Prof Nigel Scollan, Queen's University Belfast, on a number of occasions to discuss advancing the AFBI/QUB Alliance. Further meetings have been scheduled to discuss delivering outcomes; **ACTION**

Based on his experience of these engagements, the Chair encouraged the heads of the Board Sub-Committees to also meet with relevant internal stakeholders, along with Executive representation if they felt it appropriate, to discuss matters first hand.

The Chair also informed the Board that he is continuing to arrange semi informal meetings with key external stakeholders and these are expected to take place in the coming months.

In relation to the appointment of a Deputy Chair, the Board were advised that the process has commenced although it is unlikely that the post will be filled until April 2020. The Chair also advised the Board that he has commissioned the development of a skills matrix of Board members which he feels will better enable any future gaps in the Board's knowledge base to be identified thus enhancing succession planning.

## **5.1** Board Apprentice – Letter from N Kilmartin

The Board noted the letter of thanks to the Chair from the previous Board Apprentice Mrs Nuala Kilmartin. The Board were pleased that she had found the experience valuable and wished her every success for the future.

## **5.2** Board Members Performance Appraisals 2018/19

The Board noted the summary report and the completion of the Board Members Appraisals for 2018/19 and that no significant development requirements were identified during the process.

## **6. Executive Report**

The CEO presented the Executive Report and highlighted a number of points including the monitoring of science delivery, AFBI's role in detecting African Swine Fever nucleic acids in illegally imported food products which was recognised in national press, requirements of the Animals (Scientific Procedures) Act 1986, organisational change and the ongoing mitigation measures regarding the potential effects of the UK Exit from the EU in a no-deal scenario. In terms of potential issues with leaving the EU, the Executive was asked to divide these into short term, medium term and strategic issues in future reports. **Exec**

In looking at organisational structure a wider discussion ensued on attraction and retention of staff. While some factors have been determined by the current labour market, it was felt that more could be done to promote the work of AFBI to external stakeholders. As an initial step it was agreed that the Board would be provided with an update on AFBI's Communications Strategy at its October meeting.

**ACTION**

**Exec**

## **7. Finance**

### **7.1 Finance Update**

The Executive presented the finance update which following the June monitoring round and AFBI's forecast outturn position reflects an underspend of £401k. It was noted that this report had also been presented to the Finance & Business Strategy Committee meeting on 23 August 2019.

Mrs Kelly highlighted the need to provide costing information to DAERA as a matter of priority as touched on in the Chair's remarks. This is a highly complex issue but efforts are being directed to progress this matter using the current Strategic Cost Model to update costings. Unit costing and benchmarking reports are to be provided to DAERA by 31 October 2019. An initial meeting has taken place to consider alternative costing approaches and to agree high level principles. Further discussions on the matter have also been planned and a paper on this is expected to be provided to the Finance & Business Strategy Committee in due course.

**Exec**

### **7.2 Royalties Update**

The Board noted the paper on the ongoing issues regarding the AFBI vaccine royalty income and the potential impacts this may have on AFBI's accounts, budgets and cash requirements.

Members were aware through the finance reports and updates that an amount of £7 million had been accrued throughout the Financial Year 2018/19 based on the projections and expert advice from QUB. The accrued amount had been based on what QUB consider as a conservative analysis of the projections. The QUB more recent conservative projections reinforced the earlier projections that had been used in the preparation of the Accounts. It was noted that while the projections were based on a number of assumptions, QUB had engaged a patent attorney over the summer to review patent dates and key information.

It was also highlighted that DAERA had been provided with information and the rationale for the £7 million accrual both during the 2018/19 financial year

and in the subsequent preparation of the Annual Accounts. They had also received regular updates during the year as non-payment of the royalty income had an impact on the 2018/19 cash requirements and VAT liabilities. DAERA further agreed that the cash requirements for 2019/20 be adjusted to reflect the potential impact of the non- receipt of this income. The royalties issue had also been discussed in Accountability meetings as a corporate risk.

## **ACTION**

Mrs Kelly advised that NIAO were being given backup papers and financial projections in relation to accrued income as part of the annual external audit process. While the audit had not yet concluded NIAO had signalled that they were very concerned that the royalty income or reports had not been received from Boehringer Ingelheim (BI) at this stage of the audit. For this reason they were considering a potential qualification of the accounts due to insufficient documentation from BI or payment from BI. AFBI continues to engage with QUB to obtain as much external independent evidence from QUB as the patent experts before the audit concluded. DAERA was being kept informed of the external audit position.

Following a detailed discussion that gave a complete briefing on all aspects, the Board noted the current recommendation to leave the accrued income position unchanged in the accounts. The Executive continue to gather as much evidence as possible to support the position taken. The Board were also content that key stakeholders had been, and will continue to be, kept fully abreast of the latest developments. It was also noted that inventors will be issued with a further update on the current position.

While expecting to receive the income, the Executive indicated the potential implications of non-payment of royalties on this year's financial position and asked the Board to consider whether or not in-year spending should be reduced. Given the potential implications of stopping work programmes and considering DAERA's adjustment of the cashflow requirement, the Board was content to approve continued spending by the Executive in line with current work plans pending further clarification and monitoring round outcomes.

## **8. Governance**

### **8.1 Risk Management**

#### **8.1.1 *Reports of New or Emerging Risks***

There were no reports of any new or emerging risks.

<b>8.1.2</b>	<u>AFBI Corporate Risk Register – June 2019</u>	<b>ACTION</b>
	<p>Mrs Kelly informed the Board that the AFBI Corporate Risk Register dated June 2019 was in the process of being updated and will include more consideration of the AFBI financial situation and the impact of the UK Exit from the EU under a potential no-deal scenario.</p>	
	<p>The Board was content to note that a revised register will be presented to the Audit and Risk Assurance Committee in October.</p>	<b>Exec</b>
<b>8.2</b>	<u>Whistleblowing</u>	
<b>8.2.1</b>	<u>Reports of New or Ongoing Cases</u>	
	<p>The Board were made aware of two cases of whistleblowing which are currently under investigation. Mrs Kelly and Dr Magowan will provide a further updates on the respective cases to the Audit &amp; Risk Assurance Committee and Board in due course.</p>	<b>JK/EM</b>
<b>8.3</b>	<u>Fraud</u>	
<b>8.3.1</b>	<u>Reports of New or Ongoing Cases</u>	
	<p>There were no new cases of potential fraud to report.</p>	
<b>9.</b>	<b>Equality Scheme</b>	
<b>9.1</b>	<u>Revised 5 Year Review of AFBI's Equality Scheme 2013-18</u>	
	<p>Due to time pressures the Board deferred this item until its October meeting.</p>	<b>Sec</b>
<b>10.</b>	<b>Health &amp; Safety</b>	
<b>10.1</b>	<u>Reports of New or Ongoing Cases</u>	
	<p>The Board was made aware of one incident which occurred on the VSD site which resulted in the temporary suspension of work in that area. Close liaison with DAERA senior officials took place and the matter was reported to the Health &amp; Safety Executive NI under Reporting of Injuries Diseases and Dangerous Occurrences Regulations (RIDDOR) and in line with appropriate guidance. The matter has now been resolved with operations having resumed within the work area.</p>	

<b>10.2</b>	<b>AFBI Health &amp; Safety Policy</b>	<b>ACTION</b>
	Due to time pressures and the need for further consideration, the Board deferred this item until its October meeting.	<b>Sec</b>
<b>11.</b>	<b>Minutes of Board Sub-Committees</b>	
<b>11.1</b>	<u>Draft Minutes from the Audit and Risk Assurance Committee Meeting held on 25 June 2019</u>	
	The Board noted the draft minutes from the Audit and Risk Assurance Committee Meeting held on 25 June 2019 and that the Chairs of AFBI and DEARA ARAC committees had met in September.	
<b>11.2</b>	<u>Draft Minutes from the Finance and Business Strategy Committee Meeting held on 23 August 2019</u>	
	The Board noted the draft minutes from the Finance and Business Strategy Committee Meeting held on 23 August 2019.	
<b>11.3</b>	<u>Report from the Organisational Development &amp; Human Resources Committee held on 3 September 2019</u>	
	Ms Cullen highlighted that the Committee had begun discussions on approaches to take regarding the development of AFBI's People Strategy and how this is a wider piece of work that should relate to staff and encompass areas such as culture and change management.	
<b>11.4</b>	<u>Report from the Science Strategy Committee Meeting held on 5 September 2019</u>	
	Ms Burns highlighted that the Committee plans to hold detailed discussions on the development of AFBI's Science Strategy. It is felt that this is key when taking account of the organisational change within AFBI, the DAERA Science Transformation Programme and the need to enhance AFBI's reputation through peer reviews, communication and branding.	
<b>12.</b>	<u>QUB Royalties Update</u>	
	The Chair introduced, the Intellectual Property (IP) & Licensing Manager from the Queen's University of Belfast (QUB). Under a 1998 research and licensing agreement between (QUB), University of Saskatchewan (USK) and Merial SAS (now owned by Boehringer Ingelheim (BI) (the 1998 Agreement) patent royalties are paid to QUB and USK (together "the Universities") by BI.	

Under a separate 1999 Memorandum of Agreement between QUB and the Department of Agriculture of Northern Ireland (now DAERA) (the 1999 Agreement), QUB is due to pay to AFBI any royalties which it receives from BI less a QUB management fee.

The QUB representative gave the Board a detailed overview in relation to a royalty bearing patents and updated attendees on work and ongoing discussions regarding income recognition.

He highlighted in his presentation that based on records and expert advice QUB considered that income from both patent and non-patent royalties were due and that he had provided AFBI with conservative estimates of the amount due from valid patents, based on a number of assumptions.

He also gave the Board a background to the royalty agreements and current position. It was noted that payments of royalty receipts had not been received from BI by the normal reporting dates and this was due to an issue with non-patented territories. BI have indicated that they consider that there may have been an overpayment in relation to non-patented territories and wanted time to review the position. QUB had sought updates and communication with BI since January 2019 BI and this had proved difficult.

He outlined potential ways forward if payments were not forthcoming shortly from BI.

Following a question and answer session, the Chair thanked the QUB representative for giving his time to update the Board which had been very informative.

Following the presentation, EMT explained that they would consider the details contained in the presentation and assess and investigate any impacts or points for further consideration particularly as the figures provided were for different financial year dates to those of AFBI.

**Exec**

### **13. DAERA/AFBI Estate Presentation**

Ms Caldwell provided the Board with a high level presentation which covered the components of the DAERA Estate, the Estate Transformation Division and the key AFBI estate related issues.

In terms of the DAERA Transformation Division, Ms Caldwell highlighted a number of large capital projects including the Animal Health Sciences Building at VSD and CAFRE developments at its Greenmount and Loughery sites. While



the DAERA Science Transformation Programme will inform matters, a lot of **ACTION** groundwork can be undertaken in the short-term such as seeking approval of business cases and progressing planning permission and site access requirements.

In response to a question on funding for future years, it was accepted that this is uncertain but that it is important to prioritise and have projects ready should funding be available. Dr Stewart also highlighted that future projects may not always deliver financial efficiencies once, Health & Safety, new technologies and additional complexities have been taken into consideration.

The Chair thanked Ms Caldwell for presenting to the Board which had been very useful and pertinent.

**14. Any Other Business**

There were no additional items of business.

**15. Review of Board Meeting Effectiveness**

The Board was content that the meeting had been effective and that outcomes had been achieved.

**16. Date of next meeting – 24 October 2019**

The next AFBI Board meeting will take place on Thursday 24 October 2019.

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

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