



Minutes of the meeting of the Agri-Food and Biosciences Institute Board
held at
The Agriculture and Food Science Centre, Newforge Lane
on Wednesday 21 June 2006 at 10.00 am

Present :
Board Members

Mr Sean Hogan, Chairperson
Mr Kieran Campbell
Dr Michael Hollywood
Dr Christine Kennedy
Mr Nicholas Mack
Professor Stewart McNulty
Professor Grace Mulcahy
Mr James Noble
Mr John Rankin
Mr Michael Walker

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

Apologies: Professor David McDowell
Mr John McKinley
Mr Jim Stewart

1. Minutes of the meeting held on 17 May 2006

The minutes of the meeting held on 17 May 2006 were agreed subject to the following changes:

In Attendance: Dr George Mcllroy, Chief Executive should be recorded as having attended the meeting.

Item 4.2 – First bullet point: the first sentence should be revised to read, "*The question of Board access to the Intranet was raised*".

Item 4.2 – Last bullet point: this should be revised to read "*While reports to the Board on marketing, contracts etc were to be welcomed, the Board needs to be clear on its strategic role in managing AFBI business as distinct, generally, from operational matters*".

Item 5.1.4: The last sentence, “*The point was also made that any liability arising from trading difficulties by a company would rest with the AFBI Board.*” should be deleted.

2. Matters arising

2.1 Management Statement and Financial Memorandum (MSFM)

Dr Boyd reported that the draft MSFM is expected to be signed off by the DARD Departmental Board at its meeting on 3 July 2006. The agreed documents should be available for the next meeting of the AFBI Board.

Dr McIlroy explained that Jackie Bliss, Non-Executive Director, had some queries on the documents and these had been resolved. He was encouraged by DARD’s acceptance of the MSFM as working documents and by the positive engagement with the Sponsor Branch in processing them.

2.2 Power of Direction Notices

Mr Hogan reported that he had just received the Power of Direction Notices from the Sponsor Branch. He would now sign and return these to DARD for issue to DCAL and the FSA.

3. Report from Chief Executive’s Office

3.1 Draft AFBI – QUB Memorandum of Understanding (MOU)

3.1.1 Dr Boyd presented the draft MOU which would form the collaborative basis of the relationship with QUB for submission of applications for and management of research contracts. He explained that there were some differences to the UU model brought to the Board in April which reflected the different relationship that AFBI had with QUB. The document had been cleared by AFBI lawyers. Dr Boyd noted a number of features in the MOU, including the force majeure clause (12.11) and the QUB administrative and management charge (5.5). He highlighted the importance of the relationship with universities in securing funding for research work which an NDPB could not access in its own right.

3.1.2 Dr McIlroy referred to the significant areas of research funding available through the university route. This collaboration provided a basis where both participants (AFBI and the university) would be winners. While there would be variations in the MOUs with different universities, there would be an even-handed approach to all in undertaking research and in honouring contracts. Dr McIlroy noted that, while the MOU would be the template for working with universities, individual contracts would be drawn up and signed for each research project.

3.1.3 A number of comments and points were made in discussion:

- (i) The force majeure clause did not include epizootic disease. Dr McIlroy explained that the inclusion of disease would put the onus for breaking a contract on AFBI. The position is that an emergency response in relation to disease would be by Ministerial directive to AFBI and therefore DARD would carry the responsibility and any resulting compensation payment if a contract was broken in these circumstances. The advantage therefore lay in excluding disease from force majeure.
- (ii) The term "*Institute of Agriculture, Food and Land Use*" in the MOU in relation to conduct of research by QUB was not restrictive. The collaborative arrangements are with the university as a body.
- (iii) Tendering and costing in relation to research contracts would be on the basis of full economic costs. AFBI has to operate within the fees and charges guidelines which are on a full cost recovery basis. This is in line with how other research institutions operate which should ensure that AFBI will be competitive. AFBI needs to recover the real cost of its work and show DARD that they are not subsidising some of the costs.
- (iv) The question was raised if there was a conflict between 3.4.4 and 4.2 of the memorandum. If QUB was sub-contracting work to AFBI, this was inconsistent with recharging of AFBI employees to AFBI and QUB doing the work. Dr Boyd agreed to check this point.
- (v) Concern was expressed that the IPR provisions could lead to a delay in publication of the research results.
- (vi) This whole area of research collaboration with universities was being handled in an open and even-handed way. Meetings had been held with QUB and UU and similar MOU's would be agreed with other universities. AFBI would be acting in partnership with a university on the basis of an agreed contract for each research and no university would have an advantageous relationship with AFBI.
- (vii) The time taken to finalise the MOU would not lead to a loss of any commercial contract.

3.1.4 In welcoming the comments, Dr McIlroy said that this was a new area of operation for AFBI. He felt that, if the Board signed off the document in principle, it would be worthwhile reviewing the arrangements in, say, 6 to 12 months after contracts were in place to measure the impact on the operation of the research activity.

4. Report from Business Support Unit (BSU)

4.1 Finance

4.1.1 Mr Dolan presented a table on financial forecasts which in overall terms projected a budget deficit for AFBI. The salary estimate was based on current monthly spend which had remained steady in April and May. While salaries showed a saving of £1.5m against budget, this would be reduced by staffing changes as shown in the note to the table. These were pressures on consumables and there was no budget provision for maintenance costs which AFBI will have to meet. The actual position will not be clarified until the outcome of the June monitoring round is known; although the indications were that the shortfall (£1.1m) on VAT would not be met. DARD services, including leases, was one area where there might be scope to reduce costs. Internal Audit would be asked to review these services. Mr Dolan said that he would bring a demo of the costing system to a future Board meeting.

4.1.2 In general discussion about budget responsibility and management, it was clarified that AFBI did not hold a capital works budget and did not have to meet the cost of Lamont Building at VSD. The position is that DARD holds the land and buildings assets and AFBI lease them. Notwithstanding this, Dr McIlroy warned that the capital allocation process needed to be watched carefully to ensure that AFBI is not squeezed out of future developments in relation to both new projects and those already in the pipeline.

4.1.3 Estates and project management were raised as important aspects. AFBI has an Estates Branch which includes a qualified engineer, the use of relevant DARD staff and regular meetings are held with DARD Facilities Management Branch. An effective system of project management is in place which involves Central Procurement Directorate (CPD) as project manager and a Project Board. The whole area of AFBI use of sites and buildings needs to be kept under review as an ongoing process.

4.2 Risk Management

Mr Dolan gave a verbal assurance that no new risks had been identified since the last Board meeting. The issue about the DARD payment system remained as a medium risk as reported at the April meeting. AFBI Senior Management would be meeting shortly to consider the detailed Risk Register and a Corporate Risk Register which would be the basis for reporting to the Board and Audit Committee. Risk Management will be a standing item at Board meetings, with reporting done on an exception basis.

4.3 **Provision of Internal Audit Services – Terms of Reference**

Mr Dolan presented the paper on Provision of Internal Audit Services. He explained that the rationale for an outsourced Internal Audit function was the need for independence from DARD's Internal Audit as AFBI and DARD's Internal Audit report to different Accounting Officers. Also AFBI must investigate VFM on its services and Internal Audit of DARD could not legitimately be asked to review services provided by DARD without the perception of a conflict of interests. The third reason is the amount of Internal Audit resource required. AFBI is a new NDPB and the level of resource offered by DARD IA based upon the resource provided to Science Service would not meet the requirements of AFBI – now that it is an independent organisation and also includes the former ARINI. This had been agreed by the members of the Audit Committee and would be the basis on which AFBI would go out to tender. Following a short discussion it was agreed that the section on Management at 4.2(iv) in the ToR needed some redrafting. The ToR were also submitted to the NIAO for comment and would be copied to the DARD Sponsor Branch.

5. **Audit Sub-Committee – Terms Of Reference (TOR)**

5.1 Dr Hollywood, Chairperson of the AFBI Audit Committee, presented the TOR to the Board. He highlighted changes which had been made by the Northern Ireland Audit Office (NIAO) to the draft which had been circulated to members:

- Item 3 - change to give the external auditors (NIAO) the right to attend meetings,
- Item 7 - provision for any employee to attend a meeting if requested by the Committee,
- Item 9 - inclusion of the "Accounting Officer" in the Committee's duty to advise,
- New Item 11 - list of information which should be provided to the Committee, i.e. reports, draft accounts etc. This was an extract from the Handbook and was not an exclusive list: the Committee could seek other papers.

5.2 Mr Hogan said that this was essentially a standard TOR for an Audit Committee. He felt that it was good practice to have a document which set out the basis for the Committee's existence and operations. His experience was that NIAO did not always attend meetings of an Audit Committee, but they had the right to be there. Dr McIlroy said that the Committee Chairperson had been very proactive in sending the draft TOR to NIAO and DARD Sponsor Branch and this resulted in a document which had been seen and agreed by them.

5.3 By a unanimous show of hands the Board approved the Terms of Reference for an Audit Committee.

6. Any other business

6.1 Business for Next Meeting

It was agreed that an update on DARD Information Communications Technology (ICT) services to AFBI and the AFBI Recruitment Process would be given to the next Board meeting.

6.2 Information Pack for Members

Mr Hogan referred to the Information Pack which had been provided by the Secretariat for each member. This contained papers on Code of Practice for Board Members, Conflict/Register of Interests, Gifts and Hospitality and Freedom of Information. Members were asked to take away the packs, to complete and sign the relevant forms and to return these to the Secretariat.

6.3 Honours

Mr Hogan, on behalf of the Board, congratulated Dr Christine Kennedy on receipt of an OBE in the recent Honours List. This was for services to Agriculture and the Dairy Industry.

6.4 Presentation/Overview of Video Conferencing System

The installers of the Video Conferencing System presented an overview of the system and its applications. This included a live link-up with Greenmount College where Sam Kennedy was in position to welcome the Board.

7. Date of next meeting

The next meeting will be held at 10.00 am on Wednesday 19 July 2006 at AFBI Headquarters, Newforge.

Following the meeting Dr Sydney Neill, DCEO gave a presentation and overview of the Agriculture, Food and Environmental Sciences Division and the Board visited the Division in Newforge.

Signed: _____
(Chairperson)

Date: _____