

**Minutes of the Meeting of the
Agri-Food and Biosciences Institute (AFBI) Board
held at AFBI Newforge
on Thursday 5 November 2015 at 10.00am**

Present – Board Members

Mr Colm McKenna, Chair
Prof William McKelvey,
Deputy Chair
Mr Colin Coffey
Mrs Sarah Havlin
Mr David Lindsay
Mr Bob McCann
Mrs Hilary McCartan
Mrs Maureen McKeague
Dr Cecil McMurray
Mr Ken Millar
Prof Patrick Murphy

In Attendance - AFBI Executive

Prof Seamus Kennedy, Chief Executive Officer
Mrs Lesley Hogg, Director of Finance and Corporate Affairs Division
Dr Sinclair Mayne, Director of Sustainable Agri-Food Sciences
Division
Dr Stanley McDowell, Director of Veterinary Sciences Division

Mr James Adams, AFBI Secretariat

Visitor

Mr Stephane Durand, Agri-Food Quest Manager (Item 20)

1. Welcome and Introduction

ACTION

The Chair opened the meeting and welcomed all in attendance.

2. Apologies

An apology was received on behalf of AFBI Board Member, Mr Ian Buchanan.

3. Conflict of Interests/Register of Interests Declaration

There were no new conflicts of interest declared, nor any changes to be made to Board members' Register of Interests.

4. Draft Minutes of the AFBI Board Meeting held on 1 October 2015

Mrs Hogg proposed a number of minor amendments to Item 18 "*Presentation of DARD Strategy*" of the draft minutes from the previous AFBI Board meeting held on 1 October 2015. The Board indicated that it was content to approve the minutes subject to the alterations.

Sec

4.1 Action Sheet from AFBI Board Meeting held on 1 October 2015

Progress against actions was noted as per the action sheet, subject to the following -

The Executive informed the Board that comments had recently been received in relation to the revised AFBI Research Misconduct Policy which necessitated further consideration by the Executive. The Board was content to note that the Policy will be presented at the December meeting of the Board.

Exec

5. Chairman's Remarks

The Chair referred to his letter to the DARD Minister on AFBI's 2015/16 Corporate & Business Plan and 2020 Strategy, and tabled the Minister's response dated 3 November 2015. The Chair informed the Board that he expects to discuss the details of the correspondence with the DARD Permanent Secretary and at the Joint DARD/AFBI Board meeting on 16 November 2015.

The Chair congratulated the Executive for their efforts to deliver a balanced budget for 2015/16 which has seen the AFBI deficit substantially reduced in recent months. The Chair acknowledged that while some work remains to be done, he was pleased that the majority of the gap had been closed, and expressed his gratitude for some additional funding from DARD.

The Chair had attended the meeting of the Finance Sub-Committee and welcomed the fact that its scope will be widened to take forward a number of strategic issues, including the remaining recommendations from the 2012 KPMG Strategic Review of AFBI.

Mrs Havlin entered the meeting

6. Executive Report

The CEO presented the Executive report for October 2015 and highlighted the following items -

- The VSD-Stormont Main Building and AFBI HQ / Grassland and Plant Sciences Centre Outline Business Cases (OBCs) are being updated following recent site visits by DFP, DARD and AFBI officials and the DARD Minister's response to AFBI's 2020 Strategy. DFP needs to be sure that the accommodation requirements, as set out within the business cases, accurately reflect the projected size, structure and service delivery of the organisation going forward. It is anticipated that the business cases will be completed within this calendar year.
- It is anticipated that a report from the AFBI – CAFRE Farmed Estate Task & Finish Group will be received shortly. Once the draft paper has been agreed and finalised AFBI will commence drafting business cases for the investment required for its on-farm research accommodation. The Board welcomed proposals to enhance the existing joint working arrangements and was reassured that biosecurity implications would be fully considered by the Executive.
- Dr Sinclair Mayne made a presentation to the British Society of Plant Breeders on AFBI's plans for relocation of residual activities from Crossnacreevy to Loughgall. Dr Mayne described the engagement with key stakeholders from across the UK and Europe as very useful as it has provided AFBI with the opportunity to reaffirm AFBI's ability to continue to provide a high quality service in this area. The Secretary of the Society

agreed to set out any remaining concerns in writing so that AFBI can respond to these.

ACTION

- Along with Mr Coffey, EMT attended a meeting with representatives from the Northern Ireland Science Park to discuss the potential for collaboration. This was very positive and it was agreed that further discussions would take place once AFBI has reviewed its commercialisation opportunities.
- The CEO attended the third “*Fall Forum*” which was hosted by Genome Alberta on 20-23 October 2015, in Edmonton, Canada. The impressive event was well represented by industry stakeholders and a number of AFBI attendees had given excellent presentations to delegates on a range of subjects. In reflecting on the event, the CEO emphasised the importance of enhancing the quality of science undertaken within the Institute to ensure that AFBI is involved and participating in leading international research consortia.
- The CEO attended a Farming Futures Conference at University of Warwick on 20-21 October 2015. At the event, Dr Mayne chaired a session and Dr Steven Morrison gave an excellent presentation on the BOVIS software. The local agri-food industry was well represented at the event and the CEO felt that AFBI had raised its profile with a number of stakeholders.

In commenting on the Executive report, Dr Mc Murray was pleased to note that a new chicken astrovirus diagnostic test is now available to commercial customers. The Executive advised that income received will be based on sales figures which in turn will be dependent on market forces.

In response to a query regarding the review of AFBI’s royalty income, the CEO stated that AFBI is awaiting a report on the recent meeting at Queen’s University so that the next steps can be identified.

7. Finance Sub-Committee

7.1 Report from Finance Sub-Committee Meeting held on 23 October 2015

Mrs McCartan presented a written report on the meeting of the Finance Sub-Committee held on 23 October 2015. The Committee covered a range of items including a review of the current Budget Monitor, the Financial Improvement Plan, the Strategic Cost Model (SCM) and changes to the scope of the Committee to incorporate business development related issues. In summarising the discussions Mrs McCartan highlighted a number of points, including the following –

- Budget Monitor for six-month period ended 30 September 2015 showed a forecast deficit of £700k for the year ending 31 March 2016, although it was recognised that this position had changed slightly and would be covered later in the agenda.
- The 2015/16 income target of £20.2m is extremely challenging given the significant issues facing the organisation.
- HM Treasury has indicated that Research and Development expenditure will be treated as a capital grant rather than resource expenditure during 2016/17 and backdated to April 2016. This will have operational and accounting implications for AFBI and the Executive is taking this forward

in conjunction with senior DARD officials.

- The Board was asked to ratify the decision to defer the outstanding action in the Finance Improvement Plan which relates to the development of a centralised procurement function. The Board was content that this is deferred until 2016/17 because of other higher priorities.
- Mr Pentland, the recently appointed Interim Head of Finance, will be retained for a short period to take forward the development of a charging policy for AFBI.
- The extension of the Committee's remit will focus on developing the most suitable structure for AFBI to maximise the drawdown of EU funding and the internal processes that will allow AFBI to commercialise its intellectual property and business ideas.

In praising the Executive for achieving significant reductions in the budget deficit, the Committee acknowledged the significant pain and human cost experienced by management and staff throughout the organisation to achieve this performance during a very difficult period. In recognition of the current situation and the impact that voluntary exit is having on the Institute, the Chair proposed writing a letter to staff on behalf of the Board to thank staff for their significant effort in reducing AFBI's cost base and to reiterate its strategy for the future.

Chair/
Exec

7.2 Revised Finance Sub-Committee Terms of Reference

The Board approved the Terms of Reference for the renamed "*Finance and Business Strategy Committee*".

8. Finance

8.1 AFBI Budget Monitor Report – Position at 30 September 2015

Mrs Hogg presented the Budget Monitor for the month ending 30 September 2015 which projected a deficit outturn for 2015/16 of £810k, a reduction of £2.8m on the previous month. The primary reasons for the reduction relate to the realisation of the VES paybill savings of £1.8m, an allocation of £425k of additional funding from DARD Central Policy Group (CPG) to be received in January Monitoring, an allocation of £600k to fund the increase in employer pension contribution costs, other staff cost savings of £679k offset by a reduction in projected income of £678k.

A bid for the remaining shortfall has been made to January monitoring and once AFBI is advised of the probability of success, the necessary action will be undertaken in order to deliver a balanced budget for 2015/16. In discussing the timing of decisions necessary to deliver a balanced budget, it was emphasised that this must be undertaken as soon as possible. Mrs Hogg stated that it expects clarification to be provided shortly.

In discussing the affordability of current vacant posts versus the operational impact of not filling these, Mrs Hogg advised that a number of business critical vacancies had arisen in key areas as a result of normal staff turnover. Mrs Hogg also informed the Board that external recruitment costs had been incorporated into the current financial projections. The CEO highlighted that AFBI will be unable to continue to deliver all of the Assigned Work Programme (AWP) for 2015/16 given the significant loss of staff through voluntary exit and other staff cost reducing measures and as a result, the AWP for 2015/16 would need to be revisited. It was understood that the operational risks of not filling vacant business critical posts needed to be weighed against current financial pressures

9. Science Strategy Committee

9.1 Report and Draft Minutes from Science Strategy Committee Meeting held on 8 October 2015

The Board noted the draft minutes from the Science Strategy Committee meeting held 8 October 2015.

9.2 Revised Science Strategy Committee Terms of Reference

The Board approved the Terms of Reference for the Science Strategy Committee.

10. Audit and Risk Assurance Committee (ARAC)

10.1 Report from Audit & Risk Assurance Committee Meeting held on 3 November 2015

In providing a verbal report on the Audit & Risk Assurance Committee meeting held on 3 November 2015, Mr McCann highlighted the following points:

- A review of the outstanding recommendations from the NIAO/PAC consolidated action plan was conducted by the ARAC, agreed with the Executive's assessment that AFBI had completed its commitments, although it was noted that DARD wished to consider the implications of a lack of available benchmarking data on scientific tests and limited benchmarking information on corporate costs at the forthcoming joint DARD/AFBI Board meeting. The Chair agreed that AFBI had exhausted benchmarking possibilities and also noted that the wording of the original recommendations stated "*where feasible*".
- Internal Audit and DARD Internal Audit provided "*Satisfactory*" opinions in respect of internal control systems for 2014/15 and the NIAO indicated its intention to provide an "*unqualified*" opinion for the 2014/15 financial statements in its draft Report to Those Charged with Governance. Based on the opinions received and having thoroughly reviewed the financial statements, the ARAC recommend that the Board approve the AFBI Statement of Accounts for year ended 31 March 2015.

11. Audit and Risk Assurance Committee Annual Report for Year Ended 31 March 2015

The Chair presented his "*AFBI Audit & Risk Assurance Committee Annual Report for Year Ended 31 March 2015*" and highlighted that under the section relating to *External Audit Services*, the text will need to be updated to reflect that management will have to consider their responses to the recommendations in the draft Report to Those Charged with Governance for year ended 31 March 2015. Subject to this change the Board noted the report.

12. **Draft AFBI Annual Report & Statement of Accounts for year ended 31 March 2015**

Mrs Hogg presented the draft AFBI Annual Report & Statement of Accounts for year ended 31 March 2015 and highlighted the Governance Statement contained therein. Following a discussion at the ARAC meeting on 3 November 2015, Mrs Hogg also tabled updated wording in relation to the “*conflicts of interest*” section of the Governance Statement. The Board agreed the proposed changes.

12.1 Financial Statements 2014/15 Executive Summary

Mrs Hogg presented the Financial Statement 2014/15 Executive Summary which highlights the key variances and is prepared to support the draft accounts.

In concluding the discussions, the Board approved the AFBI Annual Report & Statement of Accounts for the year ended 31 March 2015.

12.2 Northern Ireland Audit Office – Draft Report To Those Charged With Governance

Mrs Hogg presented the Draft Report to Those Charged with Governance and highlighted that, as previously stated by the Chair of the ARAC, the NIAO will be recommending to the Comptroller and Auditor General that he certifies the 2014/15 financial statements with an unqualified audit opinion. Mrs Hogg advised that AFBI will provide management comments on the recommendations in the report in due course.

Dr Mayne left the meeting

13. **AFBI Equality Scheme Progress Report 2015/16 (April-Sept 2015)**

The Board noted the progress of actions in the Equality Scheme Action Plan.

14. **Governance Issues**

14.1 Risk Management

14.1.1 *Reports of New or Emerging Risks*

Mrs Hogg advised that the Executive was not aware of any new or emerging risks to the organisation.

14.1.2 *Revised AFBI Risk Management Strategy*

Mrs Hogg advised that AFBI’s Risk Management Strategy had been revised to incorporate operational procedures for the management of risk at divisional and branch levels. Mrs Hogg highlighted that the revised strategy also included a proposed reclassification of risk appetite for “*new business development*” from level 5 “*Hungry*” to level 4 “*Open*” as the definition of “*Hungry*” could be misperceived to permit an excessive level of risk.

In approving the Strategy, including the risk appetite classification, the Board welcomed the enhancements to the document and the more user-friendly format. The Board congratulated Mr Montgomery on the development of such a

Mr McCann also informed the Board that the ARAC had asked the Executive, in line with paragraph 3.12 of the strategy, to include commentary in the Corporate Risk Register to indicate whether the additional actions in Section C of the corporate risks are considered sufficient to reduce the level of residual risk to bring it to or below the target risk score.

14.1.3 *Draft AFBI Corporate Risk Register (October 2015)*

Mrs Hogg stated that AFBI's Corporate Risk Register had been reviewed by the Risk Management & Business Planning Group on 15 October 2015 and presented to the ARAC on 3 November 2015. She highlighted that there were no changes to the risk scorings. The Board approved the revised Corporate Risk Register.

14.2 Whistleblowing and Fraud

The Executive informed the Board that it had only very recently been made aware of a potential incident of fraud and therefore information is still limited. The incident is thought to be minor in terms of financial impact and is being fully investigated at present. An update will be provided at the next meeting.

Exec

15. **AFBI Corporate and Business Plan 2015-16**

15.1 Update on Progress Against KPIs as at 30 September 2015

Mrs Hogg presented an update on the progress of AFBI's KPIs as at 30 September 2015 which outlined the following –

- 17 were on track to be achieved (Green)
- 1 was broadly on track to be achieved (Amber / Green)
- 3 were reported as not on track for achievement (Red)
- 1 was being validated
- 2 were not yet scheduled to commence

In respect of the validation of KPI 2 "*At least 90% of DARD Evidence & Innovation R&D projects due for completion in 2015/16 completed within the agreed time and budget*", Mrs Hogg reported that the outturn was currently 70% i.e. not on track to be achieved. Of these, 85% of projects had been delivered on time and 82% within budget.

In response to the forecasted outturn in relation to KPI 19 – "*Achieve combined industrial and non-industrial absenteeism of 7.5 working days or less per Whole Time Equivalent (WTE)*", the Board, while disappointed with the projection, noted the impact that such a period of significant change and uncertainty has had on AFBI staff. Given AFBI's noteworthy performance in reducing absenteeism in recent years, the Board stated view was that the increase was temporary and would reverse after the voluntary exit process had been concluded.

16. **Organisational Development and Human Resources Committee (OD&HR)**

16.1 Report from OD&HR Committee Meeting held on 4 November 2015

Prof McKelvey provided a verbal report on the OD&HR Committee held 4

November 2015. He stated that the key discussions focused on the future organisational structure of AFBI and the options for a review of staffing and staff Terms and Conditions.

ACTION

Prof McKelvey advised that it was the view of the Executive and OD&HR Committee that consultants would not be required to assist with the review of staffing and delivery structures requested by the DARD Minister. However, consultancy support would be required for the review of staff Terms and Conditions given the complexity of this area. The Board was content to endorse this proposal and noted that the Executive had been tasked with producing a report on the subject.

In discussing the options for a review of staff Terms and Conditions, Prof McKelvey informed the Board that the OD&HR Committee was of the opinion that there were many areas to consider. Firstly any precedent of changing Terms and Conditions in the Northern Ireland public sector and secondly, who would be affected by the changes. Prof McKelvey added that it would be important to ensure that DARD endorsed the proposed scope of the project.

The Board recognised the complexities of a project of this type and agreed that with the Executive it would be better to approach it in two stages. Stage 1 could consist of a scoping study to consider the various elements of terms and conditions and the implications of potentially amending these in order to establish the overall principles to be addressed in the more detailed review. The Board noted that the OD&HR Committee had tasked the Executive with producing a broad scope and terms of reference for Stage 1 and this will be taken forward in consultation with DARD.

Given the number of vacancies within AFBI HR and the continued heavy work load arising from voluntary exit and the realignment of staff post-voluntary exit along with the proposed review of staffing and Terms and Conditions for Stage 1, the OD&HR Committee recommended that initiatives such as the Learning and Development Strategy and the Recognition and Reward Strategy should be placed on hold. The Board agreed with the proposal.

17. Any Other Business

There were no additional items of business.

18. Review of Board Effectiveness

The Board was satisfied that it had held an effective meeting. The Chair also commended the effective work being undertaken by the Committees of the Board.

19. Date of Next AFBI Board Meeting – 2 December 2015

The next AFBI Board meeting will be held on Wednesday 2 December 2015 at AFBI Hillsborough.

20. Presentation on Agri-Food Quest Competence Centre

The CEO welcomed and introduced Mr Stephane Durand, Manager of AGRI-FOOD QUEST, who was in attendance to give the Board a presentation on the recently established Agri-Food Competence Centre.

Mr Durand stated that the competence centre aimed to encourage and reinvigorate participation by industry in long-term (3 years or more) scientific research and promote interaction between researchers, industry and the public sector. Invest NI will contribute £5m over five years and the centre will also seek to leverage additional research funding from other local sources. The Centre is hosted by Queen’s University Belfast (QUB) with QUB, AFBI and the University of Ulster to be the preferred research partners.

The first call was launched in October 2015 and will be open for three months. Project proposals will be 75% funded by Invest NI and 25% by industry which can be in kind. However, there will be a limit of £150k and/or 2 years maximum per project.

Mr Durand set out the key criteria against which proposals will be assessed.

In conclusion, Mr Durand stated that while a bottom-up approach is being adopted in this initial call in order to build consortia, the centre also wished to develop a top-down approach that will involve the Steering Group identifying game changers for the industry going forward.

The Board thanked Mr Durand for his presentation and following a question and answer session invited him to join the Board for lunch.

21. Closed Session

The Board held a “*closed session*” after lunch to discuss the recruitment of new CEO.

Signed: _____
(Chairperson)

Date: _____