

STATES OF JERSEY



JERSEY INNOVATION FUND: BOARD REMUNERATION

Lodged au Greffe on 4th October 2013
by the Minister for Economic Development

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion –

to refer to their Act dated 1st May 2013 in which they approved the establishment of the Jersey Innovation Fund and agreed the Revised Operational Terms of Reference April 2013, and agree to vary the Revised Operational Terms of Reference so that Board members may be remunerated for their work.

MINISTER FOR ECONOMIC DEVELOPMENT

REPORT

Operation of the Jersey Innovation Fund

1. Introduction

The key objective of the Economic Growth and Diversification Strategy, as approved by the States in P.55/2012, is to deliver growth, improve competitiveness, diversify the local economy and create employment. To achieve this, the States approved P.124/2012 (Amd) which, under Article 3(3)(a) of the Public Finances (Jersey) Law 2005 resulted in the creation of a special fund – The Jersey Innovation Fund (“the Fund”). The States also agreed that the Fund should operate within the terms of the Revised Operational Terms of Reference, which included the policy that the private sector members of the Board should not be remunerated.

2. The Board

The Jersey Innovation Board provides an essential management and corporate Governance framework for the Fund. The Board will consist of a minimum of 3 non-executive Board members and an independent Chair from the private sector plus 3 representatives from the public sector. The private sector Board members will play a key role in assessing the likely success of any project applying for funding from the Fund. Their commercial expertise and experience will be critical in the assessment of all the applications and the assessment of risk.

3. Recruitment of Board Members

Following a recruitment process, overseen by the Appointments Commission, a Chairman has been selected. With the Department’s support, the Chair is in the process of appointing 3 non-executive members to the Board, again in a process overseen by the Appointments Commission. During the recruitment process it has become clear that the time commitment required of the non-executive Board members will be greater than originally anticipated. Therefore, in order to attract the appropriate calibre of Board member with the skills and expertise for these critical roles, some level of remuneration will be required. Economic Development has therefore reviewed the policy within the agreed Operational Terms of Reference and concluded that the non-executive Board members should be remunerated. Such remuneration will be in the form of an annual fixed sum awarded on an honorarium basis. An extract of the Revised Terms of Reference has been amended to reflect this recommended change and is attached as an Appendix to this Report.

4. Financial and Manpower Implications

Operational costs

It has been agreed by the States that the Economic Development Department will meet the operating costs of the Fund in the first instance and on an annual basis recharge costs incurred to the Fund, also agreed at £100,000 per annum. It is estimated that the proposed Board’s total remuneration for the Chair and non-executive members will be in the region of £50,000 per annum. This additional cost will also be recharged to the Fund on an annual basis.

Manpower implications

The Economic Development Department will allocate an individual to be the Fund Executive to support the Fund Board and assist the management and ongoing operation of the Fund. This post will be from within its existing establishment and budget.

5. Conclusion

The private sector Board members will make a significant contribution to the operation and performance of the Fund. Through the recruitment process it has become evident that the time commitment required of the non-executive Board members will be greater than originally anticipated.

Therefore, in order to attract the appropriate calibre of Board member with the skills and expertise for these critical roles, some level of remuneration will be required.

It is recommended that the Proposition to amend the Operational Terms of Reference and remunerate them is approved.

Extract from:
Revised Operational Terms of Reference – Jersey Innovation Fund,
Grants and Loans-Phase 1
April 2013

Page 19

The JIF Board, as appropriate, will also draw on other expert opinions to provide comprehensive due diligence when considering and assessing applications. This will include, but not be limited to, technical expertise, market intelligence, financial due diligence, and company or patent searches.

In every case and during the assessment process, the States of Jersey Economic Adviser's Unit will undertake an economic impact assessment and present a written report to the JIF Board, which they will use in considering and assessing the project from an economic prospective.

The JIF Board, after being fully satisfied with the due diligence checks, reviewing the expert and economic opinions and a detailed analysis of the proposal, will make a recommendation to the Minister for Economic Development to approve or reject the project. The recommendation will be presented using the Business Case template (Appendix 3) which is based on H.M. Treasury Green Book best practice.

The JIF Board, which will act in an advisory capacity, will be responsible to the Minister for Economic Development. The JIF Board will, at all times, ensure that the JIF operates within both the Public Finance Laws and any current or future Financial Directions. Board Members will also operate within an approved corporate framework and publish an Annual Report that will be presented to the States.

Private sector Board Members will be appointed through a process overseen by the Appointments Commission. Public sector Board Members will be appointed by the Minister for Economic Development. **Board Members will be offered an honorarium in recognition for their time and valuable contribution they will make as Board members. The level of the honorarium will be subject to approval by the Minister for Economic Development.**

Board members will be appointed for a period not exceeding 3 years. A member of the Board will cease to serve before the 3 year term if –

- they resign;
- they cease to be employed as a civil servant of the States Department they are representing;
- with respect to a private sector representative, they commence employment with the States of Jersey as a Civil Servant.

Board members will be expected to declare an interest and not consider an application where there is any risk of a conflict of interest. Conflict arises where an individual's

obligation to further the purposes of the JIF Board is at odds with their own financial interests. For this reason, members will have to abide by the 7 principles of public life set out in the Nolan Report, attached at Appendix 4.

Page 20

11. Risk

No form of financial support comes without a level of risk. It is acknowledged by the nature of the projects supported that some will fail. This may result in a loan not being repaid, the non-payment of royalties, or a grant supported project not delivering the desired outcomes.

Although the pre-investment due diligence, plus the post-investment monitoring and assessment process are designed to minimise risks, it is important to acknowledge that it is impossible to operate a fund of this type without accepting some level of risk.

During the due diligence and assessment process the JIF Board will consider all available security available and recommend to the Minister for Economic Development if and how any available security should be used to reduce any risk to the JIF.

12. Scope of the Fund

The Fund will be used to support projects across all sectors, including the public and thirds sectors, but targeted and prioritised towards –

- Attracting new innovative businesses to the Island. This is an important part of the inward investment proposition and supports Government's commitment to enhancing its ability to attract and create new jobs.
- Assisting would-be-entrepreneurs and early stage start-up enterprises to invest in innovation.
- Established businesses with growth potential to invest in innovation.
- Research projects that may improve the Island's competitiveness.
- Enabling investments in infrastructure.
- Establishing better links with universities with the objective of commercialising academic IP.

13. Financial and manpower implications

Financial costs

There will be financial costs associated with the operation and management of the Fund, particularly relating to due diligence, assessment and approval of applications e.g. company searches, background checks, market research, credit checks, legal costs and specialist advice. It is intended that EDD will meet these costs in the first instance and on an annual basis recharge them to the Fund. The Economic Development

Department estimates the cost for managing an estimated 10 applications a year will be no greater than £100,000 per annum.

It is estimated that the proposed Board's total remuneration for the Chair and non-executive members will be in the region of £50,000 per annum. This additional cost will also be recharged to the Fund on an annual basis

Manpower implications

The operation of the Fund will place manpower demands on the Economic Development, Treasury and Resources and Law Officers' Departments and the Economic Adviser's Unit. It is estimated that the total man-hours will cost £50,000 per annum. This cost will not be recharged to the Fund and will be included within the relevant Department's year-end accounts.