

EXECUTIVE COUNCIL

CONFIDENTIAL

Title of Report: SAERI – Incorporation Information Paper

Paper No: 107/13

Date: 24 April 2013

Report of: Director, South Atlantic Environmental Research Institute

1.0 Purpose

To provide Honourable Members with information on the potential future incorporation of SAERI as a UK registered Charity and Company Limited by Guarantee and subsequent separation from FIG.

2.0 Recommendations

It is recommended that Honourable Members agree in principle to the separation of SAERI from FIG and support the move to SAERI becoming a registered charity. If agreed in principle, full details of the practical issues of separation and legal status of the Institute will be presented in a future ExCo paper.

3.0 Summary of Financial Implications

None arising directly from this paper.

4.0 Background

4.1 SAERI was born out of Falkland Islands Government's Economic Development Strategy, within the new industries section. The objective was to try and move away from our reliance on the three core sectors of the economy: fisheries, agriculture and tourism. Many first world countries have “knowledge economies” and it was agreed that an Environmental Research Institute could fill this gap in the Falkland Islands and other UK OTs. Shortly after this, in 2009, a Task and Finish Group was formed to take this forward.

4.3 In December 2011 Executive Council approved the phased approach to the development of SAERI (see ExCo 264/11) with the creation of 1.5 FTE posts within the organisation, and seedcorn funding over a three year period to enable the Institute to establish itself and to prove a business case for its continued existence as an independent organisation. SAERI also benefits from funding provided by the FCO and Government of South Georgia and the South Sandwich Islands.

4.5 There is a great deal of interest in conducting research in the South Atlantic because the environment is little studied, pristine (especially with respect to the UK OTs) and offers unique research opportunities. There has been an enormous amount of interest in and support for SAERI from UK and European Universities and Institutes and indeed at a Ministerial level in the UK. Founded in March 2012, the institute has had a great start and has been quite successful, in partnership with other organizations, in being awarded grants. The institute had two PhD students start in September/October; one studying mackerel icefish fisheries in South Georgia and the other studying algal biodiversity in the Falkland Islands. Another PhD studentship on shallow marine ecology around the Falkland Islands will start July 2013 subject to funding. Another PhD, funded by the fishing industry, will start in the new financial year and examine the reproductive dynamics of Patagonian toothfish in South Georgia. In November 2012 SAERI were informed that they were successful in being awarded a grant to set up a South Atlantic Information Network and GIS Centre and are currently recruiting staff to initiate this programme. The institute also has a number of project applications pending and in the concept phase with partners locally and overseas.

5.0 Recommendations with regards to incorporation.

5.1 The logical option is for SAERI to incorporate as a new company limited by guarantee and as a registered UK Charity when taking these assumptions under consideration

- All profit/surplus generated by the Institute will be used for public or community benefit or reinvested in the Institute
- There will be no payment of profits/surpluses paid to investors
- Board members will be unpaid and will work for the public benefit of the Institute
- Income sources will be a combination of research income and commercial trading through consultancy

5.2 The UK Charities Act 2006 would cover the Institute assuming its purpose can be shown to be the “advancement of environmental protection or improvement” and “the advancement of education”.

5.3 Charitable status offers several benefits including: avoidance of Corporation Tax on profits generated from research work; facilitating access to grants; facilitating fundraising from the public and portraying a positive public image. The downside is that there is a greater level of bureaucracy and strict rules to be followed in maintaining charitable status. This includes: the need for constitutional documents; completion of annual returns; no payment to board members; strict rules concerning the use of assets held by charities; special accounting rules; and clear separation of non-charitable activities.

5.4 The main benefit of incorporation is that it limits the financial liability of the members as long as they act legally and within the rules of the organisation. Incorporation also expands opportunities for raising loan capital or share capital depending on the route taken. These benefits arise because the organisation takes on its own legal identity under which it conducts its business. The disadvantage is that it

brings a host of rules and regulations that need to be followed in addition to the requirements of the Charity Commission.

5.5 If the Institute did not choose to incorporate, the alternatives are to become an unincorporated association or a trust. The unincorporated association route would make the members personally liable for the financial activities of the association, which would act as a disincentive to participate on the board. The trust option is inflexible and would be complex from a legal perspective and is not really designed for the type of organisation that the institute aims to be.

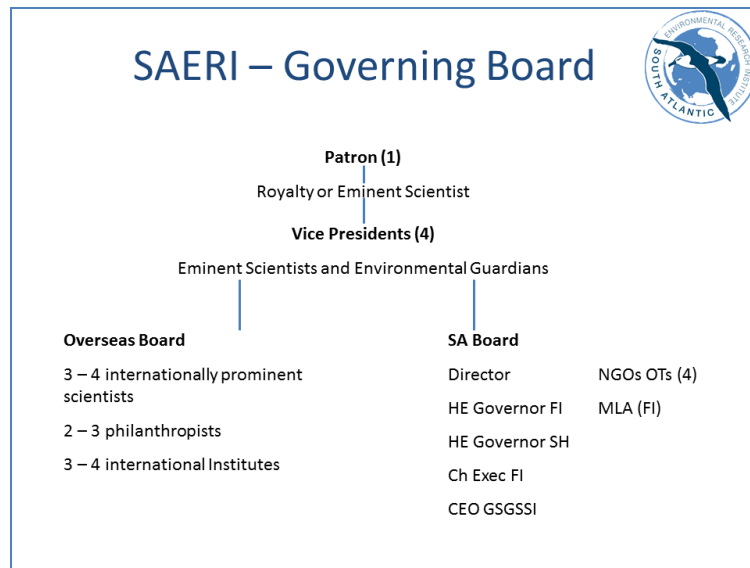
5.6 Being a FIG Department has been extremely useful and has provided a platform for SAERI to forge links with overseas organisations, apply for grants, build infrastructure and take on students. Remaining a Government Department and not incorporating in the UK has its disadvantages in terms of access to UK/European funds/grants.

6.0 SAERI's Future Governance

6.1 Subject to approval by ExCo, SAERI proposes incorporate as a UK Registered Charity and Company Ltd by Guarantee. We would prefer our UK Office to be in FIGO as it is important that we retain our Falkland Islands identity. The alternative is to utilise the services of one of SAERI's partner organisations, but the danger there is that the Institute might be perceived as being essentially part of the host university's or some other Research Institute's satellite body.

6.2 In terms of governance it is envisaged that SAERI will have two boards; an overseas board comprising of renowned science and business representatives and a South Atlantic board (see structure below). The South Atlantic Board will be responsible for the operations and financial management of the organisation, whilst the Board will provide the science and business strategy.

6.3 A Boards members' workshop, which would be likely to be held in central location like Ascension Island, would design a fine scale business plan for the following 5 years.



6.3 SAERI's progress will be through the development of 5 themes – illustrated below.

- **Marine Sciences:** Including oceanography, benthic ecology, fisheries science and marine ecology
- **Terrestrial Sciences:** Including higher predators, terrestrial ecology, entomology, botany, Agri-Environmental Science, limnology and freshwater aquatic biology
- **Physical Sciences:** Including geology, petroleum geology, paleoclimate studies, meteorology, upper atmospheric physics
- **South Atlantic GIS and Information Management:** Providing Information/data storage and GIS facilities for the UK South Atlantic Territories
- **Environmental Consultancy:** Ecological / Environmental Impact Assessments, Ec/EIA data collocation and analyses, Environmental Compliance Auditing, Fisheries Accreditation, analytical laboratory services, Commercial GIS and Data Curation Services.



6.4 SAERI's future funding will come from a combination of consultancy, grant application and awards, researcher logistics, services such as personnel and equipment hire and active fund raising by engaging potential benefactors. The research opportunities provided by the UK SA OTs are likely to be attractive as a research and teaching location for overseas universities/institutes, especially if it has been preceded by growing activity in the region. Such institutes may decide to invest in a satellite facility based in the Falkland Islands and other OTs and develop them as a location for expansion of their research and teaching objectives. The latter is something SAERI is developing with partner organisations in the UK and Europe will be in the US over the next few months.

7.0 We therefore request that ExCo approve in principle the incorporation of SAERI as a Company Limited by Guarantee and UK Registered Charity and subsequent separation from FIG, in principle, subject to a paper detailing the mechanics and procedures of this transition with consultation from the Attorney General and Financial Secretary.

8.0 Financial Implications

FIG funding for SAERI as agreed in ExCo 264/11 will remain as profiled. Detailed discussions on financial aspects of separation will be held with the Financial Secretary. This is a primary report for information - there will be financial

implications which arise; however, these cannot be quantified at the moment and will therefore need to be brought back to ExCo for consideration.

9.0 Legal Implications

Detailed discussions on legal aspects of separation will be held with the Attorney General.

10.0 Human Resources Implications

None arising from this paper.