Invest NI NED Scheme – Guidance Notes

Introduction

Sometimes to move your business forward, you need access to specialist external expertise.

SMEs are the engine of the NI economy. Evidence proves businesses that use specialist external expertise are more likely to survive and succeed. Many successful business owners have stated that the support they value most comes from other experienced businesspeople.

Accessing expertise through **a Non-Executive Director (NED)** can be an effective way to improve competitiveness, raise productivity and accelerate business growth.

What is a Non-Executive Director (NED)?

An NED is a member of the board of directors but is not part of the executive management. In the UK there is no legal distinction between executive and non-executive directors. As a result, NEDs have the same legal duties, responsibilities and potential liabilities as their executive counterparts. NEDs are subject to the codified duties of directors contained in the Companies Act 2006 in the same way as executive directors.

NEDs are usually chosen because they have a breadth of experience, are of an appropriate calibre and have particular personal qualities. Additionally, they may have some specialist knowledge such as strategy and contract negotiation that will provide the board with valuable insights, or key contacts in related industries.

Of the utmost importance is their independence from the company management and any of its 'interested parties'. This means they can bring a degree of objectivity to the board's deliberations including issues of strategy, performance and resources including key appointments and standards of conduct. In addition NEDs can play a valuable role in monitoring executive management.

What is the role of an NED?

NEDs use their experience and expertise to provide independent advice and objectivity and have a role in monitoring executive management.

Essentially the NED's role is to make a creative contribution to the board by providing independent oversight and constructive challenge to the executive directors.

NEDs are expected to focus on board matters and not stray into 'executive direction', thus providing an independent view of the company that is removed from the day-to-day running of the business. NEDs are appointed to the board to bring:

- independence
- impartiality
- wide experience
- specialist knowledge

https://www.iod.com/services/information-and-advice/resources-and-factsheets/details/what-is-the-role-of-the-nonexecutive-director

What can an NED do for your business?

An NED is normally someone who has a great deal of entrepreneurial business experience and can bring an independent and objective view to your board of directors and also act as a sounding board for the MD or CEO.

NEDs will have expert knowledge or skills and contacts or access to certain sectors or markets.

NEDs can improve your board's effectiveness at a relatively low cost and provide valuable business connections. They can be invaluable in improving your corporate governance and business direction through mentoring and coaching your existing leadership team and sense-checking strategic decision-making.

Invest NI support

The Invest NI **Non-Executive Director Scheme** is designed to assist NI SMEs to improve strategic decision-making and corporate governance by offering advisory and financial support to scope a suitable NED project and identify and appoint an independent external adviser in the form of a Non-Executive Director (NED).

The NED will use their knowledge, skills and experience in providing independent advice, guidance, challenge and support to facilitate capability development at board level[1], which will help NI businesses to improve growth, governance and competitiveness over the longer term.

The Non-Executive Director Scheme will provide funding towards the costs of working with an experienced Non-Executive Director for a period of two years and may be appropriate for projects involving some or all of the following:

- *Improving **focus on strategy** and making strategic business decisions*
- *Improving the **development or execution of a vision**, direction or strategy for the business*
- *Improving **corporate governance** and the management of risk*
- *Improving the **operation of a board** and executive accountability*
- *Improving **growth and/or scaling** of the business*
- *Improving the **management of change** in organisational structure, culture, business model or succession planning*
- *Accessing **new customers/markets**, sales/distribution channels and increased export sales*
- ***Improving innovation** by introducing new products (services), processes or technology*
- *Improving **awareness and commitment to diversity** and equality of opportunity through business inclusivity*
- *Improving **awareness and commitment to environmental and societal impact** through business sustainability*
- *Improving **financial performance** including profitability and/or access to funding*
- *Improving **operational performance** including efficiency, productivity and supply chain*

Non-Executive Directors will not have managerial or executive responsibilities for day-to-day business operations. It is the responsibility of the company shareholders/directors to take appropriate professional advice to ensure that they are fully aware of and fully compliant with the responsibilities and obligations of a Company Director and any associated requirements for taxation.

What support is available?

The Non-Executive Director scheme is primarily aimed at SMEs. To be eligible for Non-Executive Director support your company must be an existing Invest NI customer and either a Limited or Unlimited Company registered in Northern Ireland.

In general companies should have turnover of at least £500k and above, with 25% export sales (or commit to achieve this over the duration of the project) to avail of NED support. **Please note:** export sales are all sales outside of the UK (including Northern Ireland).

The level of Invest NI support will be agreed individually for each project, but can include:

- **A grant up to a maximum of £10,000 or 49% of eligible costs (whichever is the lesser) for a 2-year engagement.**
  - 'Eligible costs' means the daily rate agreed between your business and the Non-Executive Director excluding any and all expenses and taxes such as VAT/NIC etc.

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[1] If the company does not currently have board structures in place, Invest NI will require that establishment of a board will be the first objective of any NED project.

- For the purposes of this Non-Executive Director grant, one day is defined as 7.5 hours.

Please note: Invest NI can only support one Non-Executive Director intervention at a time.

State Aid & De Minimis Aid

Invest NI financial assistance is awarded to businesses that trade, or have the potential to trade, outside Northern Ireland and is granted as either a UK Subsidy or an EU State aid (including *de minimis* aid).

Financial Assistance awarded under NED which is subject to Article 10(1) of the Windsor Agreement will be bound by the De Minimis regulation (EU No 1407/2013) (Annex 2) and will require De Minimis declarations (included in the NED application form Annex 6) and compliance with the EUR 200,000 funding limit.

If your company markets goods that are tradable with the EU, you must complete the De Minimis Aid Declaration section of the application.

Applying for Non-Executive Director support

You should complete the attached Non-Executive Director application form and submit it to your Invest NI Business Adviser.

Financial support is only available for projects that:

- provide your business with additional specialist knowledge, expertise or experience not otherwise available in-house.
- would otherwise not happen within the timeframe agreed without outside resources; and
- are self-sustaining after Invest NI support ends.

If support for your application is agreed, you will be responsible for:

- selecting and appointing the Non-Executive Director[2].
- negotiating and agreeing all terms and contracts of engagement.
- making all payments due under such contracts.
- ensuring that the Non-Executive Director has appropriate Professional Indemnity Insurance.
- ensuring that there is a formal letter of engagement between your company and the Non-Executive Director in respect of the project.
- retaining a signed copy of the letter of engagement between your company and the Non-Executive Director along with other documentation, as specified in the Letter of Offer; and
- registering the Non-Executive Director with Companies House in line with legislation *(Companies House Form AP01 Appointment of Director).*

Invest NI will not support:

- activity which is continuous or periodic or relates to the company's usual operating costs, such as routine tax consultancy services, regular legal services or advertising.
- preparation of business plans, especially those for submission to Invest NI in support of applications or proposals for financial support.
- re-engagement of key staff who have left the business within the previous 12 months for whatever reason.
- existing Shareholders or family members.
- Non-Executive Directors becoming Shareholders or taking up share options in the company during the lifetime of the project.
- services of fee earning partners or salaried employees of professional services firms such as consultants, accountants, solicitors etc., already having a business relationship with the company.
- repeat or follow-on projects using the same service provider or in areas of activity supported by Invest NI in the previous 12 months; or
- expenditure incurred before approval or issue of a Letter of Offer.

Invest NI will evaluate each Non-Executive Director application on a case-by-case basis, in line with the company strategy and previous Invest NI support. Invest NI reserves the right to decline an application or to impose specific conditions for support.

[2] Invest NI can assist you to identify a potential NED in a number of ways. Please speak to your Client Executive or Business Adviser for more details.

Information on claiming for a Non-Executive Director

This may be an invoice or cost-based grant. You will pay the invoices or payroll costs for the NED in full and reclaim support from Invest NI using Invest NI's claim pack, which will be sent to you once your Letter of Offer has been issued.
As NED's 'perform office-holder duties' they may be regarded as employed for tax purposes. Invest NI cannot offer tax advice and you should take appropriate professional advice to ensure that you are fully aware of and compliant with any tax requirements. (For guidance, please see the links below.) However please note that Employers' NIC contributions are not eligible expenses for this scheme and should be excluded from claims.

We will only be able to support and make grant payments under this scheme incurred as follows:

1. **Where the Non-Executive Director is paid through the normal company payroll**, documentary evidence to support claims should include a copy of the payroll or Non-Executive Directors payslip, showing gross payment, deductions and net payment. A bank statement showing proof of payment will also be required.

2. **Where the cost of the Non-Executive Director engagement is paid via invoice** then invoiced payments will be acceptable as the basis for the claim. Invoices should match the NED Attendance Record and include the company name, NED name, the date(s) the NED 'attended', a full description of the work undertaken for each day or part-day and the agreed daily rate. A bank statement showing proof of payment will also be required.

3. In each instance, claims should also include a completed **NED Attendance Record**, detailing a description of the work undertaken by the NED for each project day or part-day, the date of each project day, the total number of project days being claimed, the cumulative number of days claimed and the daily rate. Claims should also include a completed **Project Update Report**, outlining the progress made against the objectives of the NED project.

Off-payroll working (IR35) | nibusinessinfo.co.uk

Understanding off-payroll working (IR35) - GOV.UK (www.gov.uk)

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