

AGREEMENT BETWEEN THE BIOTECHNOLOGY AND BIOLOGICAL SCIENCES RESEARCH COUNCIL AND THE INSTITUTE FOR ANIMAL HEALTH

INTRODUCTION

1. This Agreement sets out the basis of the relationship between the Institute and the BBSRC. Its purpose is to define a clear and comprehensive framework of respective roles, responsibilities and accountabilities which, inter alia, take account of the charitable company status of the Institute and the obligations of the BBSRC in relation to Institute staff and to any other contingent liabilities which may be incurred by the Institute (see Annex A).
2. The parties to this Agreement are:
 - the Biotechnology and Biological Sciences Research Council (hereafter: the BBSRC);
 - the Institute for Animal Health (hereafter: the Institute);

DEFINITIONS

3. For the purpose of this Agreement:
 - the “BBSRC” is the body corporate as described in its Royal Charter;
 - the “Institute” is the Institute, which is a Company limited by Guarantee No 559784;
 - the “Governing Body” means the Governing Body, Board or Council as defined in the Articles of Association of the Institute;
 - the “Chairman” means the Chairman of the Governing Body of the Institute;
 - the “Director” means the Director and Chief Executive of the Institute;
 - the “Institute Secretary” means the person appointed as Company Secretary
 - “Shall” and “must” denote mandatory requirements and “should” denotes the BBSRC’s view of good practice.

SCOPE

4. The Agreement describes:
 - the relationship between the BBSRC and the Institute;
 - the mission of the BBSRC and of the Institute;
 - the roles and responsibilities of the BBSRC and the Institute;
 - the arrangement for funding the Institute by the BBSRC, from its Science Budget grant in aid provided by the Department of Trade and Industry under Request for Resources (RfR) subhead 2 the Science and Technology Act 1965 (the Act), to enable BBSRC to pursue the objects of its Royal Charter;
 - the conditions applying to the Institute's income, expenditure, assets and liabilities, together with other rules, regulations and guidelines relevant to the exercise of the Institute's functions, as well as specifying how the Institute will be held to account for these.
5. Nothing in this Agreement overrides the duties and powers of the BBSRC under the Act and its Royal Charter, or any other duties or powers conferred on BBSRC by the Secretary of State for Trade and Industry.
6. Nothing in this Agreement shall require the Institute to act in a manner which would be inconsistent with its Memorandum and Articles of Association or with its charitable status or, for the avoidance of doubt, the rights reserved to BBSRC within the Institute's Memorandum and Articles of Association.

COMPLIANCE WITH THE AGREEMENT

7. The responsibility for ensuring that the Institute complies with this Agreement and takes account of related guidance rests with the Governing Body acting through the Director.
8. In exercising its powers under this Agreement, the BBSRC shall act reasonably at all times.

ROLE AND RESPONSIBILITIES OF THE BBSRC

Mission

9. The mission of the BBSRC is:

- to promote and support high-quality basic, strategic and applied research and related postgraduate training relating to the understanding and exploitation of biological systems;
- to advance knowledge and technology, and provide trained scientists and engineers, which meet the needs of users and beneficiaries (including the agriculture, bioprocessing, chemical, food, healthcare, pharmaceutical and other biotechnological related industries), thereby contributing to the economic competitiveness of the United Kingdom and the quality of life;
- to provide advice, disseminate knowledge, and promote public understanding in the fields of biotechnology and the biological sciences.

Responsibilities

10. The powers, roles, responsibilities and membership of the BBSRC are defined in its Royal Charter (see Annex B). The nature of its relationship with its sponsor department, the Office of Science and Technology within the Department of Trade and Industry, is defined in the OST/BBSRC Combined Management Statement and Financial Memorandum (see Annex C).
11. The Chief Executive of the BBSRC has been appointed as its Accounting Officer and as such is responsible to Parliament through the Office of Science and Technology for ensuring that the uses to which the BBSRC put funds received from the Science Budget are consistent with the purposes for which the funds were provided, comply with the conditions attached to them, are used in a manner which achieves value for money and that the contingent liabilities, including employer's liabilities, are properly managed.
12. As part of these responsibilities the BBSRC Chief Executive is required to be satisfied that the Governing Body has appropriate arrangements for financial and staff management and for accounting for all aspects of the Institute's activities.
13. As Accounting Officer, the BBSRC Chief Executive shall inform the Chairman of any serious concerns she has about the Institute's governance and financial affairs.
14. As Accounting Officer, the BBSRC Chief Executive may, following the serving of reasonable notice, suspend the payment of grant, either in whole or in part and either permanently or temporarily, if, in her opinion, it is appropriate and reasonable to do so in order to safeguard public funds.

ROLE AND RESPONSIBILITIES OF THE INSTITUTE

Mission

15. The Institute's mission is:

- To understand the processes of infectious diseases and from that knowledge improve the efficiency and sustainability of livestock farming, enhance animal welfare, safeguard the supply and safety of food and protect the environment.

The Governing Body

16. The Governing Body of the Institute is responsible for the management and administration of the Institute's income and expenditure and assets and liabilities and for the conduct of its affairs in accordance with its Memorandum and Articles of Association and its charitable status.

17. Subject to conditions of various research funders, the Governing Body has wide discretion over its use of public funds, and is responsible for the proper stewardship of those funds. Therefore it must ensure that in conducting its affairs it exercises its discretion reasonably and takes into account any relevant guidance on governance and accountability, on actual or contingent liabilities, on propriety and on best practice issued from time to time by the BBSRC, the National Audit Office, the Public Accounts Committee, HM Treasury or OST.

18. In particular the Governing Body shall:

- develop, with the Director, and in consultation with the BBSRC, the long-term vision for the Institute;
- oversee the Director in:-
 - managing and furthering the Institute's mission, aims and objectives;
 - reviewing and monitoring the quality and relevance of all aspects of the Institute's work;
 - monitoring the Institute's management and administration and in matters concerning efficiency, effectiveness and economy in the use of resources (funds, staff, tangible and intangible assets and liabilities);
 - ensuring an appropriate balance and synergy between the core, strategic and other research programmes;

- administering and being accountable for Institute funds in accordance with the BBSRC financial requirements;
 - ensuring compliance with statutory requirements, and following best practice on corporate governance and risk management.
19. The Governing Body should have a Finance and General Purposes Committee to assist in exercising the normal company and charity stewardship responsibility placed on the members of the Governing Body.
20. The Governing Body of the Institute shall appoint an Audit Committee, which should report to the Chairman of the Board, and should follow best practice for the operation of such committees, including oversight of establishing and maintaining risk management arrangements and making appropriate arrangements for internal and external audit (see paras 50 & 51).

The Chairman

21. The Chairman is appointed in accordance with the Articles of Association and serves in a non-executive capacity. The Chairman acts as custodian of the Institute's mission and objectives and is the formal link between the Governing Body and the Director. The Chairman is responsible for guiding the Director in the overall direction and strategic management of the Institute, for chairing Governing Body meetings and, with the Director, for fostering an effective partnership with the BBSRC and other key stakeholders. The Chairman should ensure that the guidance set out in the Code of Practice for members of Governing Bodies of BBSRC sponsored institutes is followed.

The Director of the Institute

22. The Institute Director is responsible to the Governing Body, through the Chairman, for the overall management of the Institute. The Director will need to satisfy the Governing Body that the conditions in this Agreement are complied with.
23. The Director is also responsible to the BBSRC Chief Executive. In this regard, the Director's responsibility is defined as being accountable, as a sub Accounting Officer, to the BBSRC Chief Executive for both the scientific leadership and the efficient organisation and management of the Institute within the delegated authority and lines of accountability set out in this Agreement. The Director's responsibilities include keeping the BBSRC Chief Executive informed on matters set out in this agreement and any other strategic, contentious or sensitive matters which may be of interest to the BBSRC and the effective management of potential liabilities, including staff, that rest with BBSRC as employer. The Director may be required to appear before the Public Accounts Committee alongside the BBSRC Chief Executive on matters of interest to the Committee. The Director's

performance shall be appraised annually by the BBSRC Chief Executive, who will take account of any assessment provided by the Chairman of the Governing Body, and his/her remuneration reviewed annually by the BBSRC Remuneration Committee.

24. The Director shall advise the Governing Body if, at any time, any action or policy under consideration by the Governing Body appears to the Director to be incompatible with the terms of this Agreement. Should the Governing Body decide nevertheless to proceed the Director shall inform the BBSRC Chief Executive in writing forthwith. The Director shall also advise the Governing Body and the BBSRC Chief Executive if any instruction or request from BBSRC appears to be in conflict with the Institute's Memorandum and Articles of Association or charitable status.
25. The Director is appointed by the BBSRC following consultation with the Governing Body. Particular responsibilities shall include:
 - promoting excellence in research and training and fostering an effective partnership between the Institute and BBSRC;
 - formulating the long-term vision of the Institute;
 - providing strategic direction and scientific leadership of the Institute;
 - establishing internal mechanisms to monitor and review the quality and relevance of the Institute's research programme;
 - representing the Institute nationally and internationally;
 - overseeing the implementation of BBSRC staff and other relevant management policies;
 - representing the BBSRC as agreed with the Chief Executive;
 - providing the primary link between the Institute and the BBSRC;
 - maintaining the impartiality, integrity and objectivity with which the Institute carries out its functions;
 - operation of appropriate quality assurance standards (paragraph 52);
 - ensuring the institute is economically sustainable, or plans are in place to achieve this goal, through the effective management and use of the Institute's financial and other resources, with particular reference to:
 - the quality and performance of the administration of the Institute.

- operating effective systems of internal control to ensure that all funds available to the Institute are used for purposes for which they are intended and that all resources, including capital assets, equipment and staff, are used efficiently, effectively and economically.
 - identifying and evaluating key risks, maintaining a risk management framework and drawing up effective action plans.
 - complying with statutory requirements.
- ensuring that proper project management systems are in place and regularly reviewed to reflect best practice;
 - ensuring that the development and installation of all business critical systems are subject to proper project management disciplines and that sound contingency plans are in place.

The Secretary of the Institute

26. The Secretary is appointed by the Governing Body subject to the prior approval of BBSRC. The Secretary is an employee of the BBSRC but is also an officer of the Institute and as such has a fiduciary responsibility to the Institute.

FINANCIAL MANAGEMENT

27. The Governing Body shall ensure that the Institute has a sound system of internal financial management and control. It shall ensure that assets used by the Institute, including land, buildings, stores, equipment, debtors, cash investments and intellectual property are adequately controlled and safeguarded and that liabilities and obligations are appropriate and regularly reviewed.
28. The Governing Body should endeavour to conduct its financial and research affairs to ensure that its ongoing total expenditure is not greater than its total income and its overall financial position does not show an ongoing deficit. Unless otherwise agreed with BBSRC, and subject to the provisions of its Memorandum and Articles of Association and charity law, the Governing Body should establish a reserves policy and establish an appropriate level of reserves which are sufficient to protect the Institute against normal business fluctuations and to provide for capital expenditure.

BBSRC ACCOUNTING OFFICER RESPONSIBILITIES

29. The BBSRC Chief Executive is the Accounting Officer of the BBSRC and the Research Councils' Pension Scheme. The Director is, in turn, a sub-Accounting Officer responsible to the BBSRC Chief Executive for the propriety and regularity of all income and expenditure of the Institute.

VALUE FOR MONEY

30. The Governing Body is responsible for delivering value for money in the use of public funds. It should keep under review its arrangements for managing all the resources under its control, taking into account guidance and good practice issued from time to time by the BBSRC, the Research Councils' Internal Audit Service, external auditors, the National Audit Office, HM Treasury or the Public Accounts Committee.
31. The institute should aim to achieve value for money and procurement policy should adopt best practice as stated in Treasury and BBSRC guides. Generally goods and services should be procured using competitive mechanisms unless there are justifiable reasons otherwise. The Research Council's Procurement Organisation maintains a range of framework agreements, contracts and insurance policies which should normally be used.

PROVISION OF INFORMATION

32. The Institute shall provide the BBSRC with such information as the BBSRC may require for the promotion and exercise of its mission and to satisfy accountability requirements established by the BBSRC. This information shall be of a satisfactory quality and shall be provided at a time or times and in a format specified by the BBSRC. The BBSRC shall act reasonably in its requests for information.
33. In particular, the Institute shall provide the following information in a timely manner:
 - a) Annual business plan and risk register
 - b) Information in respect of the Institute Assessment Exercise, including Corporate plan
 - c) Annual research database returns
 - d) Annual output and performance indicators
 - e) Institute annual audited accounts and management letters
 - f) Institute subsidiary company audited accounts and management letter (where institute has controlling interest)
 - g) Annual report
 - h) Annual returns relating to BBSRC employees

INSURANCE

34. The Institute should follow the public sector policy of not taking out non-statutory commercial insurance unless there is an overall value for money benefit of insuring. In cases of doubt the Institute should consult the BBSRC. In the event of uninsured losses of more than 2% of the institute's turnover in any year BBSRC will, at its discretion, consider additional grant funding to assist with losses or claims above the 2% threshold.

ALLOCATION AND PAYMENT OF BBSRC FUNDS

35. The BBSRC shall determine the amount of Science Budget funds to be allocated to the Institute in any year, and shall distinguish between recurrent and capital funds. The BBSRC will notify the Institute, in writing, of the allocation of Competitive Strategic Grant as soon as possible, normally by 31 December, in advance of the financial year to which it relates.
36. The Competitive Strategic Grant and all other BBSRC grants shall be used for agreed programmes or projects and administered in accordance with this Agreement, the BBSRC Finance Guide and where appropriate the BBSRC's Research Grants Booklet as published on the BBSRC Website www.bbsrc.ac.uk. The Institute shall advise the BBSRC promptly of any change of use of the funds.
37. Approved capital expenditure incurred by the Institute shall be reimbursed by the BBSRC on receipt of the appropriate claim, which should be submitted promptly. Institutes should normally settle invoices for capital expenditure and claim in arrears but may exceptionally submit applications to the BBSRC for an advance of funds to meet large payments.
38. The Institute may carry forward up to 10% of its gross recurrent income from the BBSRC to facilitate the management of its finances. Any unspent balance of the grant may be recovered by the BBSRC in the succeeding year if it exceeds the limit above. There is no limitation on the carry forward of funds derived from sources other than BBSRC.
39. The BBSRC reserves the right, following the serving of reasonable notice, to require repayment by the Institute of BBSRC funds, in whole or in part, if the Institute fails to comply with any conditions to which those funds are subject.

RESEARCH COSTING AND PRICING

40. The Institute shall maintain a research management accounting system to ensure clear and effective allocation of costs and income to all research projects funded by BBSRC and other organisations.

41. In determining the price to be charged for research grants, contracts or other services, the Institute shall assess the full economic cost as defined in the BBSRC Finance Guide.
42. The BBSRC normally expects the full cost of such activities to be recovered unless the Institute considers it appropriate to do otherwise having regard to the circumstances of the particular case.

INVESTMENT OF FUNDS

43. The Institute may invest surplus funds or reserves in bank deposits or short term low risk interest bearing securities, and liquidate the same, without reference to BBSRC. The potential need to access funds for contingency or planned purposes should influence the investment policy. The Institute should take professional advice and must seek BBSRC's prior approval before any investment in, or divestment from, equities, unitholdings or other securities not covered above.

BORROWING POWERS

44. It is the BBSRC's responsibility to protect public investment in Institutes. In its role of monitoring the financial health of Institutes, BBSRC shall require the Institute to satisfy all the conditions on borrowing set out below:
 - a. The Institute is able to repay both the sum borrowed and interest thereon, without recourse to additional grant from the BBSRC.
 - b. If the sum borrowed is to be applied to new investment, such new investment should be in accordance with the Institute's Corporate Plan or Site and Facilities Development Plan and reflected in its annual Business Plan. If the new investment is not referred to in these documents it shall be subject to BBSRC approval.
 - c. The financial and scientific capability of the Institute is not impaired as a result.
 - d. The BBSRC is notified in writing before any Exchequer funded asset is pledged as security for any borrowing.
45. The Institute shall obtain written consent before it undertakes such a level of borrowing that the annualised servicing costs exceed a threshold of 4% of total income. The annualised servicing costs consist of the costs of capital repayments and total interest costs spread over the period of the borrowing. Consent will not be unreasonably withheld on the basis of a sound business case.

46. Borrowing includes finance leasing as defined in SSAP21 'Accounting for leases and hire purchase contracts and other schemes where borrowing is the substance of the transaction, in line with FRS5 'Reporting the substance of transactions'.

FINANCIAL STATEMENTS

47. The Institute shall keep proper accounting records and shall prepare financial statements in respect of each accounting period. The Institute shall provide the BBSRC with two copies (1 signed) of its audited financial statements and a copy of any management letter or report issued by the Institute's auditors, together with the management response by 30 September following the end of the accounting period. The points raised in the management letter will be subject to review by the BBSRC's Audit Committee.
48. A copy of the annual accounts of any trading subsidiaries of the Institute shall be submitted along with the Institute's financial statements in para 47 above.
49. The Institute shall ensure its financial statements are in accordance with Generally Accepted Accounting Principles and comply with the requirements of the Companies and Charities Act, the BBSRC Finance Guide and Government Accounting so far as is possible and relevant.

AUDIT

50. The Research Councils' Internal Audit Service (RCIAS) will review the Institute's key internal control arrangements on an annual basis. In addition, specific system reviews may be carried out on behalf of the BBSRC, according to an audit programme approved by the BBSRC's Audit Committee.
51. The Institute shall accept the right of the RCIAS to have full access to books, records, information, assets, liabilities and obligations of the Institute and all its subsidiaries and to Institute staff to give any explanation which it considers necessary to fulfil its responsibilities. The books and records of the Institute and subsidiaries shall also be open to inspection by the Comptroller and Auditor General.

QUALITY ASSURANCE

52. The Institute should have appropriate scientific quality assurance systems to cover the full range of its scientific activity. These systems should ensure that research practices always meet the highest appropriate standards, endorse the reliability of the results and assure the integrity of the research and the results produced to underpin the public funding received.

ESTATE MANAGEMENT

53. The Institute should maintain a site and facilities development plan covering a period of at least 5 years and manage and develop its estate having regard to the guidance issued from time to time by BBSRC on estate management.
54. The Institute should maintain its estate to a good standard and in accordance with a maintenance plan covering both long term and routine maintenance requirements. The plans should be linked to building condition schedules which detail the type and state of the buildings and any remedial works required to meet fitness for purpose requirements by reference to standards defined by the Royal Institute of Chartered Surveyors. The resources deployed to deliver this plan should be clearly identified and discussed at the Annual Business Planning Round.

DISPOSAL AND SALE OF ASSETS (EXCLUDING INTELLECTUAL PROPERTY)

55. The Institute must seek the BBSRC's prior approval to:-
 - any change of use of a capital asset (excluding intellectual property) acquired with BBSRC funding for a purpose which is not part of the work programme of the Institute approved by the BBSRC;
 - any disposal of a capital asset, including sale of any tangible or intangible assets (such as land, buildings and equipment, or "goodwill" but excluding intellectual property) acquired with BBSRC funding.
56. Any disposal of a capital asset (excluding intellectual property), acquired wholly or partially with BBSRC funding, where the anticipated net proceeds of sale, after deducting any expected sale costs is reasonably considered to have a current or future potential value of £100,000 or more, may only be made on condition that the proceeds (or appropriate proportion) of the disposal including sale will be surrendered to the BBSRC. Nevertheless, BBSRC will, at its discretion, consider proposals to redeploy proceeds from disposal of surplus assets within the institute. The Institute may dispose of a capital asset (excluding intellectual property) of a value of less than £100,000, and retain the proceeds, without referral to BBSRC.

DISPOSAL AND SALE OF ALL OR PART OF THE INSTITUTE

57. In the event of the disposal of all or part of the Institute the BBSRC shall recover its share of the proceeds of the sale relating to intellectual property on the basis of the ratio of the Institute's average income from BBSRC, including all grants for research for equipment and for minor works, to total recurrent income over the previous ten years. The Institute must give BBSRC advance notice of any plans to dispose of all or part of the Institute.

HUMAN RESOURCE MANAGEMENT

58. The Institute staff are employees of the BBSRC and, accordingly, are subject to the terms and conditions of service set out in the BBSRC Staff Code (see Annex A). The Institute shall also conform with such human resource management policies and practices as are agreed from time to time for BBSRC employees.
59. The Director is responsible for ensuring that the provisions of the BBSRC Staff Code, BBSRC-approved codes of conduct and relevant supplementary letters of authority are applied to the staff of the Institute.

SAFETY, ENVIRONMENT AND HEALTH

60. The Director is responsible for the management of health and safety within the Institute, and will take all necessary steps to adopt and promote best practice and BBSRC policies to meet the regulatory and other legal requirements for health and safety and environmental compliance in relation to the operation of the Institute.

PUBLICATIONS

61. The Institute must give advance notice to the BBSRC of forthcoming announcements and of the publication of significant scientific results; particularly in relation to developments of a potentially sensitive nature, eg with political or human or animal welfare implications. Specifically, advance copies of potentially sensitive media releases must be submitted (with details of embargoes and planned publication dates as appropriate) to the BBSRC.
62. Any publication, report, media release or exhibition relating to work funded either wholly or in part by the BBSRC must give clear acknowledgement of the financial support from the BBSRC.
63. Where research is funded by the BBSRC, the Institute shall have freedom to publish and communicate information about such work provided that the rights of the BBSRC to use and communicate the results are safeguarded. When intellectual property arising from such research has commercial potential the Institute shall, other than in exceptional circumstances eg in the public interest, ensure that adequate protection is obtained before entering into any commitment to publish the results and prior to taking any formal action with any organisations regarding commercial exploitation.

COMMERCIAL ACTIVITIES

64. The promotion or setting up of any subsidiary or spin-off company, partnership or joint venture by the Institute shall be subject to approval in principle by the

BBSRC (at an early stage in the negotiations) and subject to final approval by the BBSRC before the associated agreements are signed. Subject to provision of adequate supporting information, approval by BBSRC shall be expeditious and not be unreasonably withheld.

65. There shall be early consultation with BBSRC concerning other potentially significant commercial developments. Agreement between BBSRC and the Institute that the development should be classified as “significant” will normally follow these consultations and would be confirmed in writing by BBSRC. Guidelines for what constitutes a significant project are:

- Sale of equity or IP valued at £250K or more.
- Licensing of IP likely to give a royalty return of £250K p.a. or more.
- Third party research contracts of a value of £1M or more.
- Novel developments that may raise new policy issues.

Final contracts concerning “significant developments” shall only be signed after agreement with BBSRC.

66. Subject to prior consultation with the Institute, the BBSRC shall have the option to appoint one Director to the Board of any subsidiary company being established by the Institute including subsidiary trading companies, holding companies, spin-off companies and joint venture companies.

INTELLECTUAL PROPERTY

67. Other than in exceptional circumstances, eg in the public interest, the Institute shall ensure that any intellectual property arising from its research activities which has commercial potential is protected and exploited wherever possible, whilst also ensuring incentives and returns to the Institute and inventor(s). Intellectual property includes copyright, patents, trademarks, design rights, trade secrets and know-how.
68. BBSRC employs the Institute staff and, therefore, in accordance with the Patents Act 1977, owns all intellectual property generated by the staff in the course of their employment. Under a Settlement Agreement between BBSRC and the Institute, which is subject to the intellectual property terms of this Agreement, ownership of past intellectual property and all future intellectual property generated at the institute over the period to 31 December 2003 is transferred from BBSRC to the Institute.
69. The Institute shall also be deemed to own intellectual property arising from any research contract with a third party that is agreed prior to 31 December 2003, on condition that the intellectual property is generated directly and specifically from the funding provided by the third party. For the avoidance of doubt this excludes any general or omnibus intellectual property business agreements, but BBSRC

will be prepared to consider transferring ownership of other intellectual property generated by the Institute beyond the three-year period if it is an essential component of a commercial development approved by BBSRC.

70. In the normal course of business, ie other than the disposal of all or part of the Institute, (see para 56) the Institute is allowed to retain income from exploitation of intellectual property on the understanding that the planned use of such income shall be displayed clearly in the Institute's annual Business Plan. In the event of such income exceeding 10% of total Institute recurrent income the institute shall submit plans setting out the proposed use of these funds. Although the use of such funds shall be the subject of discussion with BBSRC, there is a general presumption that such income would be retained by the Institute if the planned use of resources, e.g. for capital development, met with approval from BBSRC. BBSRC reserves the right, exceptionally, to adjust its funding to the institute to take account of exploitation income.
71. Exploitation income shall include any income derived from the commercialisation of intellectual property, eg from the sale or licencing of intellectual property, from the sale of the Institute's equity in subsidiary companies, from option and up-front payments for intellectual property, from royalties, from dividends from equity stock and from any profits from a subsidiary company covenanted to the Institute. Exploitation income is calculated on a net basis, i.e. after deduction of allowable exploitation costs, which are defined as follows:
- intellectual property protection (including Institute staff costs)
 - professional advice
 - marketing
 - agents commission
 - royalty and/or revenue sharing payments due to third parties
 - appeal tribunals and litigation
 - any other clearly identifiable costs which may be agreed from time to time by BBSRC and the Institute
72. For the avoidance of doubt, payments made to inventors under the BBSRC Awards to Inventors Scheme are not allowable costs.
73. The Institute shall prepare annual financial statements made up to its accounting year end setting out the exploitation income received or receivable by the Institute and the related allowable costs.

OTHER MATTERS

74. The Chief Executive of the BBSRC, and the Director and the Chairman of the Governing Body on behalf of the Institute, shall signify below their acceptance of the terms and conditions of this Agreement, which will become effective from the date of signing.

75. This Agreement shall be reviewed by the BBSRC and the Institute at least every three years. Any party may propose changes to the Agreement at any time and these may be incorporated if both parties agree.
76. Questions arising on the interpretation of any statement in this Agreement shall be resolved by the BBSRC after consultation with the Institute.

SIGNATORIES

..... Date

Chief Executive of the Biotechnology and Biological Sciences Research Council

..... Date

Director of the Institute for Animal Health

..... Date

Chairman of the Governing Body for Animal Health

ANNEX A

BBSRC/INSTITUTE AGREEMENT

1. The purpose of this Annex is to set out the arrangements for the employment of staff at the Institute and the associated staff liabilities, as they relate to the wider provisions of the Agreement.
2. Staff at the Institute are BBSRC employees, appointed by the Institute in accordance with the delegated powers that have been laid down by BBSRC following consultation with all BBSRC-sponsored institutes.
3. Staff are appointed to work at BBSRC-sponsored institutes, under the provisions of the BBSRC terms and conditions of service, as set out in the Staff Code. These conditions are established by BBSRC in consultation with BBSRC-sponsored institutes and representatives of Trade Unions recognised by the BBSRC. Institutes are required to apply these conditions and the associated provisions laid down in management letters. All staff are eligible to join the Research Councils' Pension Scheme which is administered by the BBSRC and operates by analogy to the Principal Civil Service Pension Scheme.
4. There is a common redundancy agreement for all staff on BBSRC terms and conditions of service agreed with the Trade Union Side. Negotiations with Trade Unions on pay and conditions of service are conducted at a national level by BBSRC with BBSRC-sponsored institute representation. As the employer the BBSRC carries a substantial contingent liability for redundancy and pension costs.
5. Staff at the John Innes Centre are formally employees of the John Innes Governing Council but in practice they are regarded as BBSRC employees as the Council has agreed to carry the legal liabilities in the same way as for other BBSRC-sponsored institutes.
6. As BBSRC carries the legal responsibility to meet salary, pension and redundancy costs, the Council needs to monitor the financial health and staffing plans of each institute in order to control its exposure to contingent liabilities. The framework for this process is set out in the Agreement.
7. Although the legal liability for employment costs rests with BBSRC it is understood that in normal operating situations each BBSRC-sponsored institute is expected to meet all operating costs, including salary and employers' pension contributions. Such payments may include meeting all or part of redundancy costs through reduction in funding.

8. In situations of major financial cutback, of structural changes such as site closures and of any unforeseen liabilities being incurred by an institute, BBSRC's sponsorship role means that it stands behind each institute to cover contingent liabilities, including employer's liabilities, and to ensure that they can meet their contractual obligations.

KW/COG/COGIFR