

SUMMARY MINUTES OF AHDB INTERIM BOARD MEETING HELD ON THURSDAY 20 OCTOBER 2022 (MS TEAMS)

Present: Nicholas Saphir (NS), Colin Bateman (CB), Lyndon Edwards (LE), Sarah Pumfrett (SP), Stephen Briggs (SB), Catherine MacKenzie (CM), Mike Sheldon (MS)

In attendance: Tim Rycroft (TR), Ken Boyns (KB), Tony Holmes (TH), Will Jackson (WJ), Jackie Kay (JK), Ian Smith (IS), Peter Judge (PJ) (Item 4), Rob Clayton (RC) (Item 4)

Apologies: Janet Swadling, Ian Ascroft

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| <p>AGENDA ITEM 1 – APOLOGIES FOR ABSENCE</p> <p>Apologies for absence had been received from Janet Swadling and Ian Ascroft.</p> |
| <p>AGENDA ITEM 2 - MINUTES OF THE BOARD MEETING HELD ON 20 SEPTEMBER 2022</p> <p>The minutes of the board meeting held on 20th September 2022 were accepted as a correct record.</p> |
| <p>AGENDA ITEM 3 – FORMAL SIGN OFF OF ANNUAL REPORT AND ACCOUNTS</p> <p>Sarah Pumfrett (SP) had been asked to seek approval from the board of the 2021/2022 Annual Report and Accounts (ARA).</p> <p>The Audit and Risk Assurance Committee had met on Thursday 20th October to discuss the report. There are a few outstanding audit matters which NAO need to complete. We need to consider if we stick to the current timeline or push back the date for laying the ARA before parliament. TH noted that any delay would have cost implications.</p> <p>SP updated the board that one audit matter was outstanding. This matter is currently with the CFO at Defra, it will then go to the DG at Defra and finally onto Defra PermSec before Treasury. NS said he would speak to PermSec if needed. NAO cannot approve the accounts until Treasury approval is in place.</p> <p>NS asked the board if there were any questions and were they all happy to agree to the advice of ARAC. The board approved the 2021/2022 Annual Report and Accounts (ARA).</p> <p>ACTION: NS asked TH/SP to keep the board updated on progress</p> |
| <p>AGENDA ITEM 4 – USE OF SURPLUS LEVY FUNDS IN HORTICULTURE AND POTATOES</p> <p>KB presented his paper and updated the board on this issue. The decision for the board was now relatively straightforward with the vast majority of Growers Associations submitting requests for the residual funding to be transferred to the new company being set up. Legal advice received has been in line in with what has been said previously. The proposal is a one-grant agreement, but with staged drawdowns available against pre agreed delivery and governance requirements.</p> |

SP asked about the costs of staged grant drawdowns and were the costs recoverable. KB confirmed that any costs associated with the grant drawdowns were recoverable. The payment schedule has to be worked through but would probably be over a 9-12 month period.

MS asked if AHDB were still accountable for the responsibility of running the operation if the Growers Associations were handed the money over in stages. KB stated that staged drawdown was designed to mitigate the amount at risk in the event of a business or governance failure. There would be criteria set against how the grants would be paid.

NS noted there has been a lot of industry support for the proposal, as well as press coverage again supporting this process.

SP asked if it would increase our reputational risk if we made the grants in stages (as well as potentially increasing our admin burden). TR noted that while the money sits within AHDB it is subject to very high levels of governance and assurance. As soon as the money is passed to an outside organisation who have a different level of accountability, this could in the event of a failure or misfeasance also represent a reputational risk to us.

NS stated the way we propose handling the process is to our advantages in terms of prudent risk management. The board needed to decide on balance if the proposal for grant funding delivers to AHDB's statutory remit. KB said we either need to make staff redundant or move them to the new organisation. The new organisation will need initial income to run itself before raising voluntary payments, so we would need to provide funding up front for them to do this.

SP asked if the outstanding levy fees were being recovered. KB stated we have a legal obligation to collect the outstanding levy fees. TH said any outstanding levy fees are now with lawyers who have issued letters chasing payment. Debts outstanding will be pursued as usual through the courts. This will reach a point where it is no longer cost effective to pursue the small amounts outstanding in this manner, but we're hoping to get the majority of what is outstanding collected. KB stated the final amount of levy fees collected will be paid out in the second tranche of payments.

NS asked if the board were supportive of the proposal in the paper to provide the grant from the net Horticulture reserves against ongoing evidence of delivery by the new organisation. **The board agreed to the proposal.**

Discussion then moved on to potatoes. KB noted that the time pressure created by the need to resolve the future of horticulture staff does not apply to potatoes. Also, the quantum of any surplus levy funds is much more uncertain while the sale of Sutton Bridge remains outstanding. KB proposed that AHDB needs to be open to providing grants or some element of levy repatriation.

The proposal is to work with our staff and growers on a public announcement on the board's decision on horticulture. KB also reminded the board that the sale of Sutton Bridge may yet fall through.

SP said the precedent had been set with horticulture: we should ask the industry what they wanted us to do. It was more for them to tell us what they wanted and to put forward a proposal. KB agreed the language of the press release needed to be right. NS stated that with horticulture it had been a single demand from the whole industry. This may be different for potatoes and cause issues in terms of fragmentation, costs and this needs to be recognised in our comms to the industry to avoid any reputational risk issues.

PJ and RC joined the meeting. NS updated them both on the decision made on horticulture. PJ thanked the board for supporting this initiative and said it was important to recognise all the efforts

from the AHDB staff on the horticulture team who have remained with us and helped support with getting this initiative through.

TR asked PJ to work together with us to get the announcement ready to be released and to keep this confidential until it was all agreed. PJ said he wouldn't communicate anything out until it was agreed by all the board. KB stated that he and RC had a timeline of who would need to be communicated to and when. The staff were priority for updates.

LE asked if we were handing all the staff issues appropriately with the move to the new organisation. JK confirmed we were and the staff who wanted to move across, would do so in accordance with the TUPE regulations when the time was right to do this.

NS asked if the board agree to do a carefully worded press release, talking about what we've done in horticulture, giving potatoes the chance to come back with a proposal. This would hopefully be a unified industry decision which we would welcome. **The board agreed the proposed way forward.**

NS went on to thank PJ and RC for all their help in finding a resolution for both industries. The Board confirmed its thanks.

AGENDA ITEM 5 – SECTOR PLANS - QUESTIONS TO SECTOR CHAIRS FOR CLARIFICATION

WJ informed the board that the sector plans in the Board Pack were in draft form and amendments continue. In particular, the images are 'placeholders' and will be updated, but he wanted the board to see them to ensure there were no major risks or conflicts.

SP said she thought they looked professional but was glad the graphics were going to be updated. She said she'd like to see even more diversity in the images. WJ said he would try to do so.

TR asked the board if they were content that they had been made aware of the AHDB risks – financial, governance and reputational - created by the sector plans. He noted that the executive would work with ARAC to ensure that new risks would be built into the risk register. CB stated he found TR's covering document on the sector plans really useful. He thought the Sector Councils would find this very useful to read.

The Board confirmed its support for the proposed packs.

AGENDA ITEM 6 - TECHNICAL CHANGE TO AHDB PENSION PROVISION FOR STAFF)

TH stated he wanted to seek board approval for the amendment to the system used for AHDB employee pensions. This proposal had been reviewed by RemNom at its meeting of 11 October 2022 with a recommendation for formal approval by the board being made.

TH said that we would change the way the deductions were taken for staff pensions. It is currently taken at net, meaning high-rate taxpayers must claim their tax relief on their self-assessment tax returns. The change would mean the deduction would be taken from the gross salary, giving employees who pay tax at the higher rate immediate PAYE relief rather than having to recover via self-assessment returns to HMRC. There is no cost to AHDB although AHDB would benefit from a reduction in employer's national insurance payments.

SP asked if there was any chance in 10 years' time that this would be classed as tax avoidance. TH said from a legal perspective, there were no issues at all, and salary exchange is commonplace for managing employee pension contributions. SP asked if there were any implications on the older pension schemes, TH replied there were none. This change only impacts on current employees who

pay into the AHDB Worksave Pension Plan, which is a defined contribution scheme, it does not impact on the MLC or HGCA schemes.

NS asked if the board were all in agreement with this change. **The board approved the proposed amendment to AHDB employee pension provision.**

AGENDA ITEM 7 - ANY OTHER BUSINESS

NS commented on the fantastic AHDB presence at SIAL this week. The team did a great job so thanks to all involved. NS has a meeting with the Secretary of State next week, he will update the board on how that goes following it.

DATE OF NEXT MEETING

The next meeting will take place on Tuesday 22 November 2022 at AHDB, Stoneleigh.