

**POTATOES  
SHADOW SECTOR  
COMPANY**

**AUTHORISED**

**MINUTES OF THE SEVENTH MEETING OF THE POTATOES  
SHADOW SECTOR COMPANY HELD AT NASH COURT,  
OXFORD ON WEDNESDAY 5 MARCH 2008**

- \* Mr Dennis Heywood - Chair (Interim)
- \* Mr Tony Bambridge ) - Growers
- \* Mr Colin Bradley )
- \* Mr Jim Cruickshank )
- \* Mr Robert Doig )
- \* Mr Graham Nichols )
- \* Mr Tim Papworth )
- Mr Fraser Scott )
- \* Mr Alex Stephens )
- \* Mr Duncan Worth )
- Mr David Rankin ) - Grower/packers
- \* Mr Nick Tapp )
- \* Mr Nick Vermont - Processor representative
- \* Mrs Fiona Fell - Independent member
- \* Present

By invitation: Ms Clare Dodgson, Independent Member of AHDB  
Mr Kevin Roberts, AHDB CEO (Interim) (Items 08/41- 42)

In attendance: Mrs Helen Priestley, BPC Chief Executive  
Mrs Inga Martin, Company Secretary  
Mrs Kathryn Race, BPC Marketing Director  
Mr Steve Moore, BPC Head of Finance & IT (Items 08/41 & 44)  
Mr Adrian Cunnington, Operations Manager, SBEU (Item 08/45)

**ACTIONS**

**08/35 CHAIR'S INTRODUCTION**

Since the previous Board meeting, Janet Bainbridge had

stepped down as a member of the AHDB board and had resigned from her position of Shadow Chair of Potato Council Ltd. Mr Dennis Heywood, one of the independent members of PCL had agreed to act as interim company Chair until a permanent appointment could be made. In this capacity he would also sit on the AHDB Board. The Shadow PCL Board had accepted Professor Bainbridge's resignation and approved Mr Heywood's appointment at an extraordinary meeting on 20 February 2008.

Mr Heywood, on behalf of himself and the board, expressed appreciation to Janet Bainbridge for her efforts and total commitment to the Company and AHDB, and wished her success in her new role. He then thanked members for their expressions of confidence in him, in supporting his appointment as interim Chair. He would do all he could to ensure a smooth transition. Mr Cruickshank reciprocated on behalf of the Board, saying that members would give the Chair every help they could.

**08/36 MS CLARE DODGSON**

The Chair welcomed Ms Clare Dodgson, one of the three independent AHDB members, who was attending the meeting by invitation.

Ms Dodgson said that a policy decision had been taken to choose independent members from outside the agricultural industry who could give a fresh perspective on issues. She came from a public sector background and had a particular interest in matters of finance and corporate governance. Ms Dodgson had worked with many organisations, including the NHS. Since joining AHDB, she had been asked to head up audit and relocation sub-committees, as well as ad hoc working groups. She had been involved in developing the corporate plan, and negotiating the Management Statement & Financial Memorandum (MSFM), and she would oversee the preparation of the annual report & accounts, through the audit committee.

Mr Kevin Roberts, the CEO of AHDB, was expected to join the meeting shortly, to give a report on the recent AHDB Board meeting

**08/37 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Messrs Rankin and Scott.

**08/38 DECLARATIONS OF INTERESTS**

Changes relating to two Members were reported for the record: Mr Nichols had stepped down from his position on the NFU horticulture board. He confirmed that he is a partner in the farming business, H Nichols & Son. Mr Bambridge had been appointed Vice-Chairman of Cambridge University Potato Growers Research Association (CUPGRA).

**08/39 MINUTES OF THE BOARD MEETING HELD ON 6 FEBRUARY 2008 (PCM/08/02)**

The Minutes of the meeting held on 6 February 2008 were approved and signed as a true record.

Mr Cruickshank raised a question over the report on the AHDB debate on accounting structure (Minute 08/22, pages 6-7). It was agreed that the comments made at the PCL meeting had been correctly recorded. See also item 08/41 below.)

**08/40 MATTERS ARISING (PCP/08/19)**

**AHDB Attendance at Board meetings (Minute 08/20 & 25)**

It had been suggested that Kevin Roberts, CEO of AHDB should be invited to address PCL on the subject of the business case, so as to enable Board members to answer questions with greater confidence.

The PCL Working Group on Finance & General Purpose, having discussed the matter, recommended that it would be more meaningful to invite Mr Roberts to speak to Members once they had formulated particular questions or points requiring clarification. Mr Roberts had, however, been invited to give a report on the AHDB board meeting held on 3 March.

**Staff Issues (Minute 08/22)**

DEFRA had commissioned two consultants from Tribal, Adrian Rickard and Lindy Petts, to give advice in the matters of organisational structure, and retention and relocation policy, and Mr Heywood had met them both.

**Statutory Instrument (Minute 08/29)**

It had been agreed to consider how information about levy payers should be handled. However, AHDB would shortly consider how to deal with the Freedom of Information legislation in the new scenario, and it was therefore decided to wait until

the April PCL meeting, when the outcome of that should be known.

Kevin Roberts joined the meeting at this point.

#### **08/41 ACCOUNTING STRUCTURE POST 1 APRIL 2008**

The Board had been under the impression that AHDB had decided to adopt a group accounting structure for itself and its subsidiary companies, for political reasons. Mr Roberts confirmed that no such decision had been taken. AHDB, recognising that there were strong feelings in this matter – not necessarily based on financial rationale - did not wish to dictate the outcome. Therefore, it had been agreed that each sector could decide whether to be part of a single entity, divisional structure, or draw up its own separate company accounts. Such a 'hybrid' set-up was not ideal, but AHDB felt that it was preferable to accept this, rather than risk alienation from some sectors. It was known that some of the sectors wished to go for divisional accounting whereas others preferred to adopt a devolved system of accounting.

Mr Roberts confirmed, in response to a question from Mrs Fell, that, irrespective of which option was chosen, AHDB recommended that the separate limited subsidiary companies should be retained, though these would have no assets and would not trade. This was for reasons of accountability and would require less corporate governance on the part of AHDB. Communications with the industry would be carried out in the name of the Company. Mr Roberts added that, if members wanted more time to consider the matter, they could delay a decision or they could make a conditional decision related to cost savings.

Steve Moore, who attended this part of the meeting reported that he would still have to maintain the same transaction records; only the final steps in preparing the accounts would differ. There would be some cost savings in terms of auditing; by way of an example, comparative fees for auditing BPC and the dormant SBEU company were £20K and £3K respectively. The costs of audit committee meetings would also be avoided. Members were intrigued as to why anyone should decide against choosing to be part of a divisional accounting structure, when this meant simpler records and processes, lower taxation and fewer audit costs. They questioned Mr Roberts on a number of aspects and he gave the following responses:

#### **Activities**

In the divisional accounting scenario, would we have limits on

what we can or cannot do; would our freedom to act imaginatively be constrained? (Mr Vermont)

What can be done is determined by the legislation and the delegation agreement. The accounting structure would have no effect on this.

### **Liabilities**

Would we take on any additional or more stringent liabilities by choosing divisional accounting; would our hands be tied in terms of decision making? (Mr Bradley)

The answer to both questions is No.

### **Cross-sector support**

Would there be cross-subsidies? Could AHDB find itself having to bail out a sector in financial difficulties? If so, might potato funds be used for this? (Mr Stephens)

AHDB will have no funds to bail anyone out. If a sector company finds itself in financial difficulties, the remedy would be to seek increased levies or to wind itself up. The legislation stipulates that levies raised from a sector must be used for that sector. The same applies to assets transferred from a sector body to AHDB under the legislation.

### **Sector accounts**

Would there be management accounts for the potato company, so as to ensure clarity and accountability? (Mr Bambridge)

Yes, there would be no change to that; the transactions would still be carried out by the existing finance team.

### **Contracts**

It would seem that the transfer of BPC contracts would be easier, as these would stay with AHDB (Secretary)

Yes, all property, rights and liabilities will transfer to AHDB automatically under the Statutory Instrument. If these were to be transferred on to the sector company, that would necessitate novation ("re-contracting") but in a divisional structure that would not apply.

### **Responsiveness**

Is there any risk that the structure might slow down our ability to

communicate with and respond to the industry? (Chair)

No. There will be some sign-off rules and procedures. However, this will not be affected by the company structure.

### **Rationale for diverse views**

Members wondered why, with so many reasons for divisional accounting and so few against, there were those who appeared not to favour it. Mr Roberts thought that this might be caused by a lack of trust, and a fear that sector funds would be “siphoned off”. As explained earlier, this was prohibited by the legislation and any such attempt would be noted by the National Audit Office, which would inspect AHDB’s records and audit its activities. He made the point that there were considerable differences between the various sector organisations, some being more akin to trade associations whilst others had a clearer business focus. Ms Dodgson said that any change process tended to cause uncertainty and discomfort and that might be one of the factors here.

Mr Vermont said that this was an important subject, as there would be potato levy payers who were uncertain, distrustful and cynical. Clear messages and explanations were important.

### **Cost issues**

Mr Roberts was asked whether the hybrid system would be more expensive. He said it would, though not to a major degree. He agreed with a suggestion that it was likely to be a temporary measure and that, once the organisational change and the relocation to Stoneleigh were complete, all might decide to move to divisional accounting. That would make the Accounting Officer duties easier and more efficient to manage. Mr Roberts said that he would prefer not to raise expectations of major savings in the shorter term. As demonstrated by Mr Moore, there would be some cost reductions in the interim, but major savings would depend on the co-location and centralisation of the finance function, systems and processes.

### **Board decision**

The Members confirmed that, in the light of the information and explanations provided at this meeting, they were ready to make a decision. On the proposal of Mr Vermont, seconded by Mr Stephens, the Board agreed to adopt divisional accounting for PCL.

It was suggested that this decision might influence other sector companies to do the same.

**Company name**

Mr Vermont said that the Board felt the company name, Potato Council Ltd, had been forced on it, without the opportunity to debate it. He wondered whether “BPC” could be used. Mr Roberts said that there was nothing inherently unlawful about using that abbreviation and suggested that the Board may wish to adopt the style “Potato Council Ltd, T/A BPC”. He stressed that what was not permissible was using the word “British”; this was against EU state aid regulations.

**08/42 REPORT FROM AHDB MEETING**

Mr Heywood had been unable to attend the meeting of the AHDB Board held on Monday 3 March, and Mr Cruickshank had stood in for him. Mr Heywood had invited Mr Roberts, the AHDB CEO, to report on the proceedings.

**Corporate Plan**

The AHDB Corporate Plan had been referred to DEFRA for ministerial approval; so far two of the required four signatures had been obtained.

Approval of the proposed levy rates was imminent, and Mr Roberts would advise PCL when the process was complete.

AHDB  
CEO

**Statutory Instrument (S.I.)**

The AHDB Order had completed the Parliamentary process unopposed in the end, despite being held up in Scotland for some weeks. The legislation became effective in two stages, some parts immediately, others on Vesting Day. Vesting Day on 1 April 2008 was now secured; that was the date when the transfer of assets and liabilities from the levy bodies to AHDB would happen.

**Re-location plans**

With the S.I. becoming law, AHDB had changed from a shadow to a skeleton structure, one effect of which was that it could now enter into contracts. The process of negotiations with Advantage West Midlands and the developers could therefore start in earnest. Proposals from DEFRA Estates had been received and interviews with prospective contractors would be held shortly.

Mr Roberts said that it was hoped to appoint some key post-holders to progress the project plans – preferably through

secondment – by June 2008. There were some aspects which had not been finalised on 3 March but he foresaw that these would be wrapped up at the AHDB meeting in April and he would confirm the outcome.

AHDB  
CEO

Referring to the intended co-location at Stoneleigh, Mr Roberts said the current view was that the entire project would be complete by the end of March 2010, that is two years from the statutory transfer. However, it was possible that this might be reduced to, say, 18 months. Furthermore, some temporary accommodation had been secured on site so it would not be necessary to hold off starting the process until the new building had been erected. There could be a phased transition, with some of the support functions possibly transferring as early as April 2009.

Mr Tapp commented that this made it even more important to inform staff about the timing, as soon as possible.

### **Terms & Conditions of Employment**

Contracts of employment for all levy board staff would transfer to ADHD with effect from 1 April 2008 and it was intended to introduce new terms & conditions for staff in future. Mr Roberts said, in response to a question from Mr Tapp, that it had not yet been decided whether to put this in place now or wait until staff was taken on at Stoneleigh.

Details of the intended T&Cs would be discussed by the AHDB HR Forum, and referred to the re-location sub-committee lead by Ms Dodgson.

Mrs Martin said that BPC hoped to recruit a Knowledge Transfer Executive shortly and any job offer would be based on existing T&Cs. Interviews would be held on 7 March.

### **Organisational structure**

Mr Roberts said that one of the challenges for ADHB was to create an organisational structure for the future which was both efficient and robust and sufficiently flexible to cater for sectoral variations. It was clear that some had visions of small bodies with a major level of central support; for others, the sector-specific work was paramount. Each scenario required a different staff complement. The starting point would be sector need, which would drive strategy, which would in turn determine resources.

### **Marketing Sub-Group**

The work of this sub-group, led by Mr Chris Bones, was progressing. The project covered some major issues, like opportunities for joint activities and the merits of setting up an industry wide quality scheme. This was a highly charged issue with state aid implications, and specialist consultants would be commissioned to advise on the best way forward.

### **Skills Development**

AHDB had agreed on the need for recognising skills in the industry. Dr Bridge, the Chair, would take on the role of champion for this concept.

### **Management Statement & Financial Memorandum (MSFM)**

Mr Roberts reported that the negotiations of the MSFM between DEFRA and AHDB were progressing. There were a few issues - related to the 'DEFRA delivery landscape', handling redundancy schemes, and insurance cover - which needed to be ironed out but it was expected that these would be resolved shortly.

### **Memorandum & Articles of Association**

The Secretary said that PCL had been incorporated with template Mem & Arts, and she wondered when the final version would be available. For instance, at the previous meeting the Board had agreed to retain the system of functional committees set up by the BPC, which included non-board members, and she wanted to be sure that the company would have the power to do that.

Mr Roberts said that the terms of the Mem & Arts would shortly be agreed and a copy of the document would be provided.

AHDB  
CEO

### **Delegation Agreement (DA)**

Mrs Priestley asked about the Delegation Agreement between AHDB and PCL. This was a document setting out those activities which AHDB would be empowered to carry out by the Statutory Instrument and which it was delegating to PCL. The Board had been promised to receive this in draft form, for discussion.

Mr Roberts confirmed that this would be produced, once the MSFM had been agreed. He said that the Board's decision to go for divisional accounting meant that the DA would be a very lightweight document.

The Secretary said that the 2008 planting returns would be sent out in the name of Potato Council Ltd, on behalf of AHDB.

### **Appointment of Chair**

Mr Roberts advised that recruitment for a permanent PCL Chair would take some time to progress. The full OCPA rules had to be followed and the selected candidate had to be approved by all Ministers. Therefore, if an early appointment was desired, the process should start as soon as possible.

It was important that PCL was involved in this process, to ensure that the most appropriate person was selected. The starting point should be specifying what was required, and Mr Roberts asked members to take an active part in that. The payment rate - £300 per day – was fixed and there was no scope for negotiation. However, there was no blanket rule of days worked. Sectoral need was paramount, so the Board could have an influence in that regard.

Mr Heywood said he knew that Dr Bridge was committed to circulating the job specification and draft advert. He hoped these would be available in time for the next Board meeting. Ms Dodgson, who had a wealth of experience of recruitment said that in her view, the role was important but the person was crucial.

Mr Bambridge commented that there was a pressing need for a facilitator in the potato industry, someone who could bring diverging views together, and he suggested that this was a role for the sector company Chair. Hence, excellent communication skills would be a key requirement. Mr Bradley agreed that the sector was so diverse that a unifying voice was needed.

Mr Roberts said he saw the position of Chair as outward facing and he agreed that this would encompass the role of advocate, though the person must also have the ability to chair the Board. The position of CEO he saw as more inward facing. He pointed out that the Chair would also be on the Board of AHDB and that must be borne in mind when determining the required time commitment. He thought that once the organisation was up and running, it would need to meet around six times per year.

Mr Bradley, emphasising the size of the communication task, wondered whether the post could be offered on a full time basis, part salaried employee and part consultant. Ms Dodgson undertook to investigate this.

Ms  
Dodgson

Mr Roberts reiterated that the first stage would be specifying

what was required and he would liaise with Mrs Priestley about that. The job specification and advert would then be prepared and circulated. Once these issues had been determined, if Members knew someone they thought would be suitable, then there was no reason why they should not suggest that he or she apply. Mr Heywood would be part of the selection panel.

AHDB/  
BPC CEO

Members

Mr Tapp asked about the timetable for reviewing the post of CEO. Mr Roberts said that Lindy Petts, the consultant was working on this and she was liaising with both the sector co chairs and the existing levy body CEOs. Mrs Priestley confirmed that she had an appointment with Ms Petts.

### **Finance issues**

The Chair invited Members to put any other relevant questions to Mr Roberts and a number of issues related to the business plan were raised.

Mr Roberts said that local property prices were such that the sale of Winterhill House (MLC headquarters) was unlikely to fetch more than net book value; hence there would be no tax liability. In terms of cash flow, capitalising the rent free period for the Stoneleigh property together with the sale proceeds of Winterhill, should have been sufficient. However, the former would have had tax implications so it had been decided to use reserves instead. Mr Roberts stressed that if the potato sector reserves were used for this purpose, PCL would be informed and would be credited with interest.

The Stoneleigh property would have a floor area of 40,000 sq ft, and the rent would be ca £16 per sq ft. It was possible that, if there was found to be spare capacity, some co-location could be arranged.

### **Closing comments**

Mr Cruickshank said that, when he attended the ADHB board meeting, he had sensed some unease between members. He was enthused about the potential for improved value which the levy body reform could achieve for the industry, but that required trust on both sides. The report from Mr Roberts and the explanations given at this meeting, made him confident that there was a positive way forward, provided all parties continued to communicate openly. Other Members agreed that this had been a very good session, with open debate and clear messages.

The Chair thanked Mr Roberts for his contributions and he left the meeting.

**08/43 GB CROP & MARKET REPORT (PCP/08/20)**

The Paper, which had been prepared by the BPC's Market Information Manager, showed a variety of crop and price information. It also included some initial thoughts on planted area for the current season, based on a review of relevant factors and industry predictions. The CEO pointed out that, following the imminent transfer from BPC, the PCL Board would assume responsibility for financial matters and would receive reports such as this, by way of background.

There was some debate, though no consensus, amongst members regarding the likely size of the 2008 potato area. The Chair commented that the Board would keep this matter under review, as the season developed and actual information came to hand. There was nothing in the Paper to warrant any change to the budget.

**08/44 FINANCE ISSUES**

Mr Cruickshank who chaired the working group on finance & general purpose, reported that, at its meeting the previous afternoon, the group had reviewed the assumptions behind the AHDB business case. As agreed by the Board in February, it was essential for Members to have a clear understanding of this complex issue. A number of reports were submitted.

**BPC Finance Report to 31 January 2008 (PCP/08/21)**

The Board received a report on income and expenditure for the period from July 2007 to January 2008. Members confirmed that they wished to receive such financial statements at future meetings.

The Grower income forecast was £3,642K, an increase of £148K compared to the original budget. Projected expenditure had been reduced by £140K to £4,998K, and the investment income was also higher than predicted. The net result of these adjustments was that the draw down from reserves would be £270K, £310K less than originally budgeted for. Members noted that, whilst this was a positive development, it did not change the fact that unless remedial action was taken, the reserves would run out in a few years' time. As had been explained in previous meetings, the BPC, acting on the principle that it was inappropriate for levy bodies to hold on to excessive reserves, had engaged in a policy of managed draw-down. This could not be sustained indefinitely.

In terms of area levy collection rate, Mr Moore reported that 95.2% had been received, almost 1% above the figure a year previously, demonstrating that the crop loss of 2007 had not had a significant effect on BPC's income to date.

In response to questions from Members, the Secretary reminded the Board that, in September 2007, the Council had been asked to consider whether to introduce a facility for crop loss levy relief for those growers who has lost potatoes in the severe flooding that summer and autumn. In reaching a decision not to allow relief, the BPC had taken into account a recommendation to that effect from the PCL Board. Many producers remained very unhappy about this decision and some were refusing to pay their levy; these matters were pursued through normal processes.

### **AHDB Business Case – summary of assumptions**

Mr Moore had drawn up a document listing the original assumptions which had been included in the AHDB business case. These had been used in selecting one of four options, namely full co-location to Stoneleigh.

The incentives for selecting that location were a £2.5m payment and a five year rent free period. One assumption was that the property at Milton Keynes would be sold for £5m. Others related to headcount reductions, as well as staff-, project- and running-cost savings. However, the savings would not filter down to individual company level until the transition costs had been fully paid for, and this was not likely to happen before 2011/12. Mr Cruickshank stressed that the document set out the rationale for the business case and it was *not* a statement of actual costs.

Mr Bambridge suggested that it could be misleading to refer to cost savings, and that 'safeguards against future cost increases' was a more appropriate description. Mrs Fell felt that there would be opportunities for efficiencies and improved services. Mr Tapp thought that AHDB would provide the framework and PCL would manage the operations. Mr Cruickshank stressed that delivery was essential.

### **Messages for Levy Payer Dialogue**

Mr Tapp said that he believed levy payers were not generally aware of the BPC policy on managed draw-down from historical reserves, and he suggested that this should be clearly explained to them. They should then be asked for their views on solutions to the dilemma of reducing reserves: higher levy payments or less spend/activity. The Board agreed.

**AHDB Finance Directors' meeting (PCP/08/22)**

The Board received a report of a meeting of Finance Directors held on 8 February 2008.

**08/45 SBEU BUSINESS PLAN (PCP/08/23)**

The PCL Working Group on R&D/KT had recommended that the role of SBEU in conducting Research and delivering KT should be included in the *Levy Payer Dialogue*. A Business Plan for the Unit had been produced, with industry involvement, some time previously, and whilst this had been considered by the Board at an earlier meeting, it had not been formally adopted. Mrs Fell said that the value of the Unit as a specialist centre for potato storage was not in doubt. However, the proposals for updating the site involved both capital expenditure and increased running costs at a level which required careful consideration. When reviewing the matter at its November 2007 meeting, the Board had agreed that the availability of grant funding should be examined. The Business Plan had been re-circulated to Members for reference.

The background to the issue was that the Unit at Sutton Bridge, Lincolnshire, had been set up many years ago by the Potato Marketing Board and it had transferred to the BPC as part of the statutory arrangements in 1997. At the same time, the commercial packing station which was operated from the adjoining site had been sold off. In the early days the Unit had been managed on behalf of BPC by Rotagrow, a consortium between ADAS, SAC and CUF. Since that arrangement had come to an end, Adrian Cunnington, the Operations Manager, had been charged with developing and running the business.

Mr Bambridge suggested that it was appropriate for the Board to ask whether SBEU was the most suitable location for the project work. He said that, many years earlier, Professor Marsh of Reading University had been commissioned to review this and, whilst he had reported favourably on the quality of the Unit, he had referred to geographical and intellectual isolation, causing a barrier to inputs from other sources. The time was right, in Mr Bambridge's view, to consider whether the best solution was putting the property up for sale.

Mr Cunnington, the Operations Manager, was then invited to join the meeting and present the Business Plan. This had been developed by a cross industry group under the chairmanship of Mr Duncan Worth.

The group had recommended that the Unit should build on, and consolidate, its strengths before diversifying. There were opportunities for delivering innovation to meet industry needs, such as energy use/optimisation, disease minimisation, storage chemical management and environmental (“green”) storage. Further development of links to other research centres was important, in order to improve the science base and counteract the geographical isolation of the Unit. Recommendations for the future included:

- ◆ Establishing a new facility for environmentally focused storage for a range of crops
- ◆ Setting up a bulk storage trials capability
- ◆ Developing small stores for specialist trials
- ◆ Actively promoting the unit within the industry; improving the site image
- ◆ Securing additional income to at least 50% of potato levy funding

Mr Cunnington told the meeting that there had been strong support from the industry group for the proposals to keep SBEU at the forefront of research and KT. The draft business plan had been presented to stakeholder bodies as part of the wider industry consultation and it had been approved by the R&D Committee and ratified by the SSG. BPC had recommended its adoption by PCL/AHDB. There had been unanimous support from the PPA, whereas the response from the NFU had been more circumspect; they had asked that a decision on spend be held back pending the arrival of the new levy board.

Referring to an earlier comment about linkages, Mr Cunnington felt that there were additional opportunities to investigate, within the wider ADHB and with various institutions, e.g. Lincoln University which had recently set up a £3m unit at Holbeach, Warwick HRI, Cranfield and UEA.

Having considered a number of scenarios for expenditure, the Council had chosen a solution which provided for a new environmentally-focused crop storage block with bulk/block storage bins; new experimental stores and upgrades of existing facilities to improve humidification and airflow; site improvements; and recruitment of two employees (an engineer and a technical assistant). This would require capital expenditure of £920K and annual running costs of £119K. Mr Cunnington made the point that there had been no capital investment in the storage facilities for 17 years, and if the business was to remain viable in the medium to longer term, the need for capital expenditure had to be addressed. An action plan was needed in order to address these issues and he

recommended that a working group be set up for this purpose.

Mr Bambridge suggested that the figures, which had been arrived at 12 months ago, would now be understated. Mr Cunnington agreed that the current cost would be some 10-15% higher. Mrs Fell asked about plans for sourcing an agricultural engineer. Mr Cunnington said that he would consider employing a generalist with some agricultural knowledge, or look abroad. On the subject of grant funding, Mr Cunnington said that Professor Bainbridge had intended to contact RDAs but, following her recent resignation, those plans had been put on hold as the local staff lacked the relevant knowledge and contacts.

In response to a question from Mr Nichols, Mr Cunnington said he was confident of being able to make use of the additional space, if this was made available. As for the existing facilities, these were getting very 'tired', and the remainder of their useful life was limited.

The Chair thanked Mr Cunnington for his contributions and he left the meeting.

The CEO said that maintaining the status quo was not an option. If there were real concerns about the location, then that should be investigated urgently. This could be done in parallel with an examination of funding options. That would require input from an independent consultant.

Mr Worth thought that it was appropriate to review the question of location. It was also right to look at industry needs and to ask whether market failure still applied. Mrs Priestley said that there had been some expressions of interest in the Unit over the years, but no offers had materialised.

Ms Dodgson suggested that it might be sensible to consider the future of the Unit as part of a wider AHDB strategic review. Mr Cruickshank agreed, saying that this was likely to provide access to additional contacts. Mr Doig made the point that, in all other cases, BPC activity and spend were determined by industry need but with SBEU, the budget tended to drive the agenda. He agreed that it might be better to review the business within a wider AHDB context.

The Board agreed that staff would carry out the following actions:

CEO

- Review the suitability of SBEU as the location for project work vis-à-vis other potential sites/suppliers.

- Carry out an investigation of opportunities for grant funding, through RDAs or other possible providers.
- Establish a clear view of the industry need for storage work, in respect of potatoes and other products.
- Engage an external consultant to contribute to these activities as appropriate.
- Report back to the Board within six months.

The Chair thanked Members for their contributions to the debate.

**08/46 REPORTS OF ADVISORY WORKING GROUPS (PCP/08/24)**

**R&D and KT Group**

The Group had met on 6 and 21 February and the notes of these meetings had been circulated to the Board. Mrs Fell said that a number of themes had been identified, including: independence and quality of R&D; value for money; market failure; and industry controlled funds, whereby levy payers have an interest in how these are spent. The Group had discussed in some detail how messages would be presented in the *dialogue*. Feedback was wanted on the relevance of funding.

**Marketing (Domestic & Overseas)**

Mr Vermont reported that the Group had met twice, on 5 and 26 February. Its brief had been determined as “to review and critically analyse current marketing activities, including strategy and deliverables that would feed into the industry dialogue”. There had been good discussion and broad support for the proposals. Mr Vermont said that he would bring the Chair up to speed on these. Mrs Race had prepared a paper, setting out objectives, aims and so forth, which would be used in future discussions; she was asked to circulate this to Board members.  
*Paper circulated*

Mr  
Vermont  
Marketing  
Director

The Staff Issues Group was meeting after the Board. The Group on Market Intelligence had scheduled a meeting on 12 March.

**08/47 BRANDING**

At its meeting in February, the Board had approved a logo for Potato Council.

Mr Vermont felt that things had changed and that it was right to

reconsider the matter. He recommended that thought should be given to using the acronym “BPC”. There followed a debate during which a number of views were expressed. Some felt that “BPC” had gained brand recognition which should be preserved. Others considered that “Potato Council” had credibility and that the reference to potatoes was the most important aspect. Others still thought that this was primarily an internal issue and that most levy payers did not have strong preferences either way. All regretted the fact that the interpretation of state aid rules prohibited the use of the word “British”.

On the proposal of Mr Papworth, seconded by Mr Cruickshank, the Board agreed to retain the Potato Council logo.

Members decided that a PCL mission statement should not be adopted at this stage but that positive messages would be created on an event by event basis, tailored to the particular circumstances at the time.

Later in the meeting, a suggestion was raised that a logo showing BPC, and including a reference to a britishpotato website domain name might be used. The CEO undertook to check out whether this was acceptable. In the meantime, the Potato Council logo would be used on documents that had to be prepared urgently.

*It was subsequently agreed to reaffirm the decision to use the Potato Council logo.*

## **08/48 LEVY PAYER DIALOGUE PROJECT**

The Working Group on levy payer communications had met the previous evening to progress plans for the *dialogue* and the Chair, Mr Nick Tapp, updated the Board on its discussions.

The objectives of the project were to secure a mandate from the industry, obtain a clear steer for business planning, and enable the company to promote the potato sector positively and with confidence in discussions with AHDB. In the meantime there would be business as usual, with subtle changes. The desired outcome was engagement with the industry and that message had to be clearly and consistently promoted throughout the *dialogue*.

In terms of mechanism, as agreed by the Board last month, face-to-face meetings with smaller groups were favoured, as being more conducive to open and meaningful exchange of views. The meetings would be structured on a ‘work-book’ format. Information would be circulated in advance, to enable

attendees to prepare for the discussions, and there would be simple feedback forms. The preparation and feedback would be managed by the CEO and her team.

Mr Bradley and Mr Nichols recounted their experience in facing some disgruntled growers at an NFU regional meeting where they had been invited to speak about the levy body reform and PCL. Some growers in the audience were unhappy about the crop loss issue (see item 08/44) and took the opportunity to air their views at the meeting. The lessons learnt from this were the need for careful preparation, selecting the right mix and size of audience, and being ready for challenges (which may not necessarily be related to the agenda for the meeting).

Tasks still to be done included: preparing information packs, including questions & answers; identifying those items where feedback was required, that is the core issues where PCL needed an industry mandate; and agreeing the mechanism for the feedback. Preparation of the work-books had started, with inputs from the various working groups. Once these had been collated, the final draft would be circulated to all Members before printing.

CEO

Mr Tapp said that around half the Board had nominated invitees to the *dialogue* meetings, and he asked the remaining members to put forward names to the CEO. The target was to include ca 350 levy payers. Mr Doig commented that it may not be easy to persuade busy growers to attend formal meetings. Mrs Priestley said that it was important not to force the issue. Members should only do as much as they felt comfortable with. They may prefer to raise issues in the normal course of business discussions, in which case it was helpful if staff could be told, to avoid duplications. Mr Tapp added that the key issue was that every levy payer should be invited to take part in the *dialogue*. A range of publications – including weekly reports and the planting return dispatch - would be used to circulate this message.

#### **08/49 PCL: CRITICAL TIMING (PCP/08/25)**

The Board received the updated reference document. It was agreed to adjust the timing of the Levy Payer Dialogue, to finish at end July, with the outcome considered in September. See *the Annex to these minutes* .

#### **08/50 PERSONNEL & OPERATIONAL ISSUES**

##### **Contracts of employment**

All existing staff would become employees of AHDB with effect

from 1 April 2008. Contracts setting out current terms & conditions were being prepared.

### **Recruitment**

A number of vacancies, resulting from resignations, had been filled:

- Pathologist, based at SBEU – Dr Glyn Harper
- Seed & Export Executive, based at Oxford – Ms Val Crowder
- IT support person, based at Oxford – Mr Andy Weston

Another employee, Mrs Kate Jackson, had resigned from her post of Knowledge Transfer Executive and would leave in a couple of months' time.

### **Preparations for BPC/PCL transfer**

Now that the company structure and branding issues had been resolved, staff would press on with revising documents, processes, signage etc.

### **Contracts**

As explained by Mr Roberts earlier in the meeting, all contracts would transfer from BPC to AHDB as part of the statutory transfer on 1 April 2008. All contracting parties had to be informed in writing.

### **Pension issues**

Mrs Martin said that all new AHDB employees starting after 1 April 2008 would be able to join a new defined contribution pension scheme. The BPC's scheme – a group personal pension plan, the providers being AXA - would continue for existing employees, though would be closed to new members. The scheme was managed by Mazars and supervised by a small group of three, the BPC Chairman, David Walker, a former employee, Bill Castellán, and Inga Martin as Personnel Director. Messrs Walker and Castellán were due to retire and two replacements were needed. There was also a need for two Trustees, to replace Messrs Walker and Castellán, for the death-in-service and dependants' pension scheme which was covered by a separate policy.

Mrs Martin reported that Mr David Green, the BPC's trade auditor, would be prepared to take on the role of staff representative, both on the panel of Trustees and on the pension management group. The Board accepted this nomination and agreed that PCL should be represented by the

new permanent Chair once appointed.

**Other staff related positions**

Mrs Martin reported that a person – preferably an independent Member - was needed for the following duties:

- Whistleblower confidante (part of our best practice policy);
- Any appeals against selection for redundancy: to review the process followed;
- Any disciplinary procedure appeals: to review and determine whether correct procedure followed;
- Any grievance procedure appeals: to review and determine whether correct procedure followed.

Mrs Fiona Fell agreed to assume these responsibilities.

**08/51 ANY OTHER BUSINESS**

There was no other business to discuss.

**08/52 DATE OF NEXT MEETING**

It was agreed that the next Board meeting of Potato Council Ltd would be held in Oxford, at 8.30 AM on Wednesday 2 April 2008.

The CEO advised the Board that she would be unable to attend, due to holiday arrangements made before the date was fixed.