

# **Progress Report from the Department for Environment, Food and Rural Affairs**

## **Horticulture Research International**

I am pleased to be able to report that the Department has successfully concluded agreements which will secure the future of HRI under new ownership.

With effect from 1 April 2004, HRI Wellesbourne and Kirton will transfer to the University of Warwick and HRI East Malling and Wye will transfer to East Malling Research.

Lord Whitty will be signing the legal documents to give effect to these agreements at ceremonies being held at East Malling on 17 March and Wellesbourne on 19 March 2004.

### **Summary of Agreement Between Defra and the University of Warwick**

- The University will acquire control of the HRI company (excluding the assets at HRI East Malling, Wye and Efford);
- Defra will fund a pre-transfer redundancy programme (83 staff) at HRI Wellesbourne and Kirton to match staff numbers with reasonably foreseeable income;
- The 223 staff transferring as employees of the HRI company will maintain their current terms and conditions of employment (except in relation to their pension scheme membership);
- The transferring staff will be entitled to become members of the Universities' Superannuation Scheme - which provides broadly comparable benefits to the three public sector pension schemes operated at HRI - and will have the option whether to transfer their existing public sector pension entitlements to that Scheme;
- Defra will transfer its freeholds of the Wellesbourne and Kirton sites to the University. The University will make a financial contribution to the transfer of the sites equal to the values of the agricultural land and dwellings at Wellesbourne (£2.51m) and Kirton End (£0.0525m) as at 5 January 2004;
- The University will undertake, for a period of 15 (Wellesbourne) or 20 (Kirton) years, to pay a share of the proceeds to Defra should it subsequently decide to sell all or part of the Wellesbourne or Kirton sites or to undertake commercial development there;
- Defra will grant Warwick-HRI a guaranteed research contract worth £36.2m (including an

element for inflation) over eight years in return for an agreed programme of work, and a contract to maintain the Vegetable Gene Bank at Wellesbourne worth £1 .3m over five years;

- Defra will make a contribution of £0.9m towards the significant backlog maintenance required at the Wellesbourne and Kirton sites;
- Defra will transfer the existing intellectual property rights (arising from Defra research contracts with HRI) which it owns to Warwick-HRI; and
- Warwick-HRI will assume ongoing liabilities in respect of staff, estate and other assets at Wellesbourne and Kirton.

### **Summary of Agreement Between Defra, the East Malling Trust and East Malling Research**

The Trust will establish an independent corporate and charitable vehicle - East Malling Research - to operate the new research organisation at East Malling and Wye;

- Defra will fund a pre-transfer redundancy programme (45 staff) at HRI East Malling and Wye to match staff numbers with reasonably foreseeable income;
- The 91 transferring HRI staff will maintain their current terms and conditions of employment (except in relation to their pension scheme membership);
- The transferring members of staff will be entitled to become members of the Universities' Superannuation Scheme - which provides broadly comparable benefits to the three public sector pension schemes operated at HRI - and will have the option whether to transfer their existing public sector pension entitlements to that Scheme;
- The Trust will buy the Rocks Farm site owned by Defra at East Malling (£0.15m) and, for a period of 30 years, undertake to pay a share of the proceeds to Defra should it subsequently decide to sell all or part of the site or to undertake commercial development there;
- Defra will forego compensation due from the Trust under the "Return of Value" Agreement (£2.05m) in consideration for which the Trust will agree to conditions designed to protect the public interest in the Government's investment in the Conference Centre building, including provision for Defra to benefit financially in the event of a disposal or change of use of the building within a period of 30 years;
- Defra will make a contribution of £1 .6m towards the costs of backlog maintenance at the East Malling and Wye sites and the transitional costs of establishing East Malling Research, including rationalisation of accommodation used and gaps in scientific equipment requirements;
- Defra will grant East Malling Research a guaranteed research contract worth £12.3m (including an element for inflation) over six years in return for an agreed programme of

work;

- East Malling Research will assume ongoing liabilities in respect of staff and other assets at HRI East Malling and Wye;
- Defra will grant East Malling Research a partial indemnity, for a period of 20 years, against any future redundancy costs (limited to the value of the redundancy entitlements of transferring staff accruing as at 1 April 2004). East Malling Research will accumulate sufficient reserves to meet the balance of such costs. In the event that East Malling Research ceased trading and had insufficient reserves to meet this expenditure, the Trust has agreed to meet this liability up to certain financial ceilings; and
- The Trust is fully committed to the future business and viability of East Malling Research as evidenced by its agreement to return the rent paid to the Trust by East Malling Research; its underwriting of the Chief Executive Officer post for five years; its provision of a £0.25m interest-free loan and an additional borrowing facility up to £0.25m; and an agreement to realise some of the Trust's land assets and invest the proceeds so as to purchase c. £1 m of R&D per year from 2008/09 onwards.

*22 March 2004*