



Reset and refresh: Roles, responsibilities and the advice mechanism

Australian horticulture industry stakeholder insights report



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SEFTONS



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Introduction

Seftons appreciates the opportunity to work with the horticulture industry as it openly approaches the question of ‘what does good look like?’ and considers how to improve outcomes for all industry participants. As a levy payer to three Rural Research and Development Corporations (**RDCs**) and having worked in the agriculture sector for more than 30 years, I understand what a privilege it is to have an established system whereby research and development (**R&D**) is jointly supported by taxpayers and growers. The RDCs play an important role in Australian agriculture’s success and will be critical to its future achievements.

Horticulture Innovation Australia Limited (**Hort Innovation**) engaged Seftons to facilitate three workshops intended to investigate the question of ‘what good looks like?’, however with the constantly evolving COVID-19 situation, those workshops were postponed. Hort Innovation then asked Seftons to conduct up to 50 one-on-one interviews with Prescribed Industry Bodies (**PIBs**), industry representative groups, Hort Innovation teams, the Hort Innovation Board and senior management, and government stakeholders.

Those interviews were completed in August and September 2021 and Seftons would like to thank every individual and organisation that engaged with the process for their time, insights and honesty. We also would like to acknowledge that the stakeholders we interviewed talked openly about the desire to work collaboratively to identify the structures and processes needed to achieve better outcomes for industry.

From the majority of interviews conducted by Seftons, it is evident a significant level of frustration exists in the industry. The overwhelming feedback from industry stakeholders was that they want greater transparency regarding who makes decisions about expenditure of levies, on what basis those decisions are made, exactly where levies are invested or spent, and how the performance of R&D and marketing projects is measured. Clearer communication with levy payers and PIBs about all these areas emerged as a key requirement to improving the relationship between Hort Innovation and its stakeholders. The government also has increasing expectations of Hort Innovation to meet investment priorities and the performance principles of its funding agreement (Deed of Agreement 2020-2030). It is clear that Hort Innovation has a challenging role to meet the expectations of a diverse set of key stakeholders.

The horticulture industry is changing at a rapid pace. Hort Innovation is an organisation that was created from significant change and the impact of these developments on all stakeholders should not be underestimated. We also heard concerns that substantial, or sudden, change in response to the

immediate issues facing the sector would not create sustainable structures or processes for the longer-term. In an effort to provide processes or structures that are fit for the long term, this report provides an outline of potential vehicles to move the parties closer to 'what success looks like'. These vehicles are not intended as sweeping reforms but rather a starting point for a co-designed pathway forward. As this process progresses there will be opportunities to "test and learn" possible advice mechanism approaches that may assist for the future.

While the challenges facing the industry are significant, we see huge opportunity if all parties can commit to working together to rebuild trust and goodwill. That starts with understanding not just the roles and responsibilities of the other parties, but also respect for what they consider to be their primary function and value proposition.

This report is one step in that process, and we hope it contributes constructively to the parties reaching that understanding and resetting their expectations and relationships, so that future interactions are framed by mutual respect. The path to success requires leadership from all industry participants.





Background

Industry discussion paper

In July 2021 Hort Innovation developed an industry discussion paper, provided as **Appendix A**, that was distributed to PIBs and other stakeholders, intended as pre-work to a series of three workshops to be held in Brisbane, Sydney and Melbourne. The focus of those workshops was to be ‘what does good look like?’ for the horticulture industry in Australia, how to achieve meaningful change and raise the quality of outcomes for all industry participants.

Seftons was engaged by Hort Innovation to facilitate those workshops with the intention of fostering open discussion about how to move the industry forward in a constructive and positive manner, working collaboratively to develop an effective methodology for investing levies to benefit industry.

The background paper developed by Hort Innovation articulated several issues facing the industry. It stated that change is required as “the status quo is not a viable option” and if all parties “believe the fundamental concept of levy investment is beneficial to industry, then we have a duty to work together to develop a better methodology for implementing this”.

The key areas and principles the paper identified as necessary to achieving executional excellence were:

- The need for clearer definitions of roles and responsibilities of Hort Innovation and PIBs, and
- A review of the current Strategic Investment Advisory Panel (**SIAP**) structure and more formal recognition of the role of PIBs in providing advice to Hort Innovation and consultation with levy payers.

The paper provided draft definitions of roles and responsibilities for Hort Innovation and PIBs, based on those set out in the Statement of Commitment recommended by the ACIL Allen report, and taken up by a small number of industries.

Three alternative models (options) to the SIAP structure for the advice mechanism were also provided in the background paper as conversation-starters for the workshops, and to demonstrate genuine regard for industry input to future models.

It is also important to note the industry discussion paper recognised that one model for the advisory mechanism will not suit all industries, and that the current SIAP mechanism works well for some.

Stakeholder interviews

As outlined above, with the postponement of the workshops due to COVID-19 lockdowns Hort Innovation engaged Seftons to conduct up to 50 one-on-one interviews with PIBs, industry and government stakeholders, plus Hort Innovation teams. The interviews were an opportunity for stakeholders to provide their feedback and views on the draft definitions of roles and responsibilities, plus the current and alternative models for the advice mechanism, which were set out in the industry discussion paper.

Seftons conducted interviews that lasted an average of 45 minutes each with PIBs; industry representative bodies; Hort Innovation teams; the Hort Innovation Board and senior management; the Department of Agriculture, Water and the Environment (**DAWE**); and the National Farmers' Federation (**NFF**) Hort Council. A complete list of the organisations that Seftons interviewed is provided as **Appendix B**.

It is important to acknowledge that it is a positive that all parties engaged in the discussions with an open mind, and a willingness to discuss the issues facing the horticulture industry and its organisations. The input of all stakeholders is greatly appreciated, and their views valued. Prior to conducting interviews, stakeholders were provided with a background document setting out the questions to be asked in the discussion, which is provided as **Appendix C**. Following interviews with PIBs, Seftons provided a copy of the notes taken in the discussion, for review, consideration and amendment.

Function of this stakeholder insights report

The general themes and feedback of stakeholders gathered through those interviews is summarised in this report. It is intended to provide an open, honest account of the discussions while not identifying organisations or individuals.

Potential vehicles to address the feedback received from stakeholders are included in this report to provide a starting point for discussions at the future industry workshop(s). The section of this report, A Way Forward, is not a conclusive statement about how industry should act to address the identified issues, but rather a thought starter for the development of short and medium-term actions or processes to achieve change.

This report will be provided to Hort Innovation Board and management, plus all PIBs and government and industry stakeholders who completed interviews with Seftons.





Next Steps

This report outlines the feedback from stakeholders interviewed by Seftons in August and September 2021. While the focus of the interviews was roles and responsibilities of Hort Innovation and PIBs, plus the advice mechanism, a broad range of topics were discussed. It is acknowledged that not all the issues raised in the discussions can be solved through this process, however, leadership of all relevant organisations need to bring the industry together and commit to working collaboratively based on a new understanding.

It is admirable Hort Innovation has invited stakeholders to talk openly about how to improve outcomes for industry. It is also very positive that all parties interviewed engaged constructively and positively with the process. This suggests industry is ready to build on its strengths, actively address gaps and move forward with optimism. If the parties work together based on a relationship of mutual respect, communicate effectively and bring stakeholders 'on the journey' there is enormous opportunity that can be taken advantage of.

The next step is to provide this report to all PIBs and stakeholders who participated in interviews with Seftons. It is intended that themes identified in this report will guide the industry workshop(s) to be held in 2022. These will be an opportunity for all stakeholders

to come together having considered the future they want to see for the industry and be ready to discuss this constructively.

Given the breadth of the issues canvassed in the interviews and set out in this report, it is considered important to provide a clear framework for consideration at the workshops, to ensure discussion can be clearly focused on outcomes. On this basis it is considered important that pre-work be developed for stakeholders that address the themes of this report and builds more complete approaches to the issues raised, as a strawman for discussion at the workshop(s). To ensure this strawman is representative of all of industry, Hort Innovation intends to establish a Working Group made up of representatives from PIBs, industry, DAWE and Hort Innovation. The primary purpose of this Working Group will be to develop the strawman and establish a format and agenda for the workshop(s). Hort Innovation will call for 'expressions of interest' for participation in the Working Group in early 2022.

A separate report will be developed following the workshop(s) to reflect agreed actions or processes. It is expected this report, the workshop(s) and associated outcomes to be one part of a longer-term process to create meaningful change.



Consultation Objectives

The industry discussion paper developed by Hort Innovation in July 2021, provided as **Appendix A**, suggested the time has come for industry participants to talk openly about how to work together and the structures needed to achieve executional excellence. Initially that was intended to be via face-to-face workshops, however the pivot to one-on-one interviews provided all parties an opportunity to provide individualised feedback on draft definitions of roles and responsibilities, plus the advice mechanism. This has made it possible to develop a more detailed understanding of the views and opinions of industry stakeholders before coming together as a group to discuss a way forward.

The purpose of the interviews was to provide a confidential environment in which stakeholders could openly provide their views on the items set out in the discussion paper, any concerns with current structures and processes, and expectations of industry organisations and other parties. At the start of every conversation, it was confirmed that the intention of this process is not to identify or single out any one individual or organisation, but to aggregate common themes and present that feedback honestly.

It is hoped that by providing a safe and trusted environment in which stakeholders could provide their views, all parties will be able to come together at the workshop(s) having considered the future they want to see for the industry and be ready to discuss this constructively.



General Feedback

In the process of discussing the questions set out in **Appendix C**, inevitably insights and observations regarding more general themes emerged. These include topics like organisational culture, accountability, and communication. In addition, a strong theme evident in almost all interactions was the issue of declining trust. The general feedback on these items is summarised below.

Transparency

One of the words used most frequently by stakeholders during the interviews was 'transparency'. It was raised in relation to the purpose and function of organisations, internal structures and processes, who has responsibility for decisions, reasoning for those decisions, use of funds and most particularly financial reporting. Transparency can be applied to almost any activity, role, process or organisation, and in these interviews, it was frequently identified as an essential element of a trusted partnership.

For instance, a common view was that PIBs should be able to regularly access detailed financial reporting about expenditure of levies, or in the absence of that being provided to PIBs it should be provided to the SIAP. When neither industry nor SIAP receive the level of detail expected regarding expenditure of levies, it contributes to a disintegration of understanding, then at times, trust. Seftons understands Hort Innovation holds regular 'work in progress' meetings with peak bodies where financial and other information is discussed. Financial information is also provided as a standing agenda item and included in meeting papers for every SIAP meeting. Financial information is also provided through the following reports that are independently audited:

- Annual Company Report¹
- Fund Annual Reports² (financial details from the Annual report)
- Annual Investment Plans³ (based on previous year to date data from the Annual report)



For every strategic levy fund, Hort Innovation undertakes expenditure and performance analysis against outcomes set out in Strategic Investment Plans (**SIPs**) (an example of the Avocado Fund is provided⁴).

Hort Innovation intends to use the AIPs as a basis for illustrating the investments, including reporting quarterly financials, as a means to deliver more transparency, which has been raised by stakeholders as an issue through the interview process.

Many stakeholders cited a lack of genuine consultation before investments are made, as the reason for their push for greater transparency. Some referred to marketing campaigns, allocation of levies to fund additional Hort Innovation resources and the program harmonising food safety certification requirements for the major retailers in Australia (HARPS) as examples of what they considered a lack of genuine engagement. This has created a perception from some stakeholders that Hort Innovation considers the levies its own money and makes decisions about investments without heeding industry advice, requests or expectations. This creates significant concern within the PIBs that see their role as justifying to growers how levies are spent.

It was also noted by many stakeholders that the role of government as a co-funder of Hort Innovation was absent in the industry discussion paper (**Appendix A**) that they were provided. For example, one stakeholder outlined a view that Hort Innovation's workplan meets the needs and requirements of government before those of industry, and many highlighted a need for alignment between the government's and industries'

expectations of Hort Innovation. It is also evident that some industry bodies do not fully appreciate the significant obligations placed on Hort Innovation through legislation, the Deed of Agreement 2020-2030⁵ or indeed the objects of the organisation articulated in its Constitution.⁶ Hort Innovation has provided a summary of the sections of the Deed of Agreement and legislation that set out Hort Innovation's governance requirements and responsibility in investing levies, which is provided in **Appendix D**.

As many identified, a lack of transparency also contributes to distrust between parties and perceptions of a lack of respect. There is a lack of trust on both sides that parties are fulfilling their obligations, acting in line with what is expected of them or being honest about their purpose. A way to address this is to place contractual, reporting or governance requirements on each of the parties, which may provide some measure of comfort. However, in this instance Seftons considers a more detailed understanding of the role, function, purpose and obligations of all parties, plus the internal structures and mechanisms they use to meet those requirements; is necessary to build trust. Seftons understands that in early 2019, in line with a recommendation from the independent review of Horticulture Australia Limited by ACIL Allen completed in May 2014, Hort Innovation began discussions with peak industry bodies regarding a Statement of Commitment. That document was intended to clarify roles, responsibilities and a way of working, as a voluntary and non-binding agreement. To date, five peak industry bodies have signed the Statement of Commitment.⁸

¹ <https://www.horticulture.com.au/hort-innovation/funding-consultation-and-investing/investment-documents/company-annual-report/>

² <https://www.horticulture.com.au/hort-innovation/funding-consultation-and-investing/investment-documents/fund-annual-reports/>

³ <https://www.horticulture.com.au/hort-innovation/funding-consultation-and-investing/investment-documents/annual-investment-plans/>

⁴ <https://www.horticulture.com.au/growers/container-page/avocado-fund/fund-management/investment-analysis/>

⁵ <https://www.horticulture.com.au/globalassets/hort-innovation/corporate-documents/hort-innovation-funding-agreement-and-companion-document.pdf>

⁶ <https://www.horticulture.com.au/globalassets/hort-innovation/corporate-documents/constitution-dated-9-october-2020.pdf>

⁷ <https://www.horticulture.com.au/globalassets/hort-innovation/corporate-documents/horticulture-marketing-and-rd-services-act-2000.pdf>

⁸ <https://www.horticulture.com.au/hort-innovation/the-company/corporate-governance/statements-of-commitment/>

Accountability

Many stakeholders raised the issue of accountability as a key concern on two fronts:

- How is Hort Innovation held accountable for its decisions and performance, and by who?
- Who is accountable to growers or levy payers for the investment of levies?

On the first, the view was raised in several interviews that in the change from Horticultural Australia Limited (**HAL**) to Hort Innovation, there was an expectation that individual growers who chose to take up membership of Hort Innovation would be able to hold the organisation to account, which PIBs did not believe was realistic. As some interviewees outlined, growers pay fees to PIBs with the expectation that they will hold Hort Innovation to account on growers' behalf, yet the PIBs feel they have no clear mechanism by which to do this. As one stakeholder commented 'other RDCs have an industry body that is recognised as having a formal role and the RDC accounts to. Hort Innovation has a few hundred voting members and the idea that they can hold it to account is nonsensical! The NFF Hort Council was discussed as a mechanism to achieve this because when that entity raises concerns there is no perception of a conflict of interest and it removes the possibility of a retaliation by Hort Innovation. All these points are also indicative of the state of the relationship between the parties.

Seftons understands that Hort Innovation is seeking to work with PIBs to maximise communication with growers, through levy payer registers or other mechanisms. In 2020, Hort Innovation engaged Mel Ziarno of Ardrossi Pty Ltd to assist with conducting stakeholder consultation regarding a potential levy payer register (**LPR**) for horticulture. Last year extensive consultation was held with horticulture PIBs on the matter. In January 2021, Ms Ziarno presented an interim report following consultation with PIBs. This interim report was considered by the Board and Executive of Hort Innovation in a meeting on 29 January. It is recognised there are diverging views on

the establishment of an LPR, and that this is a complex undertaking. Before proceeding with the establishment of an LPR for the sector, Hort Innovation has stated it will seek to address all stakeholder concerns, including PIB concerns, as much as possible. A staged approach to the implementation of a LPR is being considered with relevant PIBs and DAWE, as there are a number of PIBs that are supportive of a LPR. Hort Innovation has committed to continuing to work with these PIBs on this process.

In relation to the second point, many PIBs view themselves as needing to justify to growers how the levy has been spent. Seftons understands that Hort Innovation places information regarding all projects that are not confidential in the public domain under the relevant fund on the Hort Innovation website⁹ and provides financial information via annual reporting at a fund and organisational level as previously outlined. Hort Innovation also operates under an Organisational Evaluation Framework¹⁰ to meet its evaluation requirements, as outlined in the current Deed of Agreement and as identified by Hort Innovation itself.¹¹ This includes:

- Independent impact assessments at a fund level¹²
- Independent project evaluations (mid-term or final at a project or program level) such as the Strategic review of investments in citrus breeding and evaluation¹³
- Expenditure and performance analysis against Strategic Investment Plans¹⁴

However, the view from some stakeholders interviewed was that they are unable to justify expenditure of levies as they felt they do not receive project or financial information to the level of detail required.

Hort Innovation is eager to ensure that through this process, clear agreement can be reached in relation to the level of project and financial detail that is to be provided, when and to whom. It is also intended that through this process, agreeing respective roles and responsibilities will help to address concerns in this area.

⁹ <https://www.horticulture.com.au/growers/help-your-business-grow/your-investments/>

¹⁰ <https://www.horticulture.com.au/globalassets/hort-innovation/corporate-documents/hort-innovation-organisational-evaluation-framework-august2021.pdf>

¹¹ <https://www.horticulture.com.au/globalassets/hort-innovation/corporate-documents/hort-innovation-organisational-evaluation-framework-august2021.pdf>

¹² <https://www.horticulture.com.au/growers/help-your-business-grow/research-reports-publications-fact-sheets-and-more/mt18011/>

¹³ <https://www.horticulture.com.au/growers/help-your-business-grow/research-reports-publications-fact-sheets-and-more/ct20001/>

¹⁴ <https://www.horticulture.com.au/growers/container-page/vegetable-fund/fund-management/investment-analysis/>

Communication

In relation to external communication, multiple stakeholders observed that growers do not understand what Hort Innovation does or its role, they only see Hort Innovation in the levy deductions. However, Hort Innovation teams stated that there is sometimes a reluctance from PIBs to include Hort Innovation branding or information on communications about initiatives funded via Hort Innovation, or to communicate the outcomes and performance of R&D projects to levy payers. Seftons understands Hort Innovation seeks to include branding or information on industry communications in order to demonstrate how levies are being utilised. This is important with 84% of communication projects contracted between Hort Innovation and PIBs amounting to \$11,389,440 in project expenditure (as of October 2021). There appears to be an expectation from PIBs and industry groups that Hort Innovation is visible to growers, presumably through direct communication; yet Hort Innovation largely relies on PIBs to engage with growers in the absence of a levy payer register.

Interestingly a view from Hort Innovation and government was that PIBs are protective of their grower databases as it is a key value proposition of their organisation and a differentiator for them in their role as a service provider. Yet some PIBs outlined that it is not the database that creates their unique value proposition but rather the trust and goodwill they have spent time developing, which means growers are more likely to engage with the PIB than other organisations. Those PIBs felt strongly that they are the entity most able to successfully engage with industry and therefore they are an important partner for Hort Innovation to work with. As one interviewee outlined, 'we want to work with HI, we don't need to own the process but deal us in and we can create great outcomes.'

Hort Innovation recognises the important and significant role of PIB's in extension and communication. Given that grower communication is often undertaken by PIB's rather than directly by Hort Innovation, it is critical that all parties work together to address issues in this area, to ensure that growers are aware of Hort Innovation's role, and the outcomes and performance of levy investments.

The tone of communication and interaction from Hort Innovation to PIBs and industry stakeholders was raised as a concern by some interviewees who felt it was sometimes adversarial, disrespectful, or focused more on the process than the content. In many interviews there was a suggestion that when Hort Innovation engages with industry it has an outcome already in mind, reinforcing to them their perception that communication is an obligation rather than a genuine attempt to seek advice or expertise from a trusted partner. There is a real opportunity for all parties to reflect on the perceptions they have of each other and to consider how they can develop an effective way forward in a collaborative manner.

The update of the SIPs were provided as an example in several discussions, characterised by those stakeholders as a 'one size fits all' or 'cookie cutter' approach. These stakeholders pointed out that a strategic plan for an industry should go beyond R&D or marketing to encompass all the elements critical to the success of the industry, and where an industry has its own detailed strategic plan, the SIP should align with it. However, these organisations felt that the SIP provided to them by Hort Innovation had ignored their input. Seftons understands several PIBs operate without a strategic plan for their organisation. Seftons also understands that the process in updating the SIPs¹⁵ involved consultation with PIBs, levy payers and industry stakeholders commencing in late 2020, including a period of public consultation. Much of this consultation was undertaken through video or phone conferencing owing to COVID-19 disruptions. Importantly, this issue highlights the opportunity for PIBs to explore developing a strategic plan for their industry, this plan can then be used as a key input into the development of future investments by Hort Innovation and the relevant industry.

If PIBs had their own tailored strategic plan, this could be foundation document that is used as an information-sharing and communication tool, shared openly and regularly with Hort Innovation. This Plan, combined with industry knowledge, would help shape the direction, milestones and funding opportunities between the industry and Hort Innovation.

¹⁵ <https://www.horticulture.com.au/growers/sip-refresh/>



Respect

Many industry stakeholders discussed the source of funding as a key to the issue of respect between the parties. That is, growers pay levies and are the ones putting ‘the first dollar on the table’ therefore they should be afforded a level of respect by being able to provide input on where ‘their money’ is spent. As previously detailed, Seftons has been advised by Hort Innovation that it has a responsibility to invest the funds under the Deed of Agreement and that this is communicated effectively to stakeholders through a two-way feedback and engagement process.

Hort Innovation has outlined that it is not able to abdicate its responsibility for investment decisions, but understands it is essential that these investment decisions are guided by advice from industry. Exploring the best way/s to achieve this is the basis for undertaking this work.

Another topic which led to discussions about respect was consistency of decision-making and direction, including comments that there has been a ‘shift towards the influence that individuals’ biases within Hort Innovation can have – whether that is specific contract or project negotiations or investment outcomes – it comes down to who is running the process, not the process itself.’ Some stakeholders outlined that when they have productive conversations with Hort Innovation senior management, they would be assured of changes to processes only to not see that eventuate with industry-facing teams. Seftons understands that Hort Innovation recognises there is room for improvement in this area and is committed to achieving this.

Others gave examples where their industry was asked for feedback on or to participate in a consultation exercise, representing a significant investment of time and effort, only to find nothing would happen with that input. For instance, as one stakeholder put it, ‘we have participated in this type of activity on a number of occasions and have never seen much evidence that what we say or recommend is ever really properly considered or implemented.’

There was also a commonly held view among PIBs that the SIAPs exist (or should exist) to provide a governance function, making decisions regarding investment of levies, whereas the view from Hort Innovation is that each SIAP’s role is to provide advice only. There is an expectation that PIBs also have an avenue by which to provide advice to Hort Innovation about investment priorities for R&D and marketing, yet because PIBs perform a dual role as service providers there is significant concern from Hort Innovation about conflict of interest. As of October 2021, contracts with PIBs amount to \$90,381,178 or 19% of the total investment portfolio.

In the absence of a formal means to provide input to Hort Innovation, industry feels SIAPs are a potential leadership platform. Without a clear mechanism for PIBs to provide input on investment of levies, the way the SIAP functions is taken as an indication that Hort Innovation does not respect these organisations or the role growers expect them to play in the process. Seftons understands that all SIAPS have at least one PIB representative with two exceptions being Pyrethrum and Olives, where the absence of a PIB has been mutually agreed by the industry and Hort Innovation.



Culture

Most industry stakeholders raised high staff turnover within Hort Innovation as a significant concern and point of frustration. Many interviewees spoke highly of the individuals they interact with at Hort Innovation. However, some stakeholders pointed to lack of adequate resourcing or a disconnect between Hort Innovation and industry as a possible contributor to lack of job satisfaction and relatively short tenure of some employees. Seftons understands feedback from employee exit interviews does indicate that the disconnect between PIBs and Hort Innovation leads to negative interactions which contributes to employees leaving.

Some interviewees gave examples of Industry Strategic Partners (**ISP**) needing to provide support on activities including project management to several industries as an example of unsustainable resourcing. However Seftons understands from Hort Innovation that the role and responsibilities of the ISP team is not well understood within industry. Staff feedback, including insights gathered through exit interviews with employees leaving the organisation, has indicated that there is a range of issues impacting job satisfaction including the relationship and interactions with industry. This further highlights the opportunity to reset the ways of working via improving the understanding of roles and responsibilities between Hort Innovation and PIBs.

One interviewee outlined that 'there are really good people in Hort Innovation, and it would be good for them to have a stronger relationship with industries and see where their efforts led to growers and industry benefitting. It would provide job satisfaction and help build strong working relationships.' Hort Innovation has indicated to Seftons that it understands this position and is actively looking at building partnerships with industry via its people and projects, and through PIBs via their networks.

An example that was provided by a number of interviewees in relation to an identified culture of 'us versus them' was the establishment of a Hort Innovation extension team. Seftons understands the establishment of this team was identified in the company strategy that was based on levy payer and industry feedback. Stakeholders suggested that when consulted about the need for this function, the clear feedback was that those resources would be better utilised in other areas, but Hort Innovation proceeded regardless, further fueling their perception that the culture is to dismiss industry input. Seftons understands from Hort Innovation that a workshop was held with PIBs to define the team's strategy, in response to feedback.¹⁶ Some 75% of extension projects are contracted between Hort Innovation and PIBS amounting to \$28,112,106 in project expenditure (as of October 2021). The remaining extension projects contracted by Hort Innovation for the delivery of extension involve state government agencies and private consultants.

The industry discussion paper, provided in **Appendix A**, identified that PIBs are the most active stakeholders for Hort Innovation, but their role is not formally recognised in the Deed of Agreement and they are precluded from membership of Hort Innovation. Seftons understands that at the 2018 Hort Innovation AGM, the resolution to recognize PIBS as members of Hort Innovation was unsuccessful. As such, clarification of the function and recognition of the value proposition of these organisations is key to rebuilding the relationship between parties and the working environment for staff, and one of the two key areas identified in the industry discussion paper.

¹⁶ <https://www.horticulture.com.au/globalassets/documents-for-external-links/hort-innovation-extension-strategy-aag-18032020.pdf>



Roles and Responsibilities

Horticulture Innovation Australia

In the interviews, stakeholders were asked to outline the most important function of Hort Innovation in their opinion. Some stakeholder responses are included in the below table, which capture the general themes of the feedback.

Comments from interviewees regarding what they considered the most important function of Hort Innovation

We need an organisation like Hort Innovation because they have the expertise and the people with experience across industries, so they can sometimes bring good ideas from other industries and provide good service. But they need to concentrate on delivering that service.

To invest grower funds and matched taxpayer funds in the most cost-effective collaborative manner possible to achieve the best outcomes for industry, R&D and marketing and promotions.

As a service provider to government and industry to ensure the appropriate investment of the levy based on industry and government priorities. Nothing more, nothing less.

To provide industry-driven R&D backed by strategic planning.

Running effective procurement exercises to invest in what industries want and need.

To invest levies against the industry's strategic plan.

Comments from interviewees regarding what they considered the most important function of Hort Innovation

To be managing the investment. Hort Innovation shouldn't be the service provider. The mindset has to tip from being a service provider to be a manager of investments.

Excellence in project management, tendering, bringing in relevant external ideas and expertise, utilising PIBs to harness grower feedback and communication.

To put it simply, they're the banker.

To provide funding.

To manage funds in accordance with government requirements and industry priorities with minimal waste and maximum impact.

As a conduit to carry out the R&D and marketing that the growers and industry need.

To provide effective and efficient management of the levy programs – well planned, well developed, well implemented, well evaluated R&D and marketing investments to deliver the best outcomes for industry.

It should also be noted that several stakeholders, including Hort Innovation teams, suggested the need for a statement that articulates 'why' Hort Innovation exists. They felt the definition in the industry discussion paper (see **Appendix A**) was more focused on how Hort Innovation carries out its responsibilities, rather than contributing to the understanding of why it exists. A similar statement could also be completed for PIBs.

Another common discussion point was that Hort Innovation is expected to fulfil a significant number of functions which means it is being pulled in many directions. As one stakeholder commented, Hort Innovation is 'trying to be all things to all people.' This was a reflection in several comments about the inclusion of the word 'leadership' in the Hort Innovation Constitution, which provides a broad remit for the organisation and perceived conflict with PIBs around the role of industry leadership. Hort Innovation has outlined it recognises this concern and is working to prioritise key areas of focus, ensuring adequate resourcing and high-level performance hence why clarifying roles and responsibilities is part of this process.



Prescribed Industry Bodies

Stakeholders were also asked in interviews about the most important function of PIBs. Some of the views shared are provided in the table below, capturing the general themes of the feedback.

Comments from stakeholders regarding what they considered the most important function of a PIB	
To represent the interests of levy payers in the industry and to provide industry sustainability, profitability and development. Therefore, not limited to Hort Innovation's view of PIBs.	There is a split in the role of PIBs, one is to be industry partner and advocate. The other is to be a service provider to Hort Innovation.
Establishing, setting and monitoring of the levy.	To provide advice to Hort Innovation but that's not captured (in the definitions provided in the industry discussion paper).
Giving growers the tools to succeed in business.	We are fierce advocates for R&D.
PIBs are a duly elected body to represent the growers.	To provide that network between growers and Hort Innovation and to all levels of government.
A PIB's own industry strategy aims to ensure the profitability, sustainability of industry over the long-term. That strategy should include several elements that aren't the remit of Hort Innovation, R&D and marketing are a small part of the overall strategy.	Growers become members of PIBs so the PIB can do what they don't want to, which includes liaising with Hort Innovation. As such PIBs should have an opportunity to input on R&D decisions and projects.
To know who to talk to and when [from industry] as they have the coordination role. Having Hort Innovation trying to do this with a handful of people from time to time is just confusing and does not provide industry with faith in the system.	The PIB's role is to represent its growers – all levy payers including non-members. Its main roles are advocacy, marketing, extension of knowledge to the industry, and close connection with growers to understand industry issues. Well-functioning PIBs are essential to industry, they advocate which is something Hort Innovation cannot do.
PIBs should be able to decide where levy funds are spent.	To identify the industry or research need and develop projects in conjunction with collaborative partners, submitting that to Hort Innovation for funding that can be matched by industry (providing flexibility).
To maintain a close connection with growers and to recognise R&D and marketing imperatives.	To advocate for growers across a range of priority areas and issues – including but not solely on R&D.
Work with the state-based industry bodies to develop overall vision and strategic imperatives for the industry.	Representing the membership in setting and monitoring the collection of the levy and ensuring there is a return on investment.

An important point to note is that the role of PIBs as advocates for growers was seen as being synonymous with leadership of the industry. Many stakeholders acknowledged that several PIBs perform a dual role as advocates for their industry and service providers to Hort Innovation.

This can present confusion with roles and responsibilities in that PIBs that are service providers have an obligation to deliver projects that are contracted with Hort Innovation and need to clearly differentiate when they are executing a project versus undertaking agripolitical activity or services for their members. There is a strong emphasis on management of that conflict from within Hort Innovation and government, reflecting the governance obligations Hort Innovation must fulfil, as set out in detail in **Appendix D**.



Government

While government's role as a co-funder of Hort Innovation was not outlined in the industry discussion paper (see **Appendix A**) or specifically referred to in the questions posed to stakeholders (set out in **Appendix C**), this was raised by several stakeholders as a 'missing piece' in the conversation. In commenting on its role, some stakeholders referred to the Minister for Agriculture and Northern Australia – the Hon. David Littleproud MP, others to DAWE, and some to taxpayers. As such they have been grouped under an umbrella term of 'government' in this report.

Several interviewees felt that Hort Innovation operated from a legislative mindset in order to meet the many requirements of government. The view from some was that the government's expectations shape what Hort Innovation does and how it performs, without there being any transparency for industries on what those requirements or expectations are. There were comments that Hort Innovation acts an intermediary between two investors (levy payers and taxpayers) who have different expectations, but that government's requirements are not well understood within industry, leading to a perception by some interviewees that government directs Hort Innovation.

In addition, there was concern raised by some interviewees that any amendment to structures or processes that is agreed to by Hort Innovation and industry as an outcome of this process would be limited by the 'guard rails', including the existing legislative framework. As outlined by one stakeholder, 'we know that unless the Department is engaged, the idea that the current framework will change is fanciful – the engagement needs to be tripartite, with a willingness to change.' Seftons understands DAWE has agreed to be an activate participant in the future workshops and a Working Group that will be established to assist in providing context, facts and knowledge as key inputs into this process of "what good looks like".

Several stakeholders suggested tripartite discussions between industry, government and Hort Innovation would assist in providing transparency of expectations and a shared understanding of key priorities. However, there would need to be a commitment to key performance principles for that interaction to be constructive. Hort Innovation has indicated that it is currently exploring ways that more direct conversation between industry and government can be encouraged and initiated in order to help bridge this gap in understanding.



Advice Mechanism

Strategic Investment Advisory Panel (SIAP) structure

While the SIAP structure was not specifically included in the industry discussion paper (see Appendix A) as a potential option for the advice mechanism, many stakeholders commented that it is their preferred model. However, those who do support the continuation of the SIAP also requested significant changes to its management and operation. Some of the comments regarding the SIAP structure are provided in the below table.

Stakeholder feedback on the SIAP mechanism

The SIAP model that is in place now can work it's just that its operations aren't functioning very well – there is no consistent financials provided, there are things being hidden in the funds, there is lack of trust, then Hort Innovation staff are ignoring advice and telling the SIAP directly that they are “only an advisory mechanism to Hort Innovation, we decide what happens with your funds.”

The confidentiality requirements for SIAP are intriguing, we wonder if it is about control. The SIAP should be representing the priorities of the industry so why couldn't some of the details be shared with the industry? Confidentiality requirements should be on an as-needs basis not a blanket rule.

The preference is for SIAP to continue but as a more efficient, reliable and business-like structure.

Without allowing PIBs to sit on the SIAP they don't have leadership. Having Hort Innovation staff on the SIAP with their own agendas is also flawed. ¹⁷



Stakeholder feedback on the SIAP mechanism

We understand there was a push to not include PIBs in the SIAPs due to perceived conflict of interest, but the PIBs have the information from members and industry regarding what they want and need from R&D.

People from commercial environments don't want to get bogged down in processes, the structure needs to be current and able to respond quickly to need.

Hort Innovation has not brought the PIB into the process and as such errors in design or delivery can't be corrected before the broader consultation process begins.

SIAP is a black box because there is no transparency of decisions HI makes; it should justify those decisions.

This structure also creates silos rather than bringing industry R&D together.

The SIAP should be run like a board, with a Chairperson and motions voted on to make decisions.

When Hort Innovation does not act on or take up SIAP recommendations there is no reason given or communication as to why.

For R&D there is too much emphasis placed on individual projects with measurable outcomes, rather than building capacity by supporting individuals within research organisations.

Visibility of projects and investments once advice has happened is really important. For example, at the moment the SIAP gives advice then does not hear anything for a year until someone asks a question.

Minutes of SIAP meetings are not provided for up to one month after the meeting and do not reflect the discussion or decisions.

We often say if there is a brawl at SIAP it looks like a tea party in the minutes. They do not reflect the tone of the discussion.

SIAP is locked up in confidentiality. It is reasonable that some items should be subject to confidentiality requirements but not all.

The SIAP can provide focused advice but you cannot rely on it entirely.

Ultimately whether it is SIAP or another body, the best option is to work together.

¹⁷ Hort Innovation has stated that its staff are not members of SIAPs but attend SIAP meetings as facilitators or subject matter experts.



Options outlined in the industry discussion paper

Alternative options for the advice mechanism were developed by Hort Innovation as conversation-starters in the industry discussion paper (see **Appendix A**), with stakeholders encouraged to provide additional models.

Generally, there was some support for Option 1 or a combination of Options 1 and 2. Some of the feedback regarding the options and potential alternative approaches, are provided in the table below.

Stakeholder feedback on the advice mechanism options

Under Option 1 there must be some test for the advice being provided to ensure it is truly representative. PIBs will need to show that the advice meets some threshold, and Hort Innovation will need to support them to fulfil that role.

It is a huge ask given the complexity of our industry to have one manager at Hort Innovation who is also servicing other several other sectors. We strongly recommend a hybrid of option 1 and 2 which would go a long way to bringing back efficiency.

Option 1 to be successful requires PIBs to be more than just facilitators. We should empower PIBs to be detailed and specific around their priorities.

Option 2 could work providing there is mutual respect and views are listened to:

Option 1 could work but we need to ensure that the PIBs can get into the detail of projects while managing the conflict of interest.

Option 2 if it's about getting control over what happens with levy funds then we are supportive, though we note for smaller industries the economics will be difficult.

Stakeholder feedback on the advice mechanism options

<p>Further elaborating on Option 1 is the only option for us.</p>	<p>If we had to pick Option 2 is our much-preferred option because it provides the opportunity for independent level of development and application of R&D through the R&D manager - allowing for separation and independence which would allow the RDC to act more in the administration role.</p>
<p>Option 1 could be workable if it is about working together in a legitimate and respectful way.</p>	<p>It needs to be noted that these options are very high-level and the supporting structures and detail will be crucial.</p>
<p>Main issue with Option 1 is that it limits PIB involvement to a strategic level and not project design and evaluation.</p>	<p>It needs to be more of a co-ownership model where Hort Innovation is the investor and PIB is the facilitator, with a formal mechanism for grower feedback beyond the PIB e.g. via a survey.</p>
<p>For Option 1 to work it would need to be specific what exactly it is Hort Innovation expects from the PIB in return for the fee - what exactly is the feedback they need?</p>	<p>Option 1 would be appropriate for marketing and promotion activities whereas Option 2 would be appropriate for R&D activities.</p>
<p>None of the options presented cover off on overall performance and delivery. We believe that the Hort Innovation Board and executive should be accountable to the NFF Hort Council, government and Australian Fresh Produce Alliance (AFPA) as the main overarching bodies within the sector. This could either be through a memorandum of understanding (MOU) arrangement or enshrined in legislation, but the engagement should be open and transparent between all parties and the role of Hort Innovation as a service provider to these parties should be well understood. It would be at this level that Frontiers Funding and whole of industry initiatives should be discussed.</p>	<p>Option 3 doesn't reflect how people identify themselves, they identify by commodity and region or jurisdiction. We would propose to use the NFF Hort Council as the vehicle through which advice is provided for cross-commodity initiatives, because it combines commodity and jurisdictional elements. That is, it includes peak bodies and state-based bodies.</p>
<p>Conflict of interest can be managed. There needs to be a model where when PIBs do extension & adoption, trade and communications (which they [consider they] do well) and there is an assessment panel that is outside of PIBs and they review projects and pitches for those projects across all industries. If the panel sees all proposals for the delivery of those services across sectors they would also be able to get a clear view on what success looks like.</p>	<p>There has been a tendency of Hort Innovation to treat all PIBs the same but realistically they can't operate in the same model.</p>



Marketing

One of the questions provided to stakeholders prior to their interviews was whether the preferred model for the advice mechanism was different between R&D and marketing. Seftons understands that a review of the marketing function at Hort Innovation is underway, which may be relevant to some of the feedback provided.

Some stakeholders expressed a need for a separate industry advice structure for marketing versus R&D, others suggested the same model could work for both. Some of the feedback on marketing advice mechanisms from the interviews is outlined in the table below.

Stakeholder feedback on marketing	
The ACIL Allen report recommended “marketing levies could be spent directly by industry representative bodies where they can demonstrate this is more effective, and HAL should engage in marketing on a fee-for-service basis where requested.” This recommendation was rejected by the HAL Board.	Hort Innovation controlling marketing across so many horticultural products, all competing for shoppers’ dollars, is a total conflict of interest. Marketing should be under the control of the PIB, we understand our industry and its requirements.
Marketing is not government matched so it is totally grower money and yet marketing is what we have the least amount of say in.	The current structure could work if Hort Innovation was working and reporting to the PIBs against a clear framework.
Hort Innovation is controlling marketing across so many horticultural products, all competing for shoppers’ dollars, is a total conflict of interest. Marketing should be under the control of the PIB, we understand our industry and its requirements.	If we could do a project reference group and have more control over the marketing dollars, we would have so much more buy-in on levies.
The biggest issue in marketing is the lack of an objective means of measuring impact. In the absence of this it is difficult to get a clear view on whether marketing is effective.	Alternative option: Let the PIB control the marketing levy money but have to show a system of governance to Hort Innovation or another nominated body. That governance would require a sum of less than 5% of funds.
We see little value in the marketing mechanism as the same ideas are recycled.	The optimal option for our industry is not different for marketing and R&D. If we could have specialists in those areas who understand our industry and why it is different, it could work.

Marketing needs to be targeted and fast but by the time Hort Innovation processes run their course the opportunity is gone. Members funds need to be freed up so they can be utilised on the priority issues members vote to spend funds on. We need to see a release of the shackles on how the levies are spent.



What does success look like?

Noting that the topic of the workshops originally intended to be held in August and September was ‘what does good look like?’, wherever there was an opportunity Seftons raised the topic of what does success look like for the horticulture industry and/or what does a successful partnership between Hort Innovation and its stakeholders consist of. Examples of the views expressed by stakeholders are included in the table below.

Stakeholder comments regarding what success looks like

Where Hort Innovation is a respected and valued partner that co-creates with industry to drive outcomes.

That industry and Hort Innovation have trusted and enduring relationships, there is alignment in terms of the way we operate and there is a fair equilibrium between the parties in sharing that journey.

Where Hort Innovation is enabled to create a lasting difference for the industry.

Having a shared goal. We have more in common than we do differences, we have the same purpose to progress and transform the industry via a co-innovation system.

We understand what the other does so it can be accurately communicated to growers.

Viewing each other as trusted and valued partners where we enjoy achieving together.

Raising the quality of advice and outcomes for industry.

A commitment from Hort Innovation that it will operate as a partner, allowing PIBs to have more input into the whole process.



Stakeholder comments regarding what success looks like

Joint ownership over the decisions that get made.

Hort Innovation working collaboratively with growers to identify gaps and work with the PIB to fund research that can address the gap, communicating and listening to PIBs on specific industry issues.

A harmonious relationship where we pay the levies and it is put to good use - we get value through good research and quality promotions.

Listening, considering and to a good degree accommodating levy payers' wishes on their investment.

For industry to have confidence in its RDC and for Hort Innovation to deliver effective R&D and marketing outcomes for growers.

Success would be where the industry chose to spend its money with Hort Innovation because it added value, understood the opportunities for industry and had a global village of agile and strategic providers. That even if there was no matching taxpayer funding, the industry would go through Hort Innovation for R&D because it knew how to leverage capacity of service providers and get a better result than anyone else.

Success would be a program of R&D that is fully integrated with communications and extension to facilitate the feedback cycle and integration with industry.

An industry centre of excellence to address capacity building and to have our priorities actually addressed.

A memorandum of understanding where the PIB has control over all levies spent and strategic direction setting, with Hort Innovation acting as a bank and a provider of project application and progress reporting.

A real commitment to create collaboration. For example, Hort Innovation championing putting similar industries together and change it from 40 to 20 industries. There is a lot of talk but it needs some real action from Hort Innovation to achieve that.

Stakeholder comments regarding what success looks like

Going out to the regions using some of the latest design methods to identify the highest priority for investments and the greatest return of benefits to industry.

An all of industry approach to maximising the outcomes, value and benefits of the levy investment.

A successful partnership that generates returns to industry and it's possible to demonstrate that the industry is more productive, profitable and sustainable as a result. And that is highlighted back to industry, government and consumers. The RDC sits in the background – they aren't the driver of the productivity gain they are the facilitator of the work that is being done or invested in by the industry.

Clarity of purpose shared by industry, government and Hort Innovation. Clear priority setting mechanisms.

Professional technical staff to scope projects. Best practice procurement. Active and effective project management. Transparency and accountability back to investors (government and levy payers) on how their priorities are being met.

Fundamentally need government to provide an opportunity for individual PIBs or a group of PIBs to have the ability to hold Hort Innovation to account through development of a clear horticulture strategy that includes all parts of the business, not just R&D.

Maturity of PIBs where they understand their role, what its value proposition is, how to act professionally and treating all parties with respect.

Success is clarity on how Hort Innovation operates, how its priorities are set, and consultation with PIBs, industry groups and growers. The mechanisms should be clear to individual growers so they understand how they can influence where levies are spent. It would also be transparency around how much of the levy is spent on which issues and the regions that relates to.

Effective communication, respect, transparency and accountability. Where actions match words. We can develop a 3-5 year plan and if we work together we can get this right.



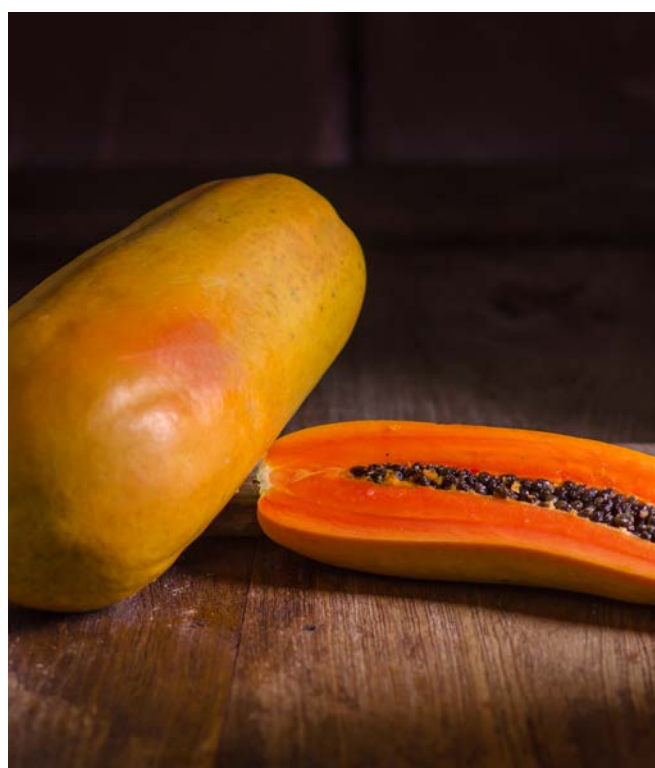


A way forward

As outlined in the Background section of this report, Seftons' intention in providing the below possible vehicles to address the feedback received through stakeholder interviews is to determine a starting point for discussions at the future workshop(s). This is one part of an overall process intended to move the relationship between the parties to a more collaborative and cooperative partnership through consideration of roles and responsibilities, plus the advice mechanism.

Commitment to change

A Several stakeholders that were interviewed voiced concerns that if the relationship between the parties did not change in the next 6-12 months, the basis of the horticulture RDC system could be damaged irrevocably. Change cannot be expected of only one party, industry or organisation. It is suggested all parties commit to the process of meaningful change, including collaborative participation in the workshop(s) and seeking to reach agreement on the way forward following the workshop(s).





Respectful interaction

B In the industry discussion paper (see **Appendix A**) developed by Hort Innovation and distributed to stakeholders in July 2021, it states “it is clear that status quo is not a viable option, and we need to change.” The majority of the stakeholders interviewed by Seftons agreed with the need for change, and a need to reset the relationship between parties and the way they work together. For instance, the theme of many stakeholders’ responses to the question ‘what does success look like?’ was the need for a more collaborative, respectful relationship.

Currently there is a general level of frustration among the majority of parties and a common sentiment is that there is a lack of respect in interactions, even in the creation of structures and the implementation of their associated processes. The perception of disrespect impacts on dealings between the parties. For any subsequent actions or changes to be effective, all parties must acknowledge the role, function and importance of other stakeholders. Part of that is each agreeing on the other’s roles and responsibilities, but it is also a commitment to a way of behaving in all interactions. As one interviewee outlined, ‘there needs to be willingness from both sides, mutually and simultaneously, to give ground.’

Seftons respectfully proposes that if all parties can agree to the following behaviour change principles, the general tone of communication and engagement will improve:



Integrity – openness and honesty about the scope and purpose of an engagement, no matter how ‘business as usual’ it may seem.



Inclusion – all perspectives have equal weight. If views do not align between parties, the opposing view should not be dismissed but rather be considered respectfully.



Deliberation – a commitment to consider the information and advice that is offered before making decisions.



Informed – recognising the experience or skill the other party brings and their ability to have an impact on the engagement.



Responsive – having respect for the other party means being respectful of their time and input and responding in an appropriate way.



Understanding and appreciating each other’s differences – particularly the roles, responsibilities, and structures that each party operates in.

C As part of the commitment to item B. the parties could complete a review of the tone, content and methods of communication and stakeholder engagement to ensure they reflect the principles outlined above.



Acknowledgement

- D** Clearly defining the roles and responsibilities of Hort Innovation and PIBs continues to be a priority. In addition to establishing what the roles and responsibilities of each organisation is, many stakeholders recommended adding why the organisations exist and how they are critical to the success of their industries. It is also suggested that clearly defining the role of government in relation to statutory levies and the RDC structure more broadly, would assist in providing clarity.
- E** As part of the process of developing and agreeing roles and responsibilities for Hort Innovation and PIBs, accountability mechanisms should also be considered.
- F** If parties agree on definitions of PIB and Hort Innovation roles and responsibilities, the PIB role could be included in Hort Innovation's Constitution as a way of confirming and formalising this.
- G** While definitions of roles and responsibilities of Hort Innovation, PIB and government are necessary, defining the function or potential role of other relevant structures and organisations such as NFF Hort Council and non-PIB industry bodies (e.g. AFPA) could be an important addition in the pursuit of clarifying responsibilities in order to improve industry outcomes.
- H** In relation to the draft definitions provided in the industry discussion paper, the following amendments were noted in discussions with stakeholders, for further consideration at the workshop(s):
 - i. Update the definition of the roles and responsibilities of PIBs in the industry discussion paper to include a responsibility to monitor the expenditure of levies and communicate with all levy payers how funds are being spent, in line with grower expectation.
 - ii. Change to the definition of roles and responsibilities of Hort Innovation in the industry discussion paper to include a reference that Hort Innovation has a responsibility to invest levies in accordance with advice received from industry and PIBs have a responsibility to engage with all levy payers regarding levy expenditure.
 - i. Update the definition of Hort Innovation's purpose to include effective management of the flow of funds in partnership with industry to ensure investments deliver returns, and reporting the outcomes of those investments against clear key performance indicators to government and levy payers via a process that provides openness, clarity and transparency. That would also support the PIB in meeting its responsibility in the above.
 - ii. Update the definition of Hort Innovation's roles and responsibilities to include a reference to the objects of the organisation in its Constitution and performance principles set out in clause 10 of the Deed of Agreement to clarify the origin of many of its responsibilities.
- I** Many stakeholders suggested the objects of Hort Innovation as set out in its Constitution are too broad, particularly the reference to 'leadership' of the industry. The Constitution could be revisited at the same time as consideration of inclusion of defined roles and responsibilities as set out in item F.



Reset

- J** Trust is a significant issue between the parties and while it is acknowledged this will take effort and commitment to rebuild over time, in the short-term it will be assisted by resetting to ensure transparency around the following key areas, to be discussed at the workshop(s):
- i. Independently audited (to a reasonable level of assurance) financial statements for each levy to be provided on an annual basis to the relevant PIB.¹⁸
 - ii. For those industries that provided feedback on the opportunity of implementing Option 1 for an advice mechanism, transparency in the form of clear performance requirements for PIBs to meet, which are set out in contractual obligations.
 - iii. In light of ii, should SIAPs continue as an advisory mechanism, a review of the current governance framework including membership, purpose, role, authority level, operational metrics (i.e. number of meetings per year, facilitated or chaired, timely provision of minutes) obligations of members, and confidentiality arrangements.
- K** While item J. above is focused on how the advice mechanisms may operate (SIAP or other options), it is also suggested that a formal role for PIBs in providing advice to Hort Innovation about industry needs or priorities for R&D and marketing is established. This may be mutually inclusive. For instance, this could be via an annual meeting with Hort Innovation senior management and relevant staff, to discuss previously agreed criteria such as:
- i. Financial statements (see item J. i. above).
 - ii. Projection of production and levy income for the coming year.
 - iii. R&D investments.
 - iv. Marketing initiatives.
 - v. R&D and Marketing performance
 - vi. Communication of project outcomes and performance to levy payers.
 - vii. Key Hort Innovation organisational initiatives or changes.
 - viii. PIB present its industry strategy, contemporary industry issues, data and insights and relevant industry intelligence, key PIB organizational initiatives and their performance, membership data or industry reach.
 - ix. Industry advice regarding strategic priorities for R&D and marketing for the next year and three years.
- L** To inform item J. viii. above consideration may be given to an annual survey of all levy payers in each industry regarding the issues they consider to be of priority for R&D and marketing (if relevant) over the short and medium term. That would enable the PIB and Hort Innovation to draw on clear data supporting the strategic priorities it has identified. This could leverage current communication or extension investments.

¹⁸ Hort Innovation has indicated to Seftons that it already provides independently-audited financial statements at the fund and organisation level, and that this information is publicly available.



Ability to determine structure

M A strong theme in the feedback regarding the advice mechanisms was that one model will not suit all industries, something which was also acknowledged in the industry discussion paper developed by Hort Innovation. Demonstrating a commitment to genuine engagement, it is recommended that Hort Innovation and PIBs commit to working collaboratively to articulate in more detail how alternatives to the SIAP structure could operate, on the basis that industries will be able to select the model they want to use.



Future-fit skills

N The social and policy landscape horticultural industries are operating in is very different to that of past decades, and evolving at an ever-increasing pace. Organisational diversification and innovation all increase the need for skilled and qualified staff. It is also clear that leadership will be important at all levels to create lasting changes that will improve industry outcomes. To manage these complex challenges, organisations and their staff need to keep their skills current and consider what training is necessary to maintain this. A system of internal and external capacity-building programs could be considered to ensure the industry is developing its current and future talent pool within Hort Innovation, PIBs, industry groups and levy payers.

Unifying vision

O If the premise of the industry discussion paper is accepted – that the fundamental concept of levy investment is beneficial to industry and the parties have a duty to work together – one mechanism of achieving this could be an industry vision articulating shared goals. This could be developed prior to the workshop(s) and discussed as one of the key agenda items.

Appendix A

Industry discussion paper developed by Hort Innovation in July 2021, in preparation for workshops that were intended to be delivered in August and September 2021, but postponed due to the COVID-19 situation.



Backgrounder

This document forms the prework for the participants to ensure that the workshop is constructive and produces clear next steps.

The intention is for all workshops to be face to face and we are encouraging the Peak Industry Body (PIB) representatives to attend the workshop being held in your closest capital city. A separate letter accompanying this briefing document explains the registration process.

First workshop – Brisbane	Monday 16 th August
Second workshop – Melbourne	Monday 30 th August
Third workshop – Sydney	Wednesday 15 th September

Context

The history of the Horticultural Industry RDC has been consistently plagued by distrust from industry. Successful initiatives that have delivered benefit to industry are rarely celebrated and are generally overshadowed by politics. If we believe the fundamental concept of levy investment is beneficial to industry, then we have a duty to work together to develop a better methodology for implementing this.

At the June 10th 2021 NFF Hort Council meeting, Hort Innovation Chair Julie Bird and CEO Matt Brand discussed with the NFF Hort Council how do we get meaningful change as we need to prioritise what we can fix whilst continuing to invest the levies.

It was agreed at this meeting that there needs to be a working session to determine what does good look like, and then prioritise what can be done in the short, medium and long term. The approach will be 3 workshops held in Sydney, Brisbane, Melbourne with each PIB Chair and CEO invited to attend one of the workshops. The workshops will be externally facilitated by Seftons - a national advisory, communications and stakeholder engagement firm (Facilitator details accompany this backgrounder).

PIBs that are members of the NFF Hort Council as well as PIBs that are not members of the Hort Council have been invited. The following members of the NFF Hort Council have not been invited as they are not prescribed industry bodied: Victorian Farmers Federation (VFF), NSW Farmers Association (NSWFA), VegetablesWA, Tasmanian Farmers & Graziers Association (TFGA), NT Farmers and Australian Nut Industry Council (ANIC).

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The time has come to talk openly about how we want to work together and the structure we need in place to achieve this, by exploring “What does good look like?” through a coordinated approach that looks beyond the immediate issues, and addresses the fundamental flaws and conflicts that exist within the current structure.

The Horticulture levy/investment system

- 37 levied industries each with at least one advisory mechanism and at least one industry representative body
- 60+ individual levies that are all administered separately
- No overarching strategy for industry
- No ready mechanism for funding broader across industry initiatives or opportunities to collaborate with the wider agricultural sector

Grower Owned

- We have a potential membership base we can't identify
- Levy payers are not automatically voting members of Hort innovation
- Consolidation of industry has led to larger growers with differing needs & in some cases challenging market failure assumptions

Government (largest funding stakeholder)

- Increasing expectation of their investment priorities being met, but we have no ready mechanism for achieving this unless allocating an estimate each year from the Centralised Strategic R&D or Marketing Levy Reserves or the Hort Frontiers Enablement Fund (HA Fund).

Internal discussions at Hort Innovation have outlined a number of key areas and principles to focus on in the pursuit of executional excellence of Hort Innovation's role. It is clear that status quo is not a viable option, and we need to change.

These key areas and principles identified internally were;

A. Roles and Responsibilities

Agreed Principle: It was agreed a clearer definition of roles and responsibilities is required for both Peak Industry Bodies (PIB's) and Hort Innovation.

B. Strategic Investment Advisory Panels (SIAPs)/Advice Mechanism

Agreed Principle: It was agreed to revisit the current SIAP process and more formally recognize the role of PIBs in the process of gaining advice and undertaking consultation with levy payers.

A) Roles and Responsibilities

Clearly defining the roles and responsibilities for both PIBs and Hort Innovation continues to be an issue. Although the Statement of Commitment (a recommendation from the ACIL Allen review 2017) has been pursued across the 37 industries and the recently formed NFF Hort Council, the uptake of the PIBs/NFF Hort Council to sign this document which outlines roles and responsibilities has been limited. In this Statement of Commitment document, it clearly outlines the roles and responsibilities of both Hort Innovation and the PIBs (see extract below). ***There is an opportunity to determine if these roles and responsibilities can be incorporated in the Hort Innovation Constitution (medium-term action).***

Roles and Responsibilities of Hort Innovation

1. Subject to being recognised as the industry services body under Commonwealth legislation, to receive from the Australian Government and manage investment of statutory levies (Levies) as well as Australian Government co-investment monies (**Taxpayer Funds**) under the terms of its Constitution and Funding Agreement with the Australian Government.
2. To invest Levies in accordance with advice received from Industry as reflected in the Industry Strategic Investment Plan (**SIP**).
3. To implement the strategic allocation and investment of Levies, Taxpayer Funds, other monies received from the Australian horticulture industry and contributions by investors in research, development, extension and marketing programs (**Investments**) for the benefit of the Australian horticulture sector.
4. To monitor and drive the delivery of Investments, and communicate the outcomes and value of Investments to the Industry and other stakeholders.

Roles and Responsibilities of the PIB (assuming they are also the prescribed body)

1. Subject to being recognised as the prescribed industry body under Commonwealth legislation, to determine the existence and rates of Levies for the Industry and monitor adherence to the payment of Levies by Industry, in accordance with its Constitution.
2. To develop an overall vision and strategic imperatives for the Industry.
3. To encourage high standard of practice in Industry production.
4. To represent and further the interests of its members and the Industry in respect of matters that may affect the reputation, viability and growth of the Industry.
5. To advocate the Industry's position to all levels of Australian Government.

Subject to successful proposal through the Hort Innovation procurement process, the PIB may also be contracted to Hort Innovation as a service provider.



The legislation relating to Hort Innovation as an RDC, clearly outlines the role as, the industry services body for the Australian Horticultural Industry (Horticulture Marketing and Research and Development Services Act 2000).

The other sources of information regarding the role of Hort Innovation are outlined in the Deed of Agreement 2020-2030 and the Hort Innovation Constitution. To assist the clarity of role and responsibilities, if the PIBs were provided with more responsibility/accountability working with Hort Innovation, it is envisaged this issue would dissipate.

The PIBs, many of which are also the Prescribed Industry Body outlined in legislation, are the most active stakeholders for Hort Innovation. However, these organisations are not formally recognised in our funding agreement, having no formal role and responsibilities under either Hort Innovation’s Deed of Agreement 2020-2030/ Hort Innovation Constitution and are precluded from membership. The PIBs are deemed the most efficient avenue for undertaking consultation and providing advice due to their critical mass, however, the Federal Government has requested that all levy payers be consulted with, as not all levy payers are members of their respective PIB. The PIBs are also challenged with their neutrality as they are often conflicted by the role they play as a service provider and with industry rationalisation the industry dynamics are changing resulting in fragmentation.

The concept of amalgamation of PIBs is a challenge, as the PIBs are often aligned to one levy/industry and exist to represent and support for that individual industry (long-term option).

The PIBs also suffer from the issues facing many non for profit/industry associations whereby the value proposition can be difficult to quantify especially as advocacy is a function that benefits all regardless of who paid the membership fees. Advocacy cannot be funded through the levy mechanism, meaning many PIBs have capacity issues and so attempt to be a provider of information for Hort Innovation levy investments as well as a service provider to assist their financial viability.

B) SIAPs/Advice Mechanism

The options presented below are “thought starters”, and could stand alone or be incorporated into the current preferred option, option 1. The key is that it’s not a one size fits all, as we know the current advisory mechanism works well for some industries such as Almonds, so this would need to be taken into consideration. For completeness, these options

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have been developed to be fed into ‘what good looks like’ during the proposed workshop, and to show there is some flexibility and genuine regard for getting input from industry.

Option 1 – PIBs as Consultants/Facilitators

This option is the preferred option of Hort Innovation Management. It will require some exploration with the DAWE to investigate PIBs to act as consultants/facilitators and a fee to be paid to the PIBs. The consulting/facilitators fee would be a financial payment for the PIB to obtain feedback/input from levy payers on proposed investments from Hort Innovation. The PIB would have to demonstrate that the input was sought from not only their membership base but also the non-member levy payers from their respective industry. The fee would be paid out of the matched strategic levy for that industry.

Importantly the input being sought would need to be at a Strategic Investment Plan (SIP) ‘strategy level’, that is prioritising investment recommendations that will contribute to achieving the outcomes and strategies identified in the SIPs and Annual Investment Plans (AIPs). Advice will not be at the detail of defining specific activities or outputs for a project (solving the problem/opportunity versus defining it), rather feedback/input for the Annual Investment Plan (AIP) using the SIP. The PIB would facilitate and consultation from growers (including non PIB member growers) on tactical, applied, short term, easy to identify and solve research challenges for that specific industry. In addition, the PIB would also identify priority high level themes such as soil health, climate change etc, that could form multi-industry projects.

What else could this partnership consider?

- Leverage existing industry reference groups/project reference groups to support Hort Innovation with the development of AIPs, assist with recommending industry members to assist with RFP development and investment evaluations (where appropriate) including coordinating and setting up the meetings for advice.
- Provide PIB with opportunity to partner with Hort Innovation in providing Secretariat support and input on investment advice meeting activities.
- Provide opportunity for PIBs to facilitate ideation sessions with industry to feed in recommendations to AIP process. Hort Innovation staff to attend as participants and receive outcomes/notes of these meetings. Hort Innovation then truth tests recommendations in lead up to AIP draft development.
- Provide the PIB with an opportunity to host a national conference to incorporate a dedicated levy payer session in collaboration with Hort Innovation. Where a conference is not provided, PIB to arrange for a dedicated levy paper session in collaboration with Hort Innovation at a mutually agreeable event.

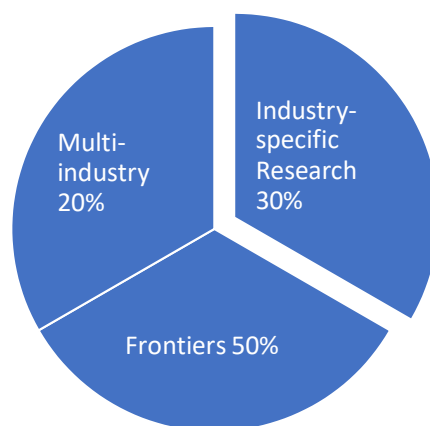
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- Provide the PIB with an opportunity to contribute to future SIP consultation leveraging existing networks as well as Hort Innovation networks and other channels as appropriate
- Formalise engagement arrangement between HIA and PIBs through 2 meetings with Hort Innovation (PIB Forum/Hort Connections, PIB Forum/Hort Innovation AGM or equivalent) as well as a monthly 1-hour WIP with ISP

With this option, the current SIAP mechanism would no longer exist across all levied industries. The PIB would be responsible for developing a network for input into the proposed investments. An illustrative example could be:

- 1) **Industry-specific Research** e.g. Powdery scab in potatoes or communications project
- 2) **Multi-industry** e.g. soil health or climate change

**% Breakdown of the matched levy
Illustrative Example only**



The PIB would act as the facilitator, the PIB is responsible for the resourcing, coordination, chairing the meetings, executing field days or workshops. The PIB is the interface with the growers and Hort Innovation would utilise this information to develop the AIP for that industry.

The key would be that Hort Innovation will develop the scope and shape of the project including determining if a priority research area and subsequent project is across multiple industries. For example, under the soil health theme, this could be identified across numerous industries SIPs/AIPs and so a percentage of the levy from the industries that identified soil

health is allocated and centralised into a soil health project for these industries. The PIB would not be involved in the construction of the research to be done, as its role is to provide the high-level theme for the research and development challenges and opportunities during the consultation with the growers.

Option 2 – Replicate the Banana Industry R&D Coordination role

For several years, the banana industry has invested in a strategic levy funded project that employs a banana industry R&D Manager at ABGC. This approach could be replicated across the larger Levied Industries. The role (based on that in bananas but also with similar roles in industries with an Industry Development Manager) would be to collaborate with Hort innovation and others to strategically;

- lead and coordinate R&D delivery,
- integrate R&D, extension and communication investments
- continue to raise the relevance and quality R&D to the industry
- increase the pace and impact of R&D
- maximise the collective value of industry R&D Investments

This option would utilise a % of strategic levy for the industry to cover the costs of an R&D Coordinator. This role would actively engage with the Hort Innovation Regional Extension Manager, and R&D/Trade roles to assist in ‘ground truthing’ investment opportunities. This option would provide another level of input but does not necessarily change the current ways of working with the PIBs.

Option 3 – Cotton RDC approach

Utilising the 6 regions that Hort Innovation has identified, establish 6 regional committees to provide advice on the multi-industry investments. These would include for example: Biosecurity – Fruit Fly, Market Access and Sustainability - Incl. Workforce. This approach would align to an ‘Innovation Systems’ approach and link with the Hort Innovation extension team to help address the ‘multi-industry/wicked issues’, as well as a focus on the whole of horticulture.

This approach could also involve an annual grower survey to obtain information about the industry (as an overlay of the Hort Stats handbook), on farm practices and identify priority areas for future research. These priority areas would then be “sensed checked” with the relevant PIBs, if there were areas that were consistent across multiple industries then this would result in the opportunity to create multi-industry investments. Currently the cotton industry has 5 program areas, Hort Innovation has 4 outcome areas within the industry SIPs that each year the RDC invests against. There is an opportunity for Hort Innovation to drive

more awareness of these outcome or program areas using the survey to help identify projects that fit underneath the program/outcome areas. This approach would enable the RDC to then develop up the design of the project. The benefit of Option 3 is that it could also be used to get input from the other stakeholders, researchers, agronomists, venture capitalists etc and key growers, with the benefit of being additional consultation over and above mechanisms such as the National Horticulture Research Network (NHRN) and CSIRO briefings. The challenge with this option is that we have 37 industries, multiple crops and growing regions across all states and territories.

Final Comments

This paper focuses on the “Advice mechanism” and the roles and responsibilities of stakeholders as key deliverables that underpin the ability of Hort Innovation to meet a key deliverable under the performance principles in the Deed of Agreement (DoA). This deliverable is, *to engage stakeholders to identify RD&E priorities and activities that provide benefits to the industry. (Clause 10.2 (a), Deed of Agreement 2020-2030)*. Providing clarity on roles and responsibilities at the same time as revisiting the advice mechanism will be important as these two areas are interlinked.

There may be other proposed longer-term solutions for the structure of the industry, that would assist in delivering the outcomes for industry more efficiently and effectively, but these will require legislative change, e.g. amalgamating industry levies, PIB rationalisation, Whole-of-Horticulture Strategic Plan and removing levies for some of the smaller industries. These will be documented and form part of the final report from the workshops, but won't form part of the next steps at this stage.

Workshop Facilitators

Robbie Sefton – Founder and Managing Director

Robbie leads the team and specialises in facilitating groups through contentious and challenging issues. She has high-level skills in business and financial management, strategic planning and strategic communication. Robbie has provided strategic advice and expertise to corporate and government leaders for many major projects that have helped to shape the face of rural Australia, including the National Biodiversity Strategy, the Water for the Future program and the National Farmers' Federation's Blueprint for Australian Agriculture.

Robbie's leadership experience is complemented by non-executive directorships in the government, corporate and science sectors and membership of a number of advisory groups. She is also a levy payer of three Research and Development Corporations (MLA, AWI and GRDC) with a farming operation in north-west NSW. Robbie will lead the team and will be involved in all aspects of the project including design, development and industry consultation.

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Sally Schilg - Account Director

Sally has worked in and with the agriculture sector for almost 20 years as a corporate lawyer, project manager, media and communications manager, and reporter for ABC Radio. Sally understands that effective stakeholder engagement and communication is critical to the success of these programs and draws on her background in media and corporate relations to establish successful communication frameworks. Based in Newcastle NSW, Sally has worked with some of the nation's largest agricultural companies, food processors, FMCG companies, consultancies and research bodies.

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Appendix B

The following organisations completed interviews with Seftons in August and September 2021 as part of this process.

Almond Board of Australia

Apple & Pear Australia Limited

Australian Banana Growers Council Inc

Australian Blueberry Growers Association

Australian Fresh Produce Alliance

Australian Lychee Growers Association

Australian Macadamia Society Limited

Australian Mango Industry Association Ltd

Australian Melon Association Inc

Australian Mushroom Growers Association Ltd

Australian Nashi Growers Association

Australian Olive Association Ltd

Australian Sweetpotato Growers Inc

Ausveg

Ausveg South Australia

Avocados Australia Limited

Berries Australia

Botanical Resources Australia

Chestnuts Australia Inc

Citrus Australia Limited

Custard Apples Australia Inc

Department of Agriculture, Water and the Environment

Dried Fruits Australia

Fruit Producers South Australia

Greenlife Industries Australia

Growcom

Horticulture Innovation Australia Limited

National Farmers Federation Horticulture Council

Onions Australia

Pistachio Growers Association Inc

Pomewest

Potato Processors Association of Australia Inc

Raspberries and Blackberries Australia

Strawberries Australia

Summerfruit Australia Ltd

Turf Australia Limited

Vegetables WA

Appendix C

Seftons provided the following background paper and questions to stakeholders prior to interviews.



Stakeholder interviews – What does good look like?

Introduction

On 23 July 2021, PIBs and key stakeholders received an invitation from Hort Innovation to participate in one of a series of three workshops being held to gain the industry's view on "what good looks like" and how we get there. The workshops were intended to consider roles and responsibilities of Hort Innovation and PIBs at the same time as revisiting the advice mechanism.

Given the current Covid situation in the eastern States, the workshops have been postponed. However, to keep the momentum of this important piece of work, Seftons is holding a series of one-on-one industry interviews with each PIB Chair and CEO plus other key stakeholders, gain feedback on a number of questions.

The outcomes of these interviews will be used to develop a preliminary report setting out participants' views on the definitions of roles and responsibilities, advice mechanism options and other opportunities for positive change. That preliminary report would form the basis of the workshop discussions.

Seftons greatly appreciates the opportunity to talk with each PIB on this important strategic initiative. Below are the questions that will be covered in the interview. There are two key areas we are considering, each with several questions designed to explore that topic.

We encourage you to share the questions with your relevant internal stakeholders, such as state branches, to gather their views before speaking with the Seftons team. This is your opportunity to provide your perspective on how the industry can work together and the structure needed to achieve this. We look forward to speaking with you.

Questions

1. Roles and responsibilities

Attached to the invitation you received on 23 July was a background paper that included potential definitions of the roles and responsibilities of Hort Innovation and the PIBs. The definitions set out in that background paper are provided below. Please consider the following questions:

- What do you consider to be the most important function of Hort Innovation?
- What do you consider to be the most important function of PIBs?
- Are those responsibilities reflected in the definition of roles and responsibilities provided below?

Definitions of roles and responsibilities as set out in the background paper:

Roles and Responsibilities of Hort Innovation

1. *Subject to being recognised as the industry services body under Commonwealth legislation, to receive from the Australian Government and manage investment of statutory levies (Levies) as well as Australian Government co-investment monies (Taxpayer Funds) under the terms of its Constitution and Funding Agreement with the Australian Government.*
2. *To invest Levies in accordance with advice received from Industry as reflected in the Industry Strategic Investment Plan (SIP).*
3. *To implement the strategic allocation and investment of Levies, Taxpayer Funds, other monies received from the Australian horticulture industry and contributions by investors in research, development, extension and marketing programs (Investments) for the benefit of the Australian horticulture sector.*
4. *To monitor and drive the delivery of Investments, and communicate the outcomes and value of Investments to the Industry and other stakeholders.*



Roles and Responsibilities of the Peak Industry Body (assuming they are also the prescribed body)

1. *Subject to being recognised as the prescribed industry body under Commonwealth legislation, to determine the existence and rates of Levies for the Industry and monitor adherence to the payment of Levies by Industry, in accordance with its Constitution.*
2. *To develop an overall vision and strategic imperatives for the Industry.*
3. *To encourage high standard of practice in Industry production .*
4. *To represent and further the interests of its members and the Industry in respect of matters that may affect the reputation, viability and growth of the Industry.*
5. *To advocate the Industry's position to all levels of Australian Government.*

2. Advice mechanism

The background paper also provided three potential models for the advice mechanism below. A summary of each Option is provided below. Your views on the following questions would be appreciated:

- What do you consider most important in seeking advice for your organisation/industry?
- What are the positive features and challenges of the proposed Options for your organisation/industry?
- Considering your response to the two questions above, is there an Option that your organisation considers optimal?
- Does your optimal advice model differ for marketing and R&D?

Summary of the options set out in the background paper regarding advice mechanisms:

Option 1 – PIBs as facilitators

PIBs to act as consultants/facilitators and a fee to be paid to the PIBs in return for the PIB obtaining feedback and input from levy payers on proposed investments by Hort Innovation. The PIB would have to demonstrate that the input was sought from not only their membership base but also the non-member levy payers from their respective industry. Importantly the input being sought would need to be at a Strategic Investment Plan (SIP) 'strategy level'. That is, prioritising investment recommendations that will contribute to achieving the outcomes identified in the SIPs and Annual Investment Plans (AIPs).

Option 2 - R&D Coordination role

The banana industry has invested in a levy funded project that employs a banana industry R&D Manager. Under this option, the same approach would be utilised in larger levied industries. The function of the role would be to collaborate with Hort Innovation and other relevant stakeholders to maximise the value of industry R&D investments, lead and coordinate R&D delivery. For smaller industries, levies from a number of industries could be pooled for an R&D Manager to perform a shared function for those industries.

Option 3 – Regional Committees

Utilising the 6 regions that Hort Innovation has identified, establish 6 regional committees to provide advice on the multi-industry investments. This approach would align to an 'Innovation Systems' approach and link with the Hort Innovation extension team to help address the 'multi-industry/wicked issues', as well as a focus on the whole of horticulture. This approach could also involve an annual grower survey to obtain information about the industry on farm practices and identify priority areas for future research. A similar model to this option is utilised by the Cotton industry.

Appendix D

Deed of Agreement 2020-2030

Clause	Requirement	How is the requirement being met?
8.1	Requires Hort Innovation to maintain, implement and regularly review a framework of good corporate governance to ensure proper use and management of funds and voluntary contribution. Also requires Hort Innovation draw on best practice guidance as appropriate.	Hort Innovation is compliant with and follows the Corporate Governance Principles and Recommendations (4th Edition) for ASX listed entities. The governance principles and recommendations can be downloaded via the following webpage: https://www2.asx.com.au/about/regulation/asx-corporate-governance-council
10.2(b)	Requires Hort Innovation to Ensure RD&E Priorities and activities (including Marketing Activities) are strategic, collaborative and targeted to improve profitability, productivity, competitiveness and preparedness for future opportunities and challenges through a Balanced Portfolio.	A Balanced Portfolio demonstrated via the AIP and SIPs .
10.2(c)	Requires Hort Innovation to undertake strategic and sustained cross-industry and cross sectoral collaboration that addresses shared challenges and draws on experience from other sectors.	
10.2(d)	Requires Hort Innovation to fulfil legislative requirements and align with contemporary Australian best practice for governance arrangements and open, transparent and proper use and management of Funds.	Hort Innovation is compliant with and follows the Corporate Governance Principles and Recommendations (4th Edition) for ASX listed entities. https://www2.asx.com.au/about/regulation/asx-corporate-governance-council
10.2(e)	To demonstrate positive outcomes and delivery of RD&E and marketing benefits to Levy Payers and the Australian community in general, and show continuous improvements in governance and administrative efficiency.	Hort Innovation Conducts impact assessments, comparative studies or cost benefit analysis to demonstrate effective delivery of RD&E. For example https://www.horticulture.com.au/globalassets/hort-innovation/resource-assets/mt18009_mushroom-impact-assessment-work.pdf

Clause	Requirement	How is the requirement being met?
10.2(e)		<ul style="list-style-type: none"> • Conducts analysis of benefits to industry and wider aspects (e.g. environmental, social, cross-sectoral) using Organisational Evaluation Framework available https://www.horticulture.com.au/globalassets/hort-innovation/corporate-documents/hort-innovation-organisational-evaluation-framework-august2021.pdf • Hort Innovation systematically shares project and program evaluations and applies learnings to inform improvements. These evaluations are shared directly with the relevant delivery partner(s), project reference group and industry stakeholders. • Hort Innovation regularly meets with Department of Agriculture, including a yearly performance review. In addition, the organisation is obligated to conduct an Independent Review as directed by the Government from time to time. The last review was completed in August 2018 by GHD. • Hort Innovation regularly conducts a Stakeholder Sentiment Survey, including in March 2021.
10.4(a)	Requires Hort innovation to monitor and evaluate its performance against Performance Principles	Hort Innovation was conducting this review in quarterly periods and in 2022 will move to 6 monthly reviews.
12.1	By 31 October of each year, Hort Innovation must prepare and publish on its public website an Annual Report for the preceding financial year.	<p>This governance item is met annually with the Annual Reports posted on the Hort Innovation Website. The Annual Report meets the requirements set out in the <i>Corporations Act 2001</i> and relevant Accounting Standards, as well as the requirements of the Deed of Agreement a.</p> <p>https://www.horticulture.com.au/hort-innovation/funding-consultation-and-investing/investment-documents/company-annual-report/</p>
13.1	Maintain approved Strategic Plan and consult to ensure Strategic Plan aligned with Principles and Guidelines.	Hort Innovation is compliant and the Strategic Plan is published on the Hort Innovation Website https://www.horticulture.com.au/hort-innovation/the-company/corporate-governance/strategy-2019-2023/
15 & 16	Hort Innovation must not enter into any agency agreement, subcontract or other outsourcing arrangement or apply funds contrary to the restrictions within the Act, the Corporations Act and the Funding Agreement and/or inconsistent with the Strategic Plan, Performance Principles or Guidelines.	Hort Innovation is compliant with this requirement. The operation of the Corporate Governance Principles and Recommendations (4th Edition) for ASX listed entities assist in that regard.

Relevant excerpts from the Horticulture Marketing and Research and Development Services Act 2000.⁷

Section	Requirement	How is the requirement being met?
14	Hort Innovation keep a copy of the Deed of Agreement in relation to Hort Innovation at its registered office and make it publicly available.	Hort Innovation is compliant https://www.horticulture.com.au/hort-innovation/the-company/corporate-governance/governing-documents/
17(1)	Marketing amounts paid to Hort Innovation by Commonwealth to be applied for marketing related activities/ expenses.	Financial management information and detail is available for audit by the Commonwealth. As outlined above, an annual independent audit is conducted to a reasonable level of assurance, and certificate issued accordingly.
17(2)	Research and Development amounts paid to Hort Innovation by Commonwealth to be applied for R&D related activities/ expenses.	

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