

A modern levy system **Review**

7 December 2020

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As part of AHDB's Change Programme, we have been addressing the issues of delivering programmes that are wanted by levy payers, ensuring they deliver value and the levy-paying mechanisms are fair and equitable.

Specifically, we are proposing to set levy rates in a different way and have also addressed the specific systems for Horticulture and Potatoes as highlighted in the response to the Request for Views exercise carried out by Defra. Please see [Potatoes](#) and [Horticulture](#) documents for more detailed information.

This paper sets out the changes that will apply to all AHDB sectors in future.

AHDB levy setting

AHDB levy rates are currently agreed by Ministers on an annual basis. Since AHDB was formed in 2008, there has been very little change in levy rates for the sectors.

Over the next 18 months, AHDB will focus closely on working with all levy payers to identify the key challenges and opportunities to address. This will be used to plan the work and budget required to deliver the necessary research, products and services to address the industry's needs. Based on work programmes agreed with levy payers, different levies will be set for different sectors to cover the work required – a so-called 'zero-based budget' approach.

This is a significant change from the current practice, whereby a historic level of levy is collected and then decisions are made about how to invest it. It will ensure work will only be done if it delivers clear benefits and value for money to levy payers and the industry, and only costs charged associated to that specific work programme.

This new approach will ensure AHDB becomes more agile to meet changing demands and ensures our tools and services will only carry on if they are delivering clear benefits and value for money to levy payers and the industry.

It also means levy rates may go up or down depending on the 'ask' from levy payers.

The principles for AHDB levy setting are:

1. Each sector will propose and agree to fund work programmes that deliver clear benefits and value for money to levy payers.
2. AHDB will undertake work where there is value in the industry resourcing it collectively.
3. All work will be fully costed, including staff time and support costs. This means levies will reflect agreed work streams, rather than the current system of prioritising expenditure within long-term fixed levy income
4. All work programmes will be reported and evaluated transparently to reflect the cost and benefit to levy payers.
5. Levy rates will likely vary across sectors and crops to reflect the work required in, and agreed with, the sector.
6. Any levy underspends, current or future, will remain in the relevant sector reserves and will be used to offset the cost of future levies.

Ministers will continue to agree AHDB levy rates on a regular basis.

Levy collection principles

AHDB will apply the following principles to levy collection from farmers and growers:

- We will not charge levy on crops which have not been sold – which currently happens occasionally, e.g. if a potato field is flooded and the crop lost
- We will not charge a higher rate for levy payments that are late – as we currently do in potatoes – but will recover any legal costs from those who are late-paying and we may charge interest on overdue levy invoices. This helps ensure those that pay on time are not subsidising late payers
- AHDB has never undertaken a criminal prosecution. Defra, devolved governments and Parliament will be asked to remove this power in regard to levy record-keeping or payments. AHDB will still reserve the right to take action through the civil courts to recover unpaid levy debt and to charge appropriate interest for late payment
- Horticulture grower levies will be set on the basis of when products leave the farmgate. Appropriate adjustments to levy calculations will be made to remove costs related to added-value processes
- We will undertake a review of all levy mechanisms for other sectors during the lifetime of the five-year strategy

More detailed information is available for the [Potatoes](#) and [Horticulture](#) mechanisms.

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