

A modern levy system

Potatoes

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 have addressed the levy systems for horticulture and potatoes as highlighted in the response to the Request for Views exercise carried out by Defra.

This paper sets out the changes which will be implemented in the potato sector. The main change is to ensure growers do not pay levy on potatoes they plant but do not actually sell.

Potato 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 potato 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, tools and services to address the industry's needs. Based on work programmes agreed with levy payers, the levy will be set 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 levy setting are:

1. The potato 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 that 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 to reflect the work required and agreed with the sector.
6. Any levy underspends, current or future, will remain in the 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.

Potato levy changes

At present, grower levy-payers must fill in a return with their planted area and pay a £/hectare levy rate which is the same for all growers. This is done online and enables the collection of additional useful data which AHDB uses for disease management and market intelligence purposes – such as calculating potato supplies.

In other AHDB sectors, if the crop or animal is not sold, then no levy is payable. Under the current AHDB Statutory Instrument legislation, AHDB collects levy on all potatoes planted, even if the crop is lost – for example due to flooding. We want to change this.

We plan to ask Defra, devolved governments and Parliament to change the AHDB legislation to enable AHDB to introduce an appeals process, which means we would not collect the levy due on that equivalent area (or refund it).

- The appeal would need to be based on clear evidence – e.g. geolocated photos of flooded field or landfill tax receipt for disposal of potatoes from a store
- There would be a minimum claim limit and usual losses – e.g. grading losses would not count as these are normal activities. A breakdown of a potato store, which left potatoes unsaleable for any purpose, would count.

We are also scrapping the current 10% late-payment charge and this will cease this year (2020). However, we reserve the right to charge interest on overdue levy payments and recover legal costs relating to the current 2020/21 year so levy payers who pay on time are not subsidising those who do not.

Finally, 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 may charge appropriate interest for late payment.

AHDB has considered other options but has decided not to recommend any alternatives, as these would add complexity and increased cost for growers and AHDB. Any other option would still require AHDB to carry out a separate annual grower survey of area planted by variety to collect the data needed for critical market intelligence and disease-tracking requirements. This would add extra bureaucracy to the process.

Timescale for implementation

We know levy payers are keen to see change as quickly as possible. Where we have the authority to make the changes, we will do so immediately.

Changes to legislation require approval from Defra, devolved governments and Parliament. We will work closely with them to implement change as soon as possible – however, this may not be until April 2022.

We want your views

Feedback on this proposal can be submitted through [AHDB's feedback form](#), or by emailing strategy2021@ahdb.org.uk by the closing date of 5pm on 31 January 2021.

- Do you think we should keep the current system for potatoes but improve it with the introduction of an appeals process for potato crops that are never sold?
- Do you have any alternative models of levy collection that should be considered?

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