

SUBJECT:	ALLOTMENT FEES AND CHARGES
DIRECTORATE:	DIRECTORATE OF COMMUNITIES AND ENVIRONMENT
REPORT AUTHOR:	STEVE BIRD, ASSISTANT DIRECTOR OF COMMUNITIES AND STREET SCENE

1. Purpose of Report

- 1.1 To outline an option to increase allotments charges, so as to deliver a contribution to the Towards Financial Sustainability Programme.

2. Executive Summary

- 2.1 As a result of the future financial challenges that the Council faces the Medium Term Financial Strategy 2021-26 will require a significant reduction in the Council's net cost base to ensure it maintains a sustainable financial position.
- 2.2 A programme of individual reviews have been developed which includes a review of the net cost of the allotments service, with a requirement to reduce the net cost by £20k p.a. In addition, the review will also address the existing £10k p.a. underachievement of income which has been the position in recent years. . Achievement of these two objectives will reduce the net cost of the allotment service to c£67k p.a.
- 2.3 This proposal seeks Executive agreement to:
- a) Remove the 50% discount based on age
 - b) Retain the 50% discount for those on means tested benefits
 - c) Increase base charges by 50% (above 20/21 rates)
 - d) Income achieved above £30k (inflation linked) be ring fenced for allotment projects.

3. Background

- 3.1 In March 2020 the Council approved the MTFS 2020-25 which was predicated on the achievement of annual revenue savings of £1.25m by 2022/23. Since approval of the MTFS the Covid19 pandemic has had significant impacts on the Council's financial position. Whilst the immediate in year effects of increased costs and plummeting income have been largely mitigated, it is the longer-term impact on a number of the Council's key income streams that have required an increase in the required level of savings. A refreshed MTFS 2021-26 will be presented to the Executive in January 2021 and will confirm the new savings target. Delivery of an increased savings target is critical in ensuring that the Council maintains a balanced budget position.
- 3.2 It is the delivery of a contribution towards these savings that is the objective of this report. Specifically, this report is provided based on the request to identify options to

increase income by a minimum of £20k pa, and ideally £30k to include for the existing £10k shortfall on income.

- 3.3 The Council currently has some 1065 lettable allotments. These are plots that are in locations and in a condition that they could be let to a tenant without extensive investment in preparation. That is not to say that all plots are/were in good condition at time of letting, but the council strives to present them in a condition whereby a diligent tenant can make a good garden plot from them with effort. Those vacating plots must leave them in a suitable condition, and not incur costs for the council in their preparation for re-letting, beyond relatively minor works. Although relaxed at times in the past, this policy is now being rigidly enforced.
- 3.4 Since 2004, rent and water charges have only been increased annually by the rate of inflation (circa 3%). The last substantial increases in charges were 16% in 2002 and 23% in 2003. These percentages look relatively high, but are of course on relatively small sums.
- 3.5 Currently the waiting list stands at 80 people, totalling 98 requests (some have their name down for more than one site). The biggest waiting lists are as follows: Boultham Glebe has 24 requests, Wragby Road 16, Boultham Park 12, Canwick Hill, Greenbank Drive, Kingsway and Sincil Bank each have 7 requests.
- 3.6 The financial objective of the review is to increase income by £20k pa so as to reduce the net operating cost. (The budgeted net operating cost of the service in 2020/21 is currently £87k). This is against a background of having an income target that cannot currently be achieved (even if all plots are fully let). Such a target has evolved gradually over time as annual increase have exceeded actual income, but this year, as all plots are let, it has become obvious that reaching the existing income target is not possible in any event, meaning that any extra income demand is on top of the review required to make up the deficit. The deficit is in the order of £10k pa, with this having been declared as an 'overspend' in previous years. This review therefore provides potential for two options: an increase of £20k and an increase of £30k pa.

4. Current charges.

- 4.1 The charges levied for allotments are based on two separate charges. One for rent and one for water. The rent is divided into 19 bands, subject to the size of the plot. Consideration has been given to reducing the number of price bands, but this would inevitably mean some people with potentially significantly different sizes of plot would pay the same. Initial consideration felt this was unfair, and would be unpopular, and so that element of the review was not progressed.
- 4.2 Rent is also subject to a discount for those who are either over 60 years of age, or who can show they are in receipt of an income related benefit. The discount rate is consistent at 50%. This applied to the rent element only and not the water charge.
- 4.3 A water charge is applied to all plots with access to water (which is practically all plots) and is at a single rate. No effort is made to differentiate based on water used or size of plot. Measuring individual usage would require every plot to have a meter, making it uneconomic. Charges associated by plot size may have some credence,

but it is known that some holders of smaller plots use more water than some tenants of larger plots.

- 4.4 The water rate has historically been applied at a flat rate and on the basis that collectively it just covers operating costs. This has been the case for many years without complaint. No discounts are applied to water charges, but they are inflated annually by the prevailing inflation rate.
- 4.5 The cost of renting an allotment depends on the size of the plot as below (please note plot sizes are quoted in square yards due to the age of some of our records). These are the current prices charged in 2020/21 and would be subject to annual inflation, as will the budget if no further increases were applied.

<u>Plot Size</u>	<u>Plot Rent</u>	<u>Plot Size</u>	<u>Plot Rent</u>	<u>Plot Size</u>	<u>Plot Rent</u>	<u>Plot Size</u>	<u>Plot Rent</u>
51 – 100 sq yds	£31.80	351 – 400 sq yds	£43.10	651 – 700 sq yds	£54.30	951 – 1000 sq yds	£65.30
101 – 150 sq yds	£33.60	401 – 450 sq yds	£44.80	701 – 750 sq yds	£56.00		
151 – 200 sq yds	£35.50	451 – 500 sq yds	£46.60	751 – 800 sq yds	£57.70		
201 – 250 sq yds	£37.40	501 – 550 sq yds	£48.50	801 – 850 sq yds	£59.70		
251 – 300 sq yds	£39.10	551 – 600 sq yds	£50.30	851 – 900 sq yds	£61.60		
301 – 350 sq yds	£41.00	601 – 650 sq yds	£52.20	901 – 950 sq yds	£63.50		

- 4.6 In addition to the rental a water charge of £20.30 per plot applies, and is not discounted but recharged at a cost recovery rate.

As a guide the average tenant **without** discount pays about £70 pa based on current charges (£1.36 per week). This is the price for a plot in price band size 551 – 600 sq yds (£50.30 for rent + £20.30 water charge).

- 4.7 The price bands with the most plots are :
- 115 plots 251 – 300 sq yds (£39.10 + £20.30)
 - 209 plots 301 – 350 sq yds (£41.00 + £20.30)
 - 227 plots 551 – 600 sq yds (£50.30 + £20.30)
 - 153 plots 601 – 650 sq yds (£52.20 + £20.30)
- 4.8 Of these 704 tenants (the most popular plot sizes), 304 tenants currently receive the 50% discount.
Of the 1065 lettable plots, 454 plots are discounted at 50%. (416 of those receive discount are aged 60 or over, and 38 are receiving benefits).

5. **Deliberations and Proposal**

- 5.1 Below is a matrix summarising the effect on the rent element only, if rates were increased and/or discounts adjusted or removed (based on existing numbers).

- 5.2 The figure in the top left is the current scenario for rent charges – assuming all plots are let and including 454 plots with 50% discount applied.
- 5.3 Those highlighted light grey are the options for reaching a £20k pa increase on previous income levels, with those highlighted darker grey indicating what would be required to reach a £30k pa increase.

Charge/ Discount	50% discount	No discount	25% discount	15% discount	10% discount
Current RENT charge income	37,521*	47,775	42,647	44,697	45,724
3% increase	38,647	49,210	43,928	46,040	47,097
5% increase	39,408	50,177	44,943	46,945	48,023
10% increase	41,268	52,546	46,905	49,271	50,290
12% increase	41,686	53,505	47,761	50,058	51,208
15% increase	42,979	54,964	48,877	51,236	52,417
20% increase	45,027	57,333	51,179	53,640	54,871
25% increase	46,927	59,752	53,338	55,903	57,187
30% increase	48,780	62,111	55,445	58,111	59,445
40% increase	52,524	66,877	59,699	62,570	64,007
50% increase	56,302	71,690	63,994	67,071	68,612
75% increase	65,013	83,619	73,986	77,576	79,371
100% increase	75,042	95,550	85,296	89,399	91,448

*Figure is plot rental income only and excludes any other forms of income.

This takes no account of water charges, and assumes that these will still be charged as now, but with inflation only. Note water is recharged at cost recovery rate.

- 5.4 The above table shows that, if discounts were to remain as they are now, then rents would need to increase by between 75% and 100% in order to meet the income targets. This may look like a large percentage in numerical terms, but in practical terms, using the full 100% increase as a guide, it equates to approximately the following for the most popular plot sizes (annual increases to water costs have not been applied but this gives a realistic indication):

115 plots 251 – 300 sq yds (£ 78.20 + £20.30) which equates to £1.89 per week
 209 plots 301 – 350 sq yds (£ 82.00 + £20.30) which equates to £1.97 per week
 227 plots 551 – 600 sq yds (£100.60 + £20.30) which equates to £2.33 per week
 153 plots 601 – 650 sq yds (£104.40 + £20.30) which equates to £2.40 per week

- 5.5 Whilst it is considered that this is not unreasonable, it is accepted that for those on the lowest incomes, this might be a challenge. It is also recognised that age is no measure of the ability to afford something and that the large numbers on discounts does increase the required increase in costs overall disproportionately. Therefore, it is suggested that the discount criteria is removed for age related discounts, but retained only for those most in need; those who can show they are on a means tested benefit.

- 5.6 The effect of this would mean that :
- a) Overall increases needing to be applied for all tenants could be lower than would otherwise be the case (50% not 100% as set out above)
 - b) 416 tenants who currently get an age related discount, would no longer be eligible.
 - c) 38 tenants on means tested benefits would have their discount protected.

Those currently in receipt of age related discount would receive means tested discount if eligible. This may therefore result in an as yet unknown decrease in estimated income but it is expected to be small.

- 5.7 For tenants this 50% increase typically looks like :

115 plots 251 – 300 sq yds (£58.70 + £20.30) which equates to £1.52 per week
209 plots 301 – 350 sq yds (£61.50 + £20.30) which equates to £1.57 per week
227 plots 551 – 600 sq yds (£75.50 + £20.30) which equates to £1.84 per week
153 plots 601 – 650 sq yds (£78.30 + £20.30) which equates to £1.90 per week

- 5.8 The effect on income would be to bring in £70,372, which is an extra £32,852. This would marginally exceed the target, but still mean that any significant change in tenancy would put the target at risk.
- 5.9 It is considered that this approach will deliver the income levels required to offset some of the current costs, however it is based on some variables that are impossible to forecast, such as the popularity of allotments. Should take-up dip, for whatever reason, then income will be below target. Should it remain high, and deliver above expectation, then income will exceed the target. Given the 'ask' of allotment tenants, should it be possible to achieve higher levels of income it would be wise to consider setting any such 'windfall income' aside for reinvestment in allotments.
- 5.10 For clarity the proposal is:
- a) Remove 50% discount based on age
 - b) Retain discounts at 50% for those on means tested benefits.
 - c) Increase base charges by 50% across the board (above 20/21 rates).
 - d) Income achieved above £30k (inflation linked) be ring fenced for allotment projects.

These would be notified to tenants this year and applied 2022.

6. Strategic Priorities

Of special relevance for this review are three key strands of our Vision 2025 strategy.

1. Let's enhance our Remarkable Place – protecting and enhancing the city as a great place to live, work and visit.
2. Let's reduce all kinds of inequality.
3. Let's address the challenge of climate change.

7. Organisational Impacts

7.1 Finance

The budgeted net cost of the service in 2020/21 is £87,000 which consists of expenditure of £140,990 and income of £53,990. There has historically however been an underachievement against the income target of c£10k p.a.

This proposal would increase income by c£32,852, which would compensate for the current underachievement of £10k p.a. and allow the income target to be increased by £20k p.a., The estimated overachievement of £2,852 would allow a small buffer in case tenancy rates drop, and offering the potential to ring fence a small sum each year for reinvestment (if tenancy rates remain high).

The increase in the income target of £20k p.a., increased in line with MTFS inflation assumptions, will be contributed towards the TFS savings target. This contribution will be effective from 2022/23 due to the notice period required for any increase in charges.

The 22/23 rates in full would be:

<u>Plot Size</u>	<u>Plot Rent</u>	<u>Plot Size</u>	<u>Plot Rent</u>	<u>Plot Size</u>	<u>Plot Rent</u>	<u>Plot Size</u>	<u>Plot Rent</u>
51 – 100 sq yds	£47.70	351 – 400 sq yds	£64.70	651 – 700 sq yds	£81.50	951 – 1000 sq yds	£98.00
101 – 150 sq yds	£50.40	401 – 450 sq yds	£67.20	701 – 750 sq yds	£84.00		
151 – 200 sq yds	£53.30	451 – 500 sq yds	£69.90	751 – 800 sq yds	£86.60		
201 – 250 sq yds	£56.10	501 – 550 sq yds	£72.80	801 – 850 sq yds	£89.60		
251 – 300 sq yds	£58.70	551 – 600 sq yds	£75.50	851 – 900 sq yds	£92.40		
301 – 350 sq yds	£61.50	601 – 650 sq yds	£78.30	901 – 950 sq yds	£95.30		

7.2 Legal Implications including Procurement Rules

The Allotments Act 1950, section 10 includes statements relating to charges. There is no requirement for a Council to make a charge but where it does the following may apply.

- Section 10 of the Act provides that land let by a council for use as an allotment shall be let at such rent “as a tenant may reasonably be expected to pay for the

land if let for such use on the terms (other than terms as to rent) on which it is in fact let”.

What is meant by “reasonably” has to be construed in the context of the legislation as a whole.

There is also provision in section 10 of the 1950 Act for payment of reduced rent in special circumstances which might include retired, elderly, unemployed, or disabled tenants or tenants of long standing, or any other circumstance which the authority thinks fit.

As tenants in law, the Council must follow certain procedures if it wishes to change the rent payable. Critically it must give one year’s notice, which means that to affect the annual rent payable from February 2022 we would have to give notice no later than Jan 2021. The Council cannot increase rent from next year without this notice. The 12 months’ notice is a statutory requirement.

7.3 Equality, Diversity and Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

See appendix A

8. Risk Implications

8.1 (i) Options Explored.

Numerous options have been explored as indicated by the pricing matrix above, and considerations included in this report.

(ii) Key risks associated with the preferred approach

Numerous options have been considered, but all involve increases to existing charges, so regardless of the preferred option, the risks are similar.

8.2 Risks

An increase in charges will be unpopular and so will attract adverse publicity.

There is also a risk that this will be seen as the council recouping the cost of the capital investment programme delivered in recent years, which is not true.

Increased complaints will add pressure to the service, either by way of direct complaints, or increased expectations from those who choose to pay.

A reduction in customers could result from increased charges, which would in turn impact income (if it removes the waiting lists) meaning that despite the increases, we may not achieve the income target next year.

9. Recommendation

9.1 To make changes to the fees and charges for allotments with effect from the annual billing in 2022 and new leases thereafter (with notice given one year in advance).

The changes are as per the table in 7.1 based on:

- a) Remove the 50% discount based on age
- b) Protect discounts for those on means tested benefits at 50%
- c) Increase base charges by 50%.
- d) Income achieved above £30k (inflation linked) be ring fenced for allotment projects.

Is this a key decision? Yes

Do the exempt information categories apply? No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? No

How many appendices does the report contain? One

List of Background Papers: Annual fees and Charges

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