

Executive 15 February 2023
Medium Term Financial Strategy and 2023/24 Revenue Budget
Appendix 6: Sales, Fees and Charges – Budget 2023/24

Summary

The Council raises almost £120m per annum of income through sales, fees and charges for services provided to residents, businesses and visitors to the City. The charges make an important contribution to the financial stability and sustainability of the Council. This report updates on the current year's sales fees and charges budget, and advise of proposed changes to be considered as part of the 2023/24 budget process. In setting the level and rates charged for sales fees and charges the current economic and inflationary environment has been considered alongside the impact on residents and service users.

1. Introduction and purpose

- 1.1 The Local Government Act 2003 provides Local Authorities with the power to charge for some goods and services that can be used to promote or improve local economic wellbeing.
- 1.2 Income generation forms a significant part of the overall funding of the Council's budget with any income generated being used to support the delivery of front-line services.
- 1.3 Local Authorities do not always have the ability to control the level of fees that can be charged, and in some cases the ability to use any income generated is restricted and ring fenced to specific purposes, which is often prescribed by legislation. Examples of this include Planning fees, where the fee level is set by Government, and the use of any additional planning fee income is restricted to supporting the planning function.

2. Sales, Fees, and Charges Overview.

- 2.1 The current economic climate and the high rate of inflation means that the cost of delivering services is increasing, making it important that charges are reviewed to ensure the costs of delivery are recovered, and that there is no cross subsidy from other parts of the Council.
- 2.2 As part of the review of sales, fees and charges, discussions have been held with heads of service around the impact of any increase, including the impact on residents and other service users, alongside the wider impact of any changes on the service.
- 2.3 The table below sets out the high level overview of the sales fees and charges budgets for both 2022/23 and the proposed budgets for 2023/24.

Service Area	2022/23 Budget	2022/23 Forecast	Proposed 2023/24 Budgets
	£000's	£000's	£000's
Neighbourhood Services	53,712	50,346	52,678
Growth & Development	30,436	31,114	31,366
Corporate Core	32,663	31,863	32,869
Total	116,811	113,323	116,913

Current Financial Year

- 2.4 Neighbourhood Services are forecasting a budget shortfall in 2022/23 of c£3.4m, primarily down to a £1.9m shortfall from off street car parks, as activity remains below pre covid levels; market income, due to the reduced scale of Christmas markets and reduced footfall across other retail markets resulting in a reduced number of stall holders.
- 2.5 Growth and Development are overachieving their income budget on the investment estate, due to a combination of increased rents following rent reviews, increased income from the Arndale Centre and the settlement of outstanding prior year income from Wythenshawe Town Centre following the recent purchase.
- 2.6 Corporate Core are forecasting a shortfall of c£0.8m against a total budget of £32.6m. The main contributions towards the shortfall are £1.1m reduced bus lane income from penalty charge notices, whilst the reduction does not directly impact on the revenue account as any surplus must be transferred to a ringfenced reserve, it does reduce resources available to support transport in future years, £398k reduced court summons fees and a £296k shortfall in legal income, these are offset by £200k additional registrars' income, £230k higher than forecast capital programme fee income and £0.686m higher than forecast decriminalised parking income.

2023/24 Budget

- 2.7 As part of reviewing future years sales, fees and charges budgets there are a number of factors to consider, including: -
- Budget adjustments already approved as part of prior years' budgets
 - Other adjustments proposed as part of the current year's budget options
 - Contractual price increases.
 - Proposed price increases as part of this overall review

Appendix 1 summarises the detailed review of all the income budgets and the proposed changes to budgets reflecting the above factors.

Approved Budget Adjustments

- 2.8 As part of the 2021/22 budget process, total savings of £427k were approved as part of the Parks and Open spaces commercial strategy. The savings were

phased over 4 financial years 2021/22 – 2024/25. The savings are to be achieved through increased income following ongoing investment to improve parks assets and increase commercial opportunities as part of the parks development programme.

Other Adjustments

- 2.9 Grounds Maintenance undertake work on behalf of both internal departments and external customers, the main external customer was formerly Northwards Housing and since bringing this back in house the income budget has been amended and classified as an internal charge.
- 2.10 Libraries and Galleries have seen a reduction in income post pandemic, incorporating the policy decisions to help support residents, including not charging fines for the late return of books. This has reduced overall income which the service has sought to address through the realignment of income budgets through a £70k adjustment of the supplies and services budgets.
- 2.10 Off Street Car Parking was brought in house in January 2020 and following Covid-19 the volume of car park users has not recovered to Pre-Covid levels. Usage has increased since August 2022, but season ticket sales have not recovered. New parking tariffs were introduced in December 2022, and these better reflect the new parking behaviours and the shift away from season tickets sales, this includes revised early bird options, particularly around times that enables commuters more flexibility. Despite this it is forecast that overall income will not return to pre Covid levels and an adjustment is to be made the overall income budget, this is through bringing together both on street and off street parking and making a lower contribution to reserves.
- 2.11 As part of the current budget options it is proposed to extend the pay and display parking arrangements in parks, and this is forecast to realise additional income of £87k that is reflected as part of the savings options.

Contractual Price Increases

- 2.11 The contractual price increases occur when a procurement exercise has taken place and there are conditions within the contract around annual price increases.
- 2.12 There are two main advertising contracts. One is subject to an inflationary increase effective from August 2023, whilst the other contract is subject to an inflationary increase capped at 2.65% effective from October 2023. For the purposes of assessing the impact and potential price increase inflation is assumed to be at 8% in July 2023. The overall contractual price increase is forecast to be c£426k in 2023/24.
- 2.13 As part of the arrangement with Manchester City FC the stadium rental agreement is subject to an annual inflationary increase although this is capped at 5%. The forecast increased income (£174k) will be ringfenced as part of the

waterfall account and recycled to support investment in the leisure infrastructure and agreed with Sport England.

- 2.14 Growth & Development receives a proportion of annual rental income from Manchester Airport Group. An element of the income related to performance of the trading operations. Based on estimates provided by the Airport, additional income of £1.615m income has been built into the budget over the next three-year period, with c£0.93m being included for 2023/24 as part of the current budget proposals.
- 2.15 Legal services provide shared services to both Salford and Rochdale Councils and as part of the agreement there is provision for an inflationary uplift to cover any annual salary increases. The forecast amount in 2023/24 is £229k, and this will offset the costs of any pay rise and reduce the call on the City Council inflationary provision.

Proposed Price Increases

- 2.16 In order to ensure that any traded services are fully recovering their costs and not being subsidised by taxpayers it is important that the prices for external customers are reviewed annually. It should be noted that not all prices can be increased, and there may be a number of reasons for this including:-
- Prices are set by third parties, and not able to be changed by Local Authorities, e.g. planning fees
 - Prices are used as a basis for cost recovery and therefore may not need to be uplifted by inflation, e.g. service charges
 - Charges are cost recovery and have to be balanced over a multi year cycle – e.g. taxi licensing fees.
- 2.17 The total budget implication of price increases across all services are c£0.455m, and this is made up as follows:-
- Waste - £10k from a 10% inflationary uplift on admin charges for waste bins and waste collection services.
 - The Compliance Service are to adjust applicable charges by 6%, this will realise c£16k. The majority of the compliance income is fixed, in particular the fixed penalty notice charges.
 - Pest control are to increase charges by 10% and the additional £59k income is reflected within the current budget proposals as part of the savings options and reflect increased costs of delivery.
 - Fleet services provide mainly internal services for other city council directorates, the small inflationary increase of £4k is for external customers.
 - Bereavement Services operate as a traded service and are experiencing inflationary pressures due to both increased costs of supplies and also pay award costs that are forecast to be around 6% in 2023/24, it is proposed to increase costs by 6% in order to cover inflationary increases on expenditure.
 - Highways services are proposing to increase external fees by 11% and the additional £140k is included as part of the wider budget papers.

3. Future opportunities and Risks

- 3.1 The inflationary increases have been considered as part of the budget process, but there is a risk that increased charges could have an adverse impact on the overall income if usage and customers reduce due to the higher prices.
- 3.2 The income budgets are monitored throughout the financial year to highlight any emerging risks or shortfalls against budgets so mitigating actions can take place.

Service Area	2022/23 Budget £000's	22/23 Forecast £000's	Approved Budget Adjustments £000's	Other Adjustments £000's	Contractual Price Increases £000's	Proposed Price Increases £000's	Proposed 2023/24 Budget £000's	Further Narrative
Advertising	4,590	4,590	0	0	426	0	5,016	Two separate contracts both subject to contractual inflationary increases
Grounds Maintenance	106	47	0	(106)	0	0	0	Formerly charges for services to Northwards, now operational housing therefore internal charges
Waste	104	147	0	0	0	10	114	Increase to administration charges
Parks & Open Spaces	1,813	1,813	100	87	0	0	2,000	Proposed increase to pay and display hours of operation.
Leisure & Sport Development	8,360	8,187	0	0	174	0	8,534	Waterfall is subject to inflationary uplift capped at 5%, effective July 2023 - will be ringfenced via reserve .
Libraries, Galleries & Culture	850	687	0	(70)	0	0	780	Adjustments to reflect reduced income targets following policy decisions to remove charges
Neighbourhood Teams	172	172	0	0	0	0	172	Estate service charge – charges based on cost recovery of actual costs
Compliance	2,014	2,045	0	0	0	16	2,030	Most income charges are in respect of FPN's and fixed, small inflationary increase applied.
Pest Control	632	688	0	0	0	59	691	Inflationary increase applied as part of budget proposals
Manchester Markets	11,595	9,737	0	0	0	0	11,595	
Fleet Services	1,352	1,393	0	0	0	4	1,356	
Bereavement Services	3,722	3,966	0	0	0	226	3,948	Applied 6% inflationary increase to cover increased costs.
Off Street Parking	14,798	12,898	0	(2,100)	0	0	12,698	Parking charges revised and implemented from December 2022, adjustment made to reflect reduced income post pandemic.
Highways	2,961	3,332	0	0	0	140	3,101	External fees increased by 11% in line with inflation
CCTV	22	23	0	0	0	0	22	
Housing Operations	621	621	0	0	0	0	621	Mainly service charges recovered based on actual costs.
Grand Total	53,712	50,346	100	(2,189)	600	455	52,678	

Service Area	2022/23 Budget £000's	2022/23 Forecast £000's	Approved Budget Adjustments £000's	Other Adjustments £000's	Contractual Price Increases £000's	Proposed Price Increases £000's	Proposed 2023/24 Budget £000's	
Investment Estate	20,979	22,000	0	0	930	0	21,909	Rental income, work being done to develop schedule, to include scheduled rent reviews
Strategic Housing	1,441	1,441	0	0	0	0	1,441	
MAES (Manchester Adult Education Service)	12	12	0	0	0	0	12	
Planning	2,906	3,100	0	0	0	0	2,906	Fees set nationally
Building Control	1,096	852	0	0	0	0	1,096	Fees currently being reviewed by the service
Land Charges	274	232	0	0	0	0	274	Some fees will be transferring to Land Registry, the remainder of fees will be reassessed to ensure that the revised arrangements are cost neutral.
Premises Licensing	1,137	1,077	0	0	0	0	1,137	Fees currently being reviewed by the service
Taxi Licensing	2,591	2,400	0	0	0	0	2,591	Operate on a three year fee cycle and must breakeven
Grand Total	30,436	31,114	0	0	930	0	31,366	

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CEX Corporate Items	40	0	0	0	0	0	40	
Human Resources	426	424	0	(23)	0	0	403	
Legal	5,698	5,402	0	0	229	0	5,927	External income for Legal services, increase is inflationary uplift for payawards
Communications	976	950	0	0	0	0	976	
Registrars	1,393	1,593	0	0	0	0	1,393	
Performance Research & Intelligence	48	61	0	0	0	0	48	
Policy	154	152	0	0	0	0	154	
Revenue & Benefits	3,242	2,844	0	0	0	0	3,242	
Finance	253	234	0	0	0	0	253	
Procurement	59	50	0	0	0	0	59	
Internal Audit	105	105	0	0	0	0	105	
Commercial Governance	101	89	0	0	0	0	101	
Capital Programmes	176	406	0	0	0	0	176	
Decriminalised Parking	13,473	14,159	0	0	0	0	13,473	On street parking requires change to traffic regulation order – income ringfenced for specific use
Bus Lane Enforcement	6,519	5,394	0	0	0	0	6,519	Income ringfenced for specific use
Grand Total	32,663	31,863	0	(23)	229	0	32,869	