

**Manchester City Council
Report for Information**

Report to: Resources and Governance Scrutiny Committee – 11 January 2024

Subject: Sales, Fees and Charges – Budget 2024/25

Report of: Deputy Chief Executive and City Treasurer

Summary

The 2023/24 Council budgets include almost £125m per annum of income generated through sales, fees and charges. This is for services provided to residents, businesses and visitors to the City and charges are based on a large schedule of prices for each service provided.

The charges make an important contribution to the delivery of these services and the financial stability and sustainability of the Council, so it is important that the fees and charges are reviewed regularly.

This report updates the committee on the current work being undertaken to review all sales fees and charges as part of the 2024/25 budget process to ensure that charges are correct, that the costs of providing the services are being recovered, and identify opportunities for increasing existing budgets in order to support the overall Council 2024/25 budget. This paper outlines £1m of additional income budgets as a result of this exercise to contribute to achieving a balanced budget.

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. The Council is facing inflationary pressures of around £20m in 2024/25 and where the costs of delivering traded services have increased, the levels of fees and charges need to be reviewed and increased to help cover the cost of delivering the services charged for.

Recommendations

The Committee is recommended to note and comment on the proposed changes to sales, fees and charges.

Wards Affected: All

<p>Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city</p>	<p>The budget reflects the fact that the Council has declared a climate emergency by making carbon reduction a key consideration in the Council's planning and budget proposals.</p>
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Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments	Consideration has been given to how the proposed savings could impact on different protected or disadvantaged groups. Where applicable proposals will be subject to completion of an Equality Impact Assessment (EqIA) and an Anti Poverty Assessment.
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Manchester Strategy outcomes	Summary of how this report aligns to the OMS/Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The effective use of resources underpins the Council's activities in support of its strategic priorities as set out in the Corporate Plan which is underpinned by the Our Manchester Strategy.
A highly skilled city: world class and home grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

Sales, fees and charges currently generate over £125m of income that supports the City Council budgets. As part of the annual budget process, it is prudent to review all sales, fees and charges to ensure that they are recovering full costs of providing the service. There is an income budget increase of c£1m assumed as part of the Council's medium term financial plan, which can be met from a combination of realigning existing income budgets, where budgets overachieve because of higher than forecast activity levels, and in some instances increased income through the application of an annual inflationary uplift.

Financial Consequences – Capital

None directly arising from this report.

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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. Income generation forms a significant part of the overall funding of a number of key Council services, raising over £125m per annum.
- 1.2 The majority of income raised by Councils from sales fees and charges is utilised to fund the costs of delivery of the services charged for and related activities. Some fees and charges are set by government through legislation which is very specific about what the income can be used to fund. As a result, it is important that both expenditure budgets and the levels of fees charged are reviewed annually. This report provides an overview of the sales, fees and charges levels that are proposed to be set for the 2024/25 financial year.
- 1.3 Overall, the amount of income generated by the Council can vary year on year, depending on levels of activity and prices charged, with the total level being affected by external influences outside of the Council's control, for example, behaviour changes post pandemic and wider economic factors including the cost-of-living crisis. It is therefore important that the budgets are reviewed and realigned to reflect the most up to date trading position, and any other known factors.
- 1.4 In addition to realigning budgets, it is important to review charges on a regular basis, which is done in line with the following key principles: -
 - A regular review of sales fees and charges may result in small annual increases, but it will reduce the impact of large increases if reviews are not done for long periods of time.
 - All services provided and charged for should demonstrate that they are operating on a cost recovery basis, in some instances this can be smoothed over multiple years and is subject to external scrutiny.
 - Increases to fees and charges must be balanced against the inflationary impact on the costs of delivering those services, whilst being mindful of the need to protect residents from unaffordable price increases, particularly during a cost-of-living crisis.
 - Some services are also provided to internal Council departments, and inflationary increases do impact on other Council budgets, therefore it is important that there is no cross subsidy particularly for externally delivered services.
- 1.5 The annual review process also allows the Council to consider where raising fees and charges as a legitimate contribution to reducing the overall budget gap and to protect service delivery. Whilst for some services the Council is obligated to increase fees and charges to cover costs, in areas where there is discretion, care is taken to minimise the burden of charges on residents and to deliver as efficient service as possible.

- 1.6 The table below sets out how the proposed £2.343m increased income from sales, fees and charges is to be used within the overall council budget context.

Description of Type of Increase	2024/25 £000's
Covering increased costs of delivery	1,107
Funded realignment	-672
Un funded realignment	-70
Pre Approved savings	982
Contribution towards additional savings	1,000
Grand Total	2,343

2. Sales, Fees, and Charges Overview.

Current Financial Year

- 2.1 Neighbourhood Services have a gross income budget of £56.6m and are forecasting an income budget shortfall in 2023/24 of c£2m, largely due to:
- a) £0.674m shortfall from off street car park charges, reflecting ongoing lower user numbers, driven in particular by lower season ticket sales post the pandemic; and
 - b) £1m reduced income from the reduced scale of Christmas markets and
 - c) c£0.6m reduced footfall across both retail markets and wholesale markets due to a reduced number of stall holders.
- 2.2 The Growth and Development Directorate have a budget of £31.6m and are overachieving their overall income budget by c£226k. However, there are a number of variances across all charging areas, including:
- a) c£300k overachievement on the investment estate
 - b) c£400k additional planning income.
 - c) £347k lower than forecast income in building control and premises licensing.
- 2.3 Planning fees are set by the Government, who have recently confirmed an increase in the charges, with the proceeds funding additional resources to deliver shorter timescales for managing applications. The overall impact of the increase is uncertain and also impacted by macro-economic factors, but it is expected that the overall level of income will increase. The increased planning fees have to be ringfenced to the Planning Department and its associated activities.
- 2.4 The Corporate Core has an income budget of £36.8m and are forecasting an overachievement of c£0.582m. The majority of this is due to the additional income received through both decriminalised parking and bus lane enforcement. Legislation states that this income must be ringfenced and only used for transport related expenditure, including road safety, and cannot therefore be used to support the overall Council budgets.

2.5 The table summarises the high-level overview of the sales fees and charges budget and forecast for 2023/24.

Service Area	2023/24 Budget	2023/24 Forecast
	£000's	£000's
Neighbourhood Services	56,609	54,569
Growth & Development	31,565	31,791
Corporate Core	36,757	37,841
Total	124,931	124,201

3. 2024/25 Review Process and Proposed Price Increases

3.1 The review of the sales fees and charges, considered the following:

- Budget alignment – ensuring the current budgets accurately reflect the current activity and financial position for each income line. This covers both over and under budget alignment and is activity driven.
- Contractual changes – contractual terms and conditions often include annual adjustments in line with pre agreed inflationary indices, and it is important that these uplifts are captured annually as part of the budget process.
- Cost of delivery – ensuring that the costs of delivering the service are covered by the fees charged. This is particularly relevant given the recent high inflation rates impacting costs of staffing and other input cost such as supplies and services required to provide services.

3.2 Appendix A sets out details of the 2023/24 budget and forecasts, and the proposed changes to the 2024/25 budgets arising from each of the areas reviewed above.

3.3 The recent high rate of inflation makes the annual review process more important to ensure the costs of delivery are recovered, and that there is no cross subsidy to or from other parts of the Council.

3.4 As part of the review, where relevant equality impact assessments are undertaken to understand the impact on residents and other service users, alongside any wider impact of changes.

3.5 It is important that all traded services cover their costs, with fees and charges adjusted annually to ensure that any inflationary costs for both pay and non-pay costs are recovered. In most cases the increased income budgets will fund the increased costs and reduce the call on the Council's overall corporate inflation provision.

3.6 Where charges directly impact on residents, it is proposed that charges are restricted to a maximum increase of 5% and whilst this is slightly above the current forecast inflation rates for 2024/25 it should be noted that inflation averaged 8.5% in 2023.

- 3.7 The majority of increases therefore cover costs, however, there are some instances whereby an increase in charges can be used to support the wider Council budgets. The table below sets out a high-level summary of the proposed changes that will contribute towards the overall Council budgets. These total £1m and if supported will need to be subject to an equalities impact assessment.

Income Generating Area	Proposed Increase £000's	Comments
Advertising Contract	152	Contractual uplifts – there are no restrictions on what this income can be spent on
Waste Collection	37	Increase bulky waste collection charges by 5% and realign other income budgets
Compliance	95	Increased charges by 5%
Highways	184	Increase charges for fees, permits to developers and utility companies by 5%
Investment Estate	250	Result of scheduled rent reviews
Strategic Housing	16	Feed in tariff income from solar installations is increased annually by RPI.
Human resources	26	Increase external payroll costs by 5%
Communications	52	Increase external fees by 5%, this covers M4 printing and design.
Procurement	4	Increase external charges by 5%
Internal Audit	10	Increase external charges by 5%
Commercial Governance	15	Increase existing external charges
Registrars	80	Realign existing income budgets
Capital Programmes	25	Realign existing income budgets
Non DPE – Clamping	54	Realign existing income budgets
Total	1,000	

4. 2024/25 Proposed Changes by Service

- 4.1 The following section summarises the key proposed changes to the income budgets of each service area. Further detail is provided in Appendix A, which details the budgetary impact of the proposed changes by service. Appendix B setting out the detailed listing of both current years' prices and proposed prices for 2024/25 which will form part of the over budget approvals in February.

Neighbourhood Services (Gross Income Budget £56.6m)

- 4.2 Neighbourhoods Services has a variety of fees and charges, and these range from large scale city wide advertising contracts to individual pest control and fleet charges. The table below illustrates the proposed high-level changes to sales, fees and charges budgets across Neighbourhood Services Directorate. The changes include reflecting proposed adjustments due to reduce overall activity, contractual price increases and proposed inflationary price increases to cover the cost-of-service delivery.

	£000's	£000's
Neighbourhoods 2023/24 Budget		56,609
Activity Based Changes	(805)	
Contractual Price Increases	738	
Proposed Inflationary Increases to cover costs	481	
Proposed Inflationary Increases to contribute wider council budget	468	
Sub Total Changes		882
Proposed 2024/25 Budgets		57,491

- 4.3 As can be seen from the table above Neighbourhood Services income budgets are expected to increase by a net £0.882m in 2024/25, from a combination of realigning budgets, contractual price increases and other increases required to cover inflationary increases in costs.
- 4.4 The budget alignment required to reduce income budgets by £0.805m to reflect changes in activity is predominantly made up of the short term £1m agreed budget adjustment to reflect the shortfall in Christmas Market income whilst Albert Square remains unavailable. The other changes are in respect of already agreed additional income that is already included as part of the overall Council budgets.
- 4.5 In a number of areas there are contracts in place that are amended annually in line with an agreed indexation method, within Neighbourhood Services this is forecast to be c£0.738m in 2024/25. This increase is in respect of the advertising contracts (£450k) and the stadium rental agreement in East Manchester (£288k). The increased advertising income is being used to support a combination of already agreed budget savings and increased costs, whilst the rental income from the stadium is ringfenced for investment into the sporting infrastructure within the City.
- 4.6 Inflationary increases total £0.949m and will be used to support the funding of increased costs for delivery of services, including uplifts on both pay costs and supplies and services. These price increases reduce the call on the Council's inflation budget by £481k. In addition, there are some increases being proposed that will directly contribute to Council overheads and therefore to the £1m additional income budget target to help balance the Council's budget. For Neighbourhoods this totals £468k and is made up of £184k highways increased charges to developers and utility companies for fees and permits, £95k increase in compliance income through applying a 5% increase to eligible budgets a further £152k through advertising budgets and £37k from waste which is a combination of realigning existing budgets and a small increase on bulky collections £6k.

Growth and Development (Gross Income Budget £31.6m)

- 4.7 Growth and Development generates two thirds of its income from rents and leases in the Investment Estate. The majority of the remaining charges are set by Government, or operate on a trading basis which has to cover costs of delivery. In some cases the costs of delivery can be recovered over a number of years, to reflect the variations in activity from year to year.
- 4.8 The investment estate includes a range of assets, from small scale ground rents, to shopping centre and industrial estate rents. The total number of assets managed is c2,000 and each of these assets have separate lease arrangements and review cycles. Investment estate rents are affected by the

economic climate, with risks around business failures, rent arrears and void periods. These risks are monitored and managed closely throughout the year.

- 4.9 Planning fees are set by Government, and during 2023/24 Government have announced a 35% increase in major planning application fees and 25% for all other fees. There is also an annual indexation increase to be applied from April 2025, capped at 10%.
- 4.10 The table summarises the high level changes across Growth and Development which shows a net increase in budgets of £0.835m.

	£000's	£000's
Growth and Development 2023/24 Budget		31,565
Activity Based Changes	170	
Contractual Price Increases	0	
Proposed Inflationary Increases to cover costs	400	
Proposed Inflationary Increases to contribute wider council budget	266	
Sub Total Changes		836
Proposed 2024/25 Budgets		32,400

- 4.11 In relation to Activity Based Charges, £170k is already approved within the overall budget and relates to increased rental income from Manchester Airport lease arrangements.
- 4.12 Government have recently announced that planning fees were to increase by 35% for Major Applications and 25% on all other applications from December 2023, but as part of the increased there are tighter timescales on some of the applications that will need to be managed. Planning fee income is very much activity based, and particularly around large major planning applications which have significantly higher fees, it is difficult to forecast the actual level of fee income year on year but historically we have generally overachieved against budget and for 2024/25 we are forecasting that the new increased fee levels will raise an additional £400k per annum, but this will be required to be spent on planning activity.
- 4.13 The investment estate is made up of a large number of assets that each have separate lease or rental agreements, and any increase or uplifts have to be applied in line with the agreement. There are a number of uplifts applied each year, and £266k has been forecast for 2024/25 from the annual uplifts, this will contribute towards the overall council budgets and savings target.

Corporate Core (Gross Income Budget £36.7m)

- 4.14 The Corporate Core generates c.63% of its income from Bus Lane Enforcement and on street parking fees, the proceeds of which must be spent on providing transport related services and road safety. Registrars and Communications Services provide some services direct to the public. The remainder of other service income is derived from the delivery of corporate service activity to other Local Authorities or organisations, examples include Legal Services to Salford and Rochdale, Internal Audit and procurement support to Bolton. It is important to note that these arrangements must breakeven, ensure full cost recovery but not make a profit. The advantage to the Council of providing such services is the contribution towards shared overheads and economies of scale.

4.15 The table below provides the high level changes across the Corporate Core and shows an increase in budget of £0.625m.

	£000's	£000's
Corporate Core 2023/24 Budget		36,757
Activity Based Changes	133	
Contractual Price Increases	0	
Proposed Inflationary Increases to cover costs	226	
Proposed Inflationary Increases to contribute wider council budget	266	
Sub Total Changes		625
Proposed 2024/25 Budgets		37,382

4.16 Activity Based Changes includes £133k as a result of realigning existing income budgets based on current activity levels, with around £100k from Registrars already included as part of the budget proposals, the remaining £33k is from the release fees charged to drivers to release their vehicles after being clamped for persistent parking offences or non-taxed vehicles.

4.17 Legal services provide external support to both Salford and Rochdale Councils and as part of that contract the costs of the annual pay award are passed on as part of the agreement. The forecast increase for 2024/25 is £226k.

4.18 As part of the overall budgets there are increases of £266k in respect of annual increases that will be applied to support the overall Council budgets as part of the £1m increased income. This will be achieved through a combination of applying inflationary increases of up to 5%, or in some areas further realignment following price increases applied in 2023/24 and details of proposed changes are set out in the table at para 3.7.

4.19 The result of these changes is highlighted in the table below.

Service Area	2023/24 Budget £000's	2023/24 Forecast £000's	Proposed 2024/25 Budgets £000's	Total Change in Income Budget £000
Neighbourhood Services	56,609	54,569	57,491	882
Growth & Development	31,565	31,791	32,401	836
Corporate Core	36,757	37,841	37,382	625
Total	124,931	124,201	127,274	2,343

5. Future opportunities and Risks

5.1 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.

5.2 The income budgets are monitored throughout the financial year to highlight any emerging risks or shortfalls against budgets so mitigating actions can be identified.

6. Appendices

Appendix A – Growth and Development

Appendix B – Detailed Listing of Proposed fees and charges for 2024/25