

Manchester City Council Report for Information

Report to: Resources and Governance Scrutiny Committee – 16 January 2025

Subject: Sales, Fees and Charges – Budget 2025/26

Report of: Deputy Chief Executive and City Treasurer

Summary

The current 2024/25 Council budgets include over £132m per annum of income generated through sales, fees and charges. This is for services provided to residents, businesses and visitors to the city. There is a large schedule of charges for the wider variety of services provided, and these are set out in Appendix 2.

The income raised makes an important contribution to the delivery of these services and the financial stability and sustainability of the Council, so it is important that 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 2025/26 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 2025/26 budget. The options developed outline over £4.772m of proposed additional income budgets, which has been an important element of working to balance the budget and minimise the impact of budget cuts on residents.

In setting the rates to be charged, the current economic and inflationary environment has been considered alongside the impact on residents and service users. The Council has had to identify savings in order to address the budget gap of £29m in 2025/26, £41m in 2026/27 and £77m in 2027/28.

Initial options were taken through scrutiny panels in December, and further budget reports outlining the final budget proposals will be taken to scrutiny meetings in February 2025.

Recommendations

The Committee is recommended to:

- (1) Note and comment on the proposed changes to sales, fees and charges.
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Wards Affected: All

Environmental Impact Assessment - the impact of the	The budget reflects the fact that the Council has declared a climate emergency by making
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issues addressed in this report on achieving the zero-carbon target for the city	carbon reduction a key consideration in the Council's planning and budget proposals.
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.

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 £132m of income that supports the City Council budgets. As part of the annual budget process, it is best practice to review all sales, fees and charges to ensure that they are recovering full costs of providing the service. As part of the budget proposals there is an income budget increase of £4.772m. Details of the increases by directorate and service area are set out in Appendix 1, with a detailed schedule of proposed fees and charges by service area set out in Appendix 2. The increases can be met from a combination of realigning existing

income budgets, where budgets overachieve because of higher than forecast activity levels, and applying an annual inflationary uplift across most of the existing charges.

Financial Consequences – Capital

None directly arising from this report.

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Background documents (available for public inspection):

Not applicable

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 £132m per annum.
- 1.2 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. 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. This report provides an overview of the sales, fees and charges levels that are proposed to be set for the 2025/26 financial year.
- 1.3 The annual review of charges and income budgets allows budgets to be realigned, adjusting for changes in activity. In reviewing charges, the following key principles are applied: -
- A regular review of sales fees and charges, resulting in small annual incremental increases to 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.
- 1.4 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.
- 1.5 As part of the 2025/26 budget process, it is proposed to increase income budgets from sales, fees and charges by c.£4.772m, the table below breaks this down across directorates.

Directorate	2024/25 Gross Income Budget £000's	Proposed Changes £000's	Proposed 2025/26 Gross Income Budgets £000's
Corporate Core	40,395	464	40,859
Neighbourhoods	55,996	3,903	59,899
Growth & Development	35,663	405	36,068
Grand Total	132,054	4,772	136,826

2. Sales, Fees, and Charges Overview

Current Financial Year

- 2.1 Overall income budgets are over £132m, and the current years forecast is a shortfall of £0.829m against budget, further breakdown across services is provided in the following paragraphs.
- 2.2 Neighbourhood Services have a gross income budget of c.£56m and are forecasting a small income shortfall of c£78k overall in 2024/25, this is mainly due to:
- a) The main area of underachievement is markets c£354k through reduced income because of ongoing reduced footfall across both retail markets and wholesale markets due to a reduced number of stall holders.
 - b) The income shortfall is partially mitigated by over achievement on income across a range of services including waste (£28k), Libraries (£48k), specialist markets (£17k) Fleet (£187k) and bereavement services (£12k)
- 2.3 The Growth and Development Directorate have a gross income budget of c.£35.6m and are currently forecasting a shortfall of c£471k against budget. The main shortfall is in building control and this is largely due to resources because of vacant posts. Officers are currently reviewing activity and anticipate that the income budgets will be achieved in 2025/26.
- 2.4 The Corporate Core has an income budget of £40.395m and are currently forecasting a small shortfall of c£280k. The main factors making up the shortfall are
- a) Legal services are forecasting a shortfall of c£0.765m in respect of external or third-party income.
 - b) The shortfall is mainly offset by Registrars who are forecasting a £450k overachievement.
- 2.5 The table summarises the high-level overview of the sales fees and charges budget and forecast for 2024/25.

Service Area	2024/25 Budget	2024/25 Forecast	2024/25 Variance
	£000's	£000's	£000's
Neighbourhood Services	55,996	55,918	78
Growth & Development	35,663	35,192	471
Corporate Core	40,395	40,115	280
Total	132,054	131,225	829

3. 2025/26 Review Process and Proposed Price Increases

- 3.1 As part of the budget process, it is important that sales fees and charges are reviewed annually, as part of the review the following factors have been considered:
- Budget alignment – ensuring the annual budgets accurately reflect the forecast activity and financial position for each income line. This covers both over and under budget alignment and is primarily 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.
 - Full review of all charges and ensure an inflationary uplift is applied to reflect increased costs and help support the wider Council 2025/26 budgets.
 - 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 1 sets out details of the 2024/25 budget and forecasts, and the proposed changes to the current year's budgets arising from each of the areas reviewed to determine proposed 2025/26 budgets.
- 3.3 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.
- 3.4 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.
- 3.5 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 CPI inflation rates, it needs to reflect the levels of inflation seen within the services being delivered, in order to contribute towards the overall budget for 2025/26.

4. 2025/26 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 1, which details the budgetary impact of the proposed changes by service. Appendix 2 setting out the detailed listing of both current year's prices and proposed prices for 2024/25 which will form part of the over budget approvals in February.

Neighbourhood Services (Gross Income Budget £55.996m)

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 2024/25 Budget		55,996
Specific Budget Proposals	3,031	
General inflationary Increase	500	
Prior year approved increases – Bereavements	372	
Sub Total Changes		3,903
Proposed 2025/26 Budgets		59,899

4.3 Neighbourhood Services income budgets are expected to increase by a net £3.903m in 2025/26, from a combination of realigning budgets, contractual price increases and other increases required to cover inflationary increases in costs. As part of the budget proposals services have identified £3.031m of increased income which were initially proposed as part of the December budget proposals and further details are set out below.

4.4 The Council has two large contracts for advertising, they are large format and small format contracts. The contracts generate an income to the Council for use of land and buildings for siting of the screens. Both contracts are uplifted annually by inflation, and the large format also contains a clause that pays an additional amount based on performance of the sites, and income generated. The forecasts estimate an additional £1.915m will be generated over the next three years, with an initial £0.785m in 2025/26.

4.5 Parks have identified savings of £125k and all is to be achieved through increased income generation, and the proposed changes include: -

- £100k through increased income from concession contracts, where commercial companies pay fees to the City Council to trade within the parks. This included catering opportunities, leisure and other attractions.
- Allotment charges are to be reviewed and increased, the increase will ensure allotment charges are aligned to charges set by other Core Cities. The forecast savings from increased income is c£25k.

- 4.6 Commercial and Events have identified proposed savings of £400k for 2025/26 through increased income, £375k of this is one off and will arise from the increased number of concerts at Heaton Park in 2025/26. The balance of savings is from increased income through increased commercial use of spaces across the City Centre.
- 4.7 The Galleries public programme is funded through a combination of both city council resources, and external funding. In order to provide mainstream savings of £68k spread over two years, it is proposed that officers will identify and bid for additional external funding to support the ongoing public programme of exhibitions.
- 4.8 Compliance Service have identified increased income opportunities of £87k in 2025/26, this will be achieved through increasing charges for fixed penalty notices in respect of fly tipping, fly posting and littering.
- 4.9 Highways service makes charges for services provided to others, this will include licences and permits by companies working on the highways. It is proposed that a 5% uplift will be applied to sales fees and charges made by the service annually over the next three years. This will realise increased income of c£100k in 2025/26.
- 4.10 Parking Services directly supports the transport strategy for the city and our operational highway activities with the aim to keep the city's roads moving. The off street car parking charges were increased in late 2024 to ensure they are aligned with other carparks in the city centre, but also aligned to other core cities. It is forecast that the changes will generate an additional £1.5m per annum, and this will be used to part fund the costs of the transport levy.
- 4.11 The traded services within operations and commissioning operate on a traded basis, and it is important that the fees and charges for services are reviewed annually to ensure that there is no subsidisation of the services, and that they are fully recovering the costs of providing the service. Historically reviews have not been done annually and often this has led to periodic large increases in prices, rather than more frequent lower increases.
- 4.12 As part of this work, it is proposed that the fees will be increased by 5%, this is higher than inflation but is intended to ensure that the services do fully recover their costs and that there is an opportunity to support the wider council budgets. It is forecast that applying an 5% increase to sales fees and charges across the Neighbourhoods Directorate will generate an additional £0.5m in 2025/26 and over 2026/27 and 2027/28 a further £1.15m. This is in addition to the service specific proposals and initial proposals of how the £0.5m is to be allocated is set out in Appendix 1, final approval to these changes will be sought as part of the budget papers in February 2025.
- 4.13 In addition to the above proposals an increase of £372k for 2025/26 was approved for bereavement services as part of the 2024/25 budget process. This will be achieved through increasing existing charges and the proposed new charges are set out in Appendix 2.

Growth and Development (Gross Income Budget £35.663m)

- 4.14 Growth and Development generates around 60% of its income from rents and leases in the Investment Estate. Most of the remaining charges are set by Government or operate on a trading basis which must cover costs of delivery. In some cases, the costs of delivery can be recovered over several years, to reflect the variations in activity from year to year.
- 4.15 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. Any change to rents of individual properties are in line with the lease arrangements and these will be reflected in the in year position. These risks are monitored and managed closely throughout the year.
- 4.16 Savings of £0.815m have already been approved as part of the 2023/24 budget and are to be delivered through increased annual rental income of from Manchester Airport Group. The increase was based on estimates provided by the Airport and achievement of this income is dependent on performance being in line with or better than the forecasts provided. This is netted down by a £0.5m budget adjustment in respect of investment estate income appertaining to the 2024/25 £1.25m approved savings.
- 4.17 Planning fees are set by Government, in December 2023, they introduced a significant fee increase of 35% increase in major planning application fees and 25% for all other fees. At the same time, they announced that fees would be subject to an annual indexation increase, with the first increase applied from April 2025. The increase is capped at 10%, but for budgeting purposes an assumed increase of 5% has been built into the 2025/26 budget planning and this equates to an annual increase of £75k, the actual uplift has not yet been announced.
- 4.18 In addition to the above an annual inflationary uplift of £15k is included in respect of the contractual arrangements for the solar panel contracts.
- 4.19 The table summarises the high-level changes across Growth and Development which shows a net increase in budgets of £85k.

	£000's	£000's
Growth and Development 2024/25 Budget		35,663
Planning annual inflationary uplift	75	
Solar Panel contractual uplift	15	
Investment Estate – Prior year approved increase	315	
Sub Total Changes		405
Proposed 2025/26 Budgets		36,068

Corporate Core (Gross Income Budget £40.395m)

- 4.20 The Corporate Core generates c.63% of its income from Bus Lane Enforcement and on street parking fees, the proceeds of which must be reinvested into providing transport related services and road safety. Registrars and Communications Services provide 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, greater service resilience and economies of scale.
- 4.21 The table below provides the high-level changes across the Corporate Core and shows an increase in budget of £0.464m.

	£000's	£000's
Corporate Core 2024/25 Budget		40,395
Registrars	248	
Proposed increases to cover pay award costs	216	
Sub Total Changes		464
Proposed 2024/25 Budgets		40,859

- 4.22 Registrars' fees are set by Government and savings of £248k are proposed for 2025/26 from increased income as a result of citizenship ceremony fees increasing from £80 to £130, and certificate fees increasing from the current £11 to £12.50.
- 4.23 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 2025/26 is £170k, and this will fund the forecast annual pay award costs.
- 4.24 Both Communications and Human Resources are proposing to increase prices for external customers, this will include payroll provision and M4 costs for printing and production. The proposed increases will realise around £46k and will be used to offset existing pressures in the service budgets.

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

Service Area	2024/25 Budget £000's	2024/25 Forecast £000's	Proposed 2025/26 Budgets £000's	Total Change in Income Budget £000
Neighbourhood Services	55,996	55,918	59,899	3,903
Growth & Development	35,663	35,192	36,068	405
Corporate Core	40,395	40,115	40,859	464
Total	132,054	131,225	136,826	4,772

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.