

City Council Income Generation

Resources & Governance Scrutiny

City Council Income Generation - Contents

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Income Generation - Introduction

Slides are to update scrutiny members on the following:-

- Provide details of income generating activities across the Council.
- Actions Council undertake to generate income.
- What can be done in the future to increase income generation.
- What other models exist?

To receive a report on Income generating activities within the Council with a focus on what the Council proactively does to generate income, what more could be done in the future and what other models exist.

Income Generation - Background

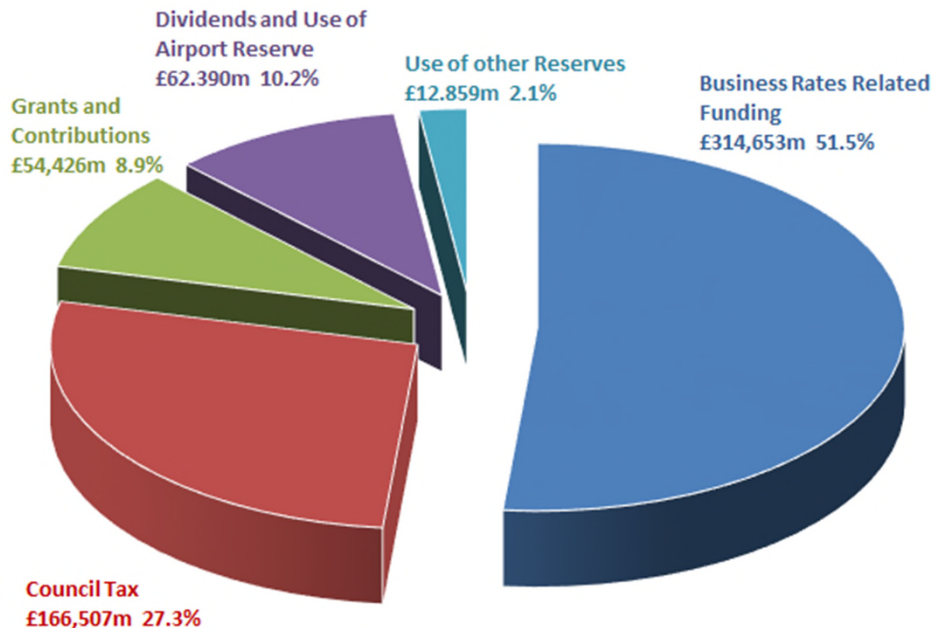
- Local Authorities have traditionally received fees & charges for the provision of services, these can be split into statutory or discretionary services.
- Local Authorities do not always control the level of fees that are charged, for statutory services the fee levels are often set by Government. E.g. planning fees.
- During the years of austerity, income generation as well as spending has been a key consideration.
- There needs to be a balance between risk/reward when considering income opportunities.

Income Generation - Legislative Background

- **Charging for Discretionary Services** - s.93 of local government act 2003 provides local authorities the power to charge for discretionary services. There is a limitation on what can be charged, in that authorities can only recover their costs. E.g. Fleet services, markets
- **Commercial Trading** - s.95 Local Government Act 2003, and the Local Government (Best Value Authorities)(Power to Trade) Order 2009 - Allows Authorities to undertake commercial activities in relation to their ordinary functions. This activity must be undertaken by a trading company within the meaning of the Local Government and Housing Act 1989, if it is intended to make profits through trading.
- Local Authorities (Goods and Services) Act 1970 - Enables the Council to provide services to other Council's, and other public bodies but not the private sector or the public in general.

Net Income

Budget 2019/20- Net Income £610.8m

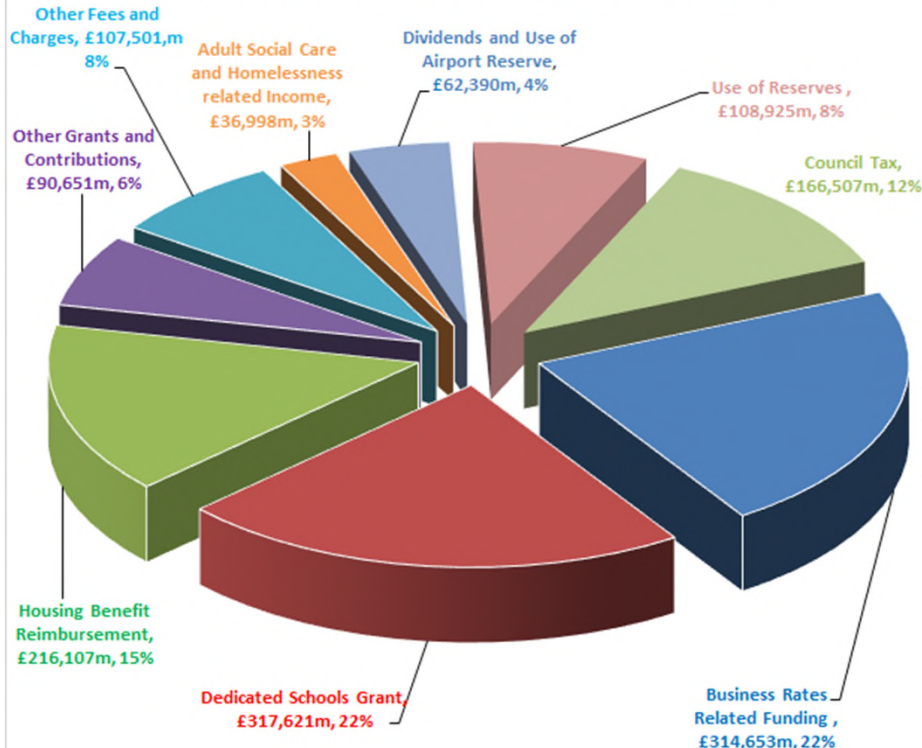


Un-ringfenced resources to support the council's net budget of £610.8m include:

- Council Tax - Just over a quarter of spend, reflects 1.99% general increase and 1.5% ASC precept Increase
- Business Rates - retained amount broadly set by government, 2019/20 last year 100% retention pilot. 50% of gain goes to GMCA - refunds if not utilised.
- Government Grants Includes:
 - Improved Better Care Fund £28.1m
 - New Homes Bonus £8.2m
 - Social Care Grants and Winter Pressures £7.2m
 - MHCC contribution £4m
- Majority of Airport dividend used a year in arrears for prudence
- Main use of reserves includes:
 - Budget Smoothing reserve £2.5m as part of three year budget
 - Use of Bus Lane reserve to support transport levy £3m
 - Use of reserves to fund 2019/20 priorities over three years including ASBAT, Adult Social Care Improvement Plan and Children's Social Care

Gross Income

Budget 2019/20- Gross Income £1.421bn



- The Councils gross budget is c£1.4bn (Excluding the HRA)
- This includes significant amounts which are not spent directly on council services as follows:
 - Dedicated Schools Grant £317.6m
 - Housing Benefits Reimbursement £216.1m
- The focus of this paper is Other Fees and charges, of £107.5m, around 8% of the gross income available.

Income Generation - Overall Council Summary of Income achieved/forecast

- The table provides a summary of overall income for 2018/19 budget & actual, and 2019 budget.
- Further detail is provided on all services with income in excess of £1m. It should be noted that there are a number of instances where the income correlates to spend budgets and there will be comparable shifts in spend too.
- The sums include:
 - Business units and income generated from sport, leisure and other neighbourhood facilities
 - Income from the investment estate and the corporate property estate /facilities management
 - Planning Income
 - Income from on street licencing and bus lane enforcement used to support relevant costs in the revenue budget
 - 18/19 are higher than budget as they include some one off income i.e. investment estate, and income offset by corresponding costs. i.e. Leisure events.
- The sums stated exclude the following income sources:-
 - Housing Revenue Account Income
 - Adult Social Care Income - the charges are set by national frameworks for residential and home care
 - Homelessness Income
 - Schools Income
 - Ringfenced income that is credited to reserve - e.g. parking, bus lane and Business Improvement District

Overall Income	2018/19 Budget £000's	2018/19 Actual £000's	2019/20 Budget £000's
Fees, Charges, Service Income.	112,001	112,179	107,501

Income Generation - Breakdown of Income Across Key Areas

Service/Income Stream	2018/19 Budget £m's	2018/19 Actual £m's	2019/20 Budget £m's	Comments
Neighbourhood Directorate				
School Catering	10.157	9.587	9.709	Currently £2.25 per meal, provide to 88 schools - Risk around losing schools to external companies
Bereavement Services	2.919	3.013	3.024	Income from burials and cremations - Rates reviewed annually and increased by 4.3% for 2019/20 - Higher burial fees are charged to non Manchester residents.
Fleet Services	1.664	1.809	1.758	Provide fleet service to both internal & external customers, includes vehicle hire, servicing and fuel.
Manchester Markets	10.285	10.226	10.708	Includes local, wholesale, Street and car boot markets. Rents are reviewed annually, and increased 19/20 budget is primarily due to increased rates for rent and service charge. Recently seen a decline in numbers of traders.

Income Generation - Breakdown of Income Across Key Areas

Service/Income Stream	2018/19 Budget £m's	2018/19 Actual £m's	2019/20 Budget £m's	Comments
Leisure & Sports Development	7.968	9.197	7.511	Includes leisure management contract tendered 18/19. Sports development across the City including provision of school swimming and other sporting events. 19/20 budget reduced due to the transfer of services to Manchester Active.
Community Safety & Compliance	3.477	2.317	1.902	Includes fixed penalty notices for enforcement, and the new 3 year licensing model for houses of multiple occupation. 18/19 was the first year of HMO licensing, and licenses are for 3 year period. Initial increase in income received, with surplus credited to reserve and drawn down over the 3 year period.
Parks & Open Spaces	0.895	1.263	1.011	Fees & charges for use of facilities, and provision of activities in parks. Ongoing development as part of the commercialisation strategy.
Highways Services	5.714	7.013	6.009	Income from car parking, including the joint venture and permit income, provision of winter services and enforcement activity. As part of 19/20 budget proposals fees for permit income were increased.

Income Generation - Breakdown of Income Across Key Areas

Service/Income Stream	2018/19 Budget £m's	2018/19 Actual £m's	2019/20 Budget £m's	Comments
Libraries, Galleries & Culture	0.940	1.065	0.817	Income through fees and charges across the service. Work continues to develop the commercial strategy, including catering offer and exhibition tax relief.
Growth & Development				
Investment Estate	23.492	25.244	24.512	Rent & service charge income from assets held within the investment estate. Includes a combination of owned and leased assets. 2018/19 included additional one off income. Budget increased for additional rental income as part of budget proposals
Planning, Licensing & Building Control	7.284	8.868	7.677	Planning fees from developers, can be volatile and are reliant on growth and development in the City. Licensing includes taxis, street traders, licensed premises, gambling etc. Include cost recovery models over multiple years. Surplus from increase in planning fees goes into planning reserve to meet costs of delivering the Local Plan and protect against volatility in future years

Income Generation - Breakdown of Income Across Key Areas

Service/Income Stream	2018/19 Budget £m's	2018/19 Actual £m's	2019/20 Budget £m's	Comments
Facilities Management	1.619	0.800	1.299	Provision of FM services to external customers, includes cleaning & security. Customers include registered social landlords and Universities. 19/20 budget reduced to realign budgets, and cessation of provision of storage.
Corporate Property	0.896	1.231	0.896	Rent and service charge income, along with other income from occupiers of City Council buildings.
Corporate Core				
Legal & Democratic Services	8.296	7.777	8.469	Main source of income is provision of legal services to other authorities. These are subject to inflation annually, and 1 contract has been updated for 2019/20. Other income includes registration of births, deaths & marriages along with citizenship ceremonies and approved premises.
Revenue & Benefits	1.420	1.140	1.420	Fees recovered as part of recovery overpayments work, will be offset by corresponding fee expenditure.

Income Generation - Breakdown of Income Across Key Areas

Service/Income Stream	2018/19 Budget £m's	2018/19 Actual £m's	2019/20 Budget £m's	Comments
Other Core Support Services	1.888	1.623	2.203	Income received across core services for provision of support to other organisations. 19/20 income targets increased as part of the budget proposals.
Parking	10.262	10.724	10.588	<p>Parking income includes pay and display income and penalty charge notices.</p> <p>Income from parking enforcement can only be used to fund costs of providing & maintenance of parking service and environmental improvements with any surplus being held in a ringfenced reserve. Actual income excludes surplus credited to reserve.</p>

Income Generation - Breakdown of Income Across Key Areas

Service/Income Stream	2018/19 Budget £m's	2018/19 Actual £m's	2019/20 Budget £m's	Comments
Bus Lane Enforcement	4.010	5.609	6.710	<p>Income from bus lane PCN's, 18/19 increased income due to increased numbers of PCN's, particularly on Oxford Road following introduction of new cameras in late 17/18. All surplus on bus lane income is credited to a ringfenced reserve, actual income excludes surplus credited to reserve.</p> <p>As part of any new scheme it is anticipated that there will be a change in driver behaviour, and this is reflected in the prudent forecast of income received in future years.</p> <p>Bus Lane income can only be used for funding costs of enforcement, costs of operating public transport and Highways improvements.</p>
Children's Services	1.099	1.358	1.205	Includes rents, recharges to schools & blue badge income.

Income Generation - Opportunities Going Forward

- Work underway to review all income sources and set out details of:-
 - Charging Policy
 - Basis of Charges
 - Opportunity to increase charges, are charges statutory or discretionary?
- As part of budget process 2020/21 review this will identify any further opportunities for increasing income budgets, assessment to include:-
 - Review demand/volume
 - Review previous years performance v budgets
 - Review level of charge
- Ensure new income generating opportunities are identified and maximised.

Income Generation -Key Issues.

- Significant number of income sources are demand led, and therefore volatility is outside control of City Council, this includes:-
 - Planning Fee income
 - Investment Estate
 - Parking/Bus Lane enforcement income
 - Retail markets
- Changes in the retail sector are likely to impact on the High Street with a potential reduction in associated rental income
- The parking joint venture contract is up for renewal and the opportunities for income and investment in the City will form part of the process

Growing Our Resource Base

- Business Rates - New System will retain growth incentives - Attracting inward investment and securing new commercial development
- Council Tax:
 - Facilitating new homes through the Residential Growth and Affordable Housing Strategies
 - Capital Investment - bring forward and support major infrastructure projects which grow the City e.g. Northern Gateway Strategic Regeneration Framework
- Commercial income including:
 - Maintaining revenues from the Airport such as the dividend, rental income and returns on shareholder loans
 - Civic Quarter Heat Network - Council providing finance to the SPV's, return to City Council in dividends, interest and energy savings
 - NCP parking Joint Venture - c.£5m rent and c£1m dividend income
 - Income from the investment estate (currently c.£22m)

Looking to the future - Other Approaches

- Industrial Strategy and how we measure and harness economic impact:
 - People at the centre of growth, creating more a **inclusive economy** in the city
 - Go beyond traditional income measurements - measuring the impact on 'well-being',
- Community Wealth Building:
 - Understanding and harnessing existing wealth for the benefit of local economies and communities
 - Forefront of progressive procurement policy and practice
 - Achieve greater economic, social and environmental benefits for local places and people
 - Further embed social value focused contract management - robust delivery
 - LA's role as a place shaper - Thinking beyond narrow definitions of Social Value
 - Role of anchor institutions in harnessing community wealth
- Community-led commissioning:
 - Re-cast the relationship between citizen and state
 - Builds on emerging evidence from democratic models led directly by people bringing better outcomes