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Local Government Finance: Fees and Charges 2011-12 to 2015-16

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This briefing, produced in collaboration with Audit Scotland, provides detail on the change in income from fees and charges for local government services between 2011-12 and 2015-16.



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Executive Summary

Evidence to the Local Government and Communities Committee and audit work carried out by Audit Scotland in recent years has highlighted that local authorities may be increasing fees and charges for services to offset budgetary pressures.

SPICe gave an overview of fees and charges in Local Government Finance: Facts and Figures 2010-11 to 2017-18 ¹, and found (using a different methodology to that used in this briefing) that between 2010-11 and 2015-16, income for Scottish local government as a whole from fees and charges for services had increased by almost 13%, with the most significant increases in charging being in Central Services, Planning and Development Services, Education and Roads and Transport.

This briefing, produced in collaboration with Audit Scotland, explores the income from fees and charges for services further. It looks at high-level trends between 2011-12 and 2015-16 for all General Fund service areas, and explores the areas of Social Care and Education in more detail.

Key points include-

Overall

- Excluding Housing Revenue Account income, local authorities received customer and client receipts of £1.26bn - around 8% of councils' total income in 2015-16. Fees and charges for General Fund services, the focus of this briefing, made up around 40% of these customer and client receipts in 2015-16 (£544.2m) i.e. around 3.5% of councils' total income.
- Since 2011-12 the income that councils have raised from fees and charges to service users has reduced from £569.7m to £544.2m (4.5%, real terms).
- The largest area of income from fees and charges for General Fund services comes from Social Work (44%), with Roads (12%) and Education (11%) representing the next largest areas of income. Combined, these represented around two thirds of fees and charges income in 2015-16.

Social Work

- Social Work income from fees and charges has reduced by £13.2m (5.2%) in real terms from £252.2m in 2011-12 to £239m in 2015-16. From 2014-15 to 2015-16, the proportion of the total Social Work service income coming from fees and charges fell from 30.1% to 27.3%. This is partly attributable to how councils are recognising the flow of income that arises from the health and social care integration.
- From 2011-12 to 2015-16, income from charges for Older Persons and Adults with Learning Disabilities fell, by 2% and 22% respectively. Income from charges for services for Adults with Physical or Sensory Disabilities and Adults with Mental Health needs increased, with the latter increasing by 17%.
- Between 2011-12 to 2015-16, whilst the total income from charges to Social Work service users fell, the reduction was much smaller for services for Older Persons

category (2%) than for the combined Adult Services (less 'Adult with other support needs'), which fell by 17%.

Education

- Income from fees and charges for Education services increased from £54.7m in 2011-12 to £57.4m in 2015-16 (in real terms, a 5% increase). Between 2014-15 and 2015-16 the proportion of Education Services income attributed to fees and charges fell from over 30% to 27.4%.
- In the years 2011-12 to 2013-14, changes to School Meal income in Primary and Secondary Education followed a similar trend to one another, before diverging slightly, then more widely between 2014-15 and 2015-16. Between 2011-12 and 2015-16, income from charges for school meals at a Primary School level fell by 21%, compared to a 5% increase in income from charges for Secondary School meals, reflecting Scottish Government policy commitments.

Other service areas

- Over 2011-12 to 2015-16, the proportion of total service income derived from fees and charges income for Roads and Transport services remained relatively stable at around 38% (with the exception of 2014-15 where it fell to 35%).
- Income from fees and charges within Environmental services decreased from £57.5m in 2011-12 to £47.3m in 2015-16 (in real terms, a 17.8% reduction). Between 2014-15 and 2015-16 the proportion of Environmental services income attributed to fees and charges increased from 33.7% to 35.6%.
- Planning and Development services income from fees and charges increased from £20.4m in 2011-12 to £35.4m in 2015-16 (in real terms, a 73.9% increase). Between 2014-15 and 2015-16 the proportion of Planning and Development service income attributed to fees and charges increased from 13.7% to 19.5%.
- Income from fees and charges for Culture and Leisure services decreased by £12.1m over the period, from £42.6m in 2011-12 to £30.5m in 2015-16 (in real terms, a 28.4% decrease), however this is an area where the use of Arms Length External Organisations is predominant. Despite a reduction in the number of councils reporting income within this category, as a proportion of the total Culture and Leisure service income reported across all councils it rose from 31.6% of total income in 2013-14 to 32.9% in 2015-16.
- The remaining areas of General Fund services that generate income from fees and charges to service users (Central, Trading and General Fund Services) account for a relatively small proportion of all fees and charges income. For example in 2015-16, combined, they made up 13% of all fees and charges income (an increase from 12.4% in 2011-12).

Background

Local government budget trends

The Accounts Commission, in its report *Local government in Scotland: Financial overview 2015/16*², explained that local authorities are facing increasing budgetary pressure-

“ Significant challenges for local government finance lie ahead. Councils’ budgets are under increasing pressure from a long-term decline in funding, rising demand for services and increasing costs, such as pensions. There is variation in how these pressures are affecting individual councils, with some overspending their total budgets or budgets for individual services such as social care. It is important that councils have effective budgetary control arrangements in place to minimise unplanned budget variances that can affect their financial position”

Accounts Commission, 2016²

The Local Government and Communities Committee carried out scrutiny of the Draft Budget 2017-18 in the Autumn of 2016. Submissions highlighted that, due to a large amount of local authority funding being effectively ring-fenced, councils were increasingly applying fees and charges for non-statutory services³. The increased costs of service delivery, for instance through the commitment to pay the Living Wage, were said to have further compounded this issue³.

Fees and charges for services

Charging for services was explored by the Accounts Commission in its report, *Charging for services: are you getting it right?*⁴, published as part of its improvement series for councillors and officers. It reported that-

“ Information reported by councils in their annual Scottish Government financial returns indicates that they raise over £1.3 billion a year through charges, accounting for 7.4 per cent of councils’ total revenue. The proportion of income from charges rose from 5.6 per cent in 2003/04 to 7.4 per cent in 2013. The implementation of the council tax freeze in 2007/08 altered the relative proportion of councils’ income from charges. ”

Accounts Commission, 2013⁴

The Accounts Commission again referenced fees and charges for services in its reports, *Local government in Scotland: Financial overview 2015/16*² and *Local government in Scotland: Performance and challenges 2017*⁵.

In response to reports on the growing use of fees and charges, a focus on this area was included in the SPICe briefing, *Local Government: Facts and Figures 2010-11 to 2017-18*⁶. In its overview of fees and charges for services (which uses a different methodology to that used in this briefing), SPICe found that between 2010-11 and 2015-16, income for Scottish local government as a whole from fees and charges for services had increased by

almost 13% , with the most significant increases in income being in Central Services, Planning and Development Services, Education and Roads and Transport.

Challenges in exploring fees and charges

Due to the format of councils' accounts, income generated from fees and charges is difficult to identify, and changes to accounting practice from 2016-17 makes this more difficult. Income for individual services (for example Education or Social Work) is presented, but includes specific grants, fees and charges from service users, and a variety of other income sources. This is has traditionally been referred to within the Accounts Commission's overview reports as 'service income, fees and charges'.

During a briefing to the Local Government and Communities Committee in December 2016, the Deputy Chair of the Accounts Commission gave a commitment to do more detailed work in relation to local authority income arising from fees and charges ⁷. To fulfil this commitment, the Accounts Commission's financial overview of 2016/17, Local government in Scotland: Financial overview 2016/17 ⁸ provides more detail than in previous overview reports, using sources other than just the accounts.

Focus of this briefing

The main sections of this briefing, produced by SPICe's Financial Scrutiny Unit in collaboration with Auditors at Audit Scotland, aim to further fulfil this commitment by expanding and complementing the Accounts Commission's financial overview 2016/17 report by showing some of the recent trends in local authorities charging for services.

One of the reasons for looking at fees and charges in more depth is to establish the impact on different groups of service users. SPICe hope that the additional case studies within briefing will help to illustrate the current climate of fees and charges, and which social groups may be more or less affected by local authorities charging for services. This builds on work carried out by the Universities of Glasgow and Heriot Watt in collaboration with SPICe on the Social impact of the 2016-17 local government budget ⁹. An update of this work is due to be published in early-December 2017.

Methodology

Data used

Data for this briefing has been taken from the Local Financial Return (LFR) statistics collated by (and provided by) the Scottish Government. LFRs are submitted to the Scottish Government on an annual basis, and show final income and expenditure statistics relating to local government bodies that submit them, to be used to inform policy decisions. The LFRs form the basis of the Scottish Government's annual Local Government Finance Statistics publication.

LFRs are submitted by all local authorities, including Regional Transport Partnerships, Bridge Authorities and Valuation Joint Boards. The figures in this briefing focus on charging within Scotland's 32 councils, as opposed to all local authorities and so, while based on the same information (the LFRs), some aggregate figures will differ from the Scottish Local Government Financial Statistics publication.

LFR data in its current form stretches back until 2011-12, so that is the baseline year used in this briefing to analyse the trend in councils' income from fees and charges. For individual councils, however, we have limited some of the more detailed analysis to more recent years to ensure that it is as current as possible and due to limitations in the data.

Following the Police and Fire Reform (Scotland) Act 2012, Police and Fire boards were abolished and the new national bodies were formally classified as Central Government. Due to the reclassification, data on Police and Fire Boards was not collected from 2013-14 onwards. Where applicable, the funding for police and fire services has been adjusted out of Scottish aggregate figures for 2011-12 and 2012-13.

To compare the income councils are raising from charging for services over time figures have been adjusted into 2015-16 real terms (i.e. adjusted to take into account inflation).

Categorisation

The LFRs show council services in-line with CIPFA's Service Accounting Code of Practice (SerCOP). This defines what activities are recorded under each service heading. This means they contain data that is directly comparable across all councils even if each council is structured differently.

If a council owns council houses (26 councils in Scotland do) it must have a separate Housing Revenue Account (HRA) which includes all income and expenditure relating to council houses. Fees and charges (and income from council house rents) related to the HRA have not been included in this briefing, which is focused on common services that councils provide to the general public as a whole (referred to as General Fund services).

The following categories give examples of the what is covered within each service area and the type of income connected to each service area-

- Central services to the public (including council tax collection, registrars and licensing). Example of charge to a service user: fees for registering births or marriages.

- Cultural and related (museums, community centres and libraries). Example: fees to enter a leisure centre.
- Education (schools, pupil support and special educational needs). Example: charges for school meals.
- Environmental (environmental health, household waste collection and recycling). Example: charges for a bulk uplifts of household items.
- Housing (housing improvement grants, homelessness and support services). Example: charges for carrying out necessary repairs to (non-council) housing.
- Planning and development (building control, planning policy and economic development). Example: fees for a planning application.
- Roads and transport (road construction, lighting and maintenance). Example: parking charges.
- Social Work (care services and children and family services). Example: specific charges relating to residential care.

The LFRs contain information about what income each service has raised from customer and client receipts. This is split into three types of charges-

- Fees and charges (for services, use of facilities, admissions and letting).
- Rent Income.
- Other Sales, fees and charges (i.e. sales of goods and services and other. income from charges to services users or rent income).

Throughout this briefing we focus our analysis on income councils have raised from fees and charges to services users to show the trend in how councils are raising income from charging to access services.

Reporting variances and level of detail

Local Financial Returns (LFRs) are provided by councils to the Scottish Government on a self-reporting basis. They are not audited by Audit Scotland or other auditors appointed by the Accounts Commission.

The Scottish Government validates the data from the LFRs, and issues guidance for filling them in ¹⁰, however given the wide range of services provided by councils and the differing management structures that councils have, there are variances in the approaches that local authorities take to categorising income and expenditure. There can also be inconsistencies in how individual councils have dealt with income over time, for example changing the classification of income following a change in the way that services are provided or to accounting practice.

Arms Length External Organisations (ALEOs)

To compound this difficulty, local authorities can use Arms Length External Organisations (ALEOs) to deliver a range of services. ALEOs "can provide services more flexibly than councils, generate income and deliver savings" ⁵.

This means that, depending on the arrangements in place, income and expenditure for those service areas delivered by the ALEO may not be recorded in the same way as it would be were those services provided directly by the council.

In practice, this means that beyond the highest level of data, the data reflected in LFRs will not reflect the full picture about income and expenditure. For instance, a local authority who uses an ALEO to run all of its leisure services may present as having received no client income in that service area, even though service users are being charged to use those 'council' services. In these cases, it is not possible to see the income from charges to service users, let alone any changes to the level of income.

It is difficult to get an idea of the scale of the use of ALEOs, and just how much data in LFRs may be skewed by this. However the Accounts Commission, in its report Local government in Scotland: Performance and challenges 2017 ⁵ explains that-

“ Evidence suggests that the number of council ALEOs has reduced slightly in 2016 from about 140 to 130. ALEOs provide a range of services across Scotland, with around one third providing leisure and culture services. ”

Accounts Commission, 2017⁵

Throughout this briefing we identify the numbers of councils reporting income from fees and charges relating to specific services to identify where the trend in reported figures may be influenced by the above issues. Generally, if income from fees and charges in a specific service within an individual council drops to zero, and remains as such, then this will indicate that the council may have set up an ALEO within that service area, and this has impacted how the council is accounting for the income generated. If income from fees and charges reduced to zero before being recorded again in the following year this is likely to be due to a change in the treatment of that income in the LFRs.

Approach

Within this briefing, service income from charges to service users has been compared against total income in order to explore the proportion of income which has come from charges to service users. As noted, this does not include services related to council housing.

For the majority of service areas, going beyond this high-level analysis would show little in terms of reliable trend because of the number of instances where councils do not report income at the service sub-levels within LFR data (these are referred to as nil-returns in this briefing).

There are two service areas, however, where data is available to a detailed enough level that we can explore it further - Education and Social Work. This is because they represent the two largest areas of local government spending, and as such the Scottish Government

collects more detailed LFR responses from councils on these areas. Although this briefing presents an analysis of the sub-categories of income in these areas, the figures (particularly within Social Work) are likely to be affected by instances where services are contracted out to private or third-sector partners. As a result of this, these should be viewed as purely illustrative case studies. No account has been taken of demographic changes which may have had an impact on demand for services.

For a number of charts within the case studies, councils which did not report income in any or all years have been removed from the total figures. Charts in this briefing, in cases where not all councils reported income, have the number of councils who reported an income for that service each period under the year. Further to this, outliers have been removed from the case study analysis beyond the top level.

The annexe of this briefing provides a chart for each council that shows the total income they have recorded from fees and charges from 2011-12 to 2015-16 (at 2015-16 prices) and which services have contributed to this. It is hoped that this will prove useful in identifying how each individual council is generating income from fees and charges to service users.

The big picture

This briefing explores both the changes to income from charging for services overall, by exploring General Fund Services in the round, and the changes within individual service areas. It's important to bear in mind throughout that councils receive income from a variety of sources in order to provide services. This includes revenue and capital grants from the Scottish Government (and others), non-domestic rates, council tax income, and self-generated income. Customer and client receipts are generated by councils.

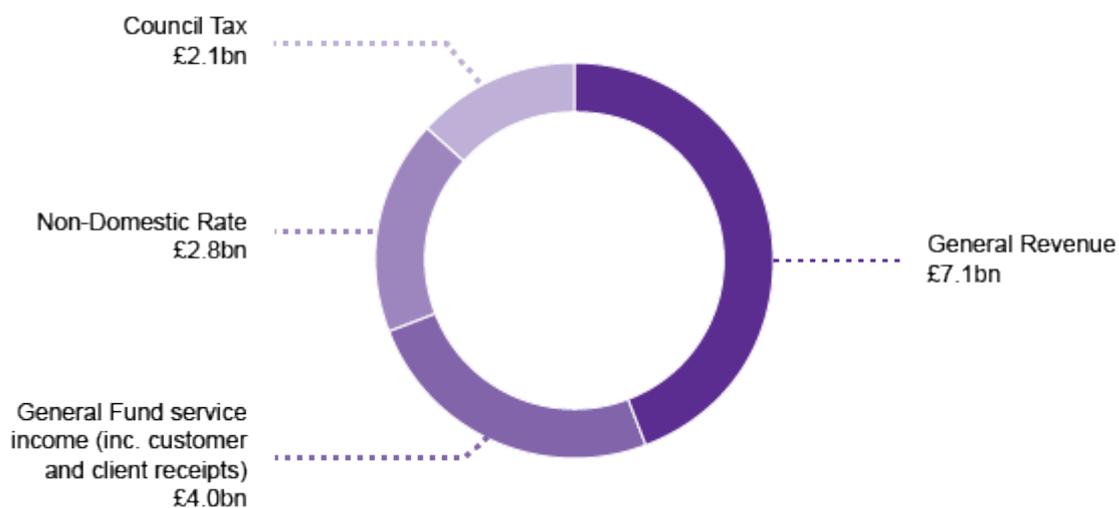
26 councils provide council housing. Six councils no longer own council housing having transferred housing stock to Registered Social Landlords (housing associations). All income and expenditure relating to council housing is kept within a separate Housing Revenue Account. This is because money raised, for example through right to buy sales or from rent, can only be spent on the providing, maintaining or investing in council housing. Other council services are provided through the General Fund.

Councils recognise general income and service specific income. For general funding (including the majority of revenue grants from the Scottish Government), the council can decide where it spends this money. The way that grants are recorded within income can vary - general grants are recorded as a single figure in the accounts and LFRs but grants for a specific purpose are recorded within service income. Any income generated from customer and client receipts will also be shown against specific services. This 'service income', excluding HRA rent income, made up around 25% of council funding in 2015-16.

Sources of council funding in 2015-16

General Fund service income, which included £1.3bn of customer and client receipts, made up around 25% of councils' total income in 2015-16.

Figure 1 - Sources of local government income, 2015-16, Cash

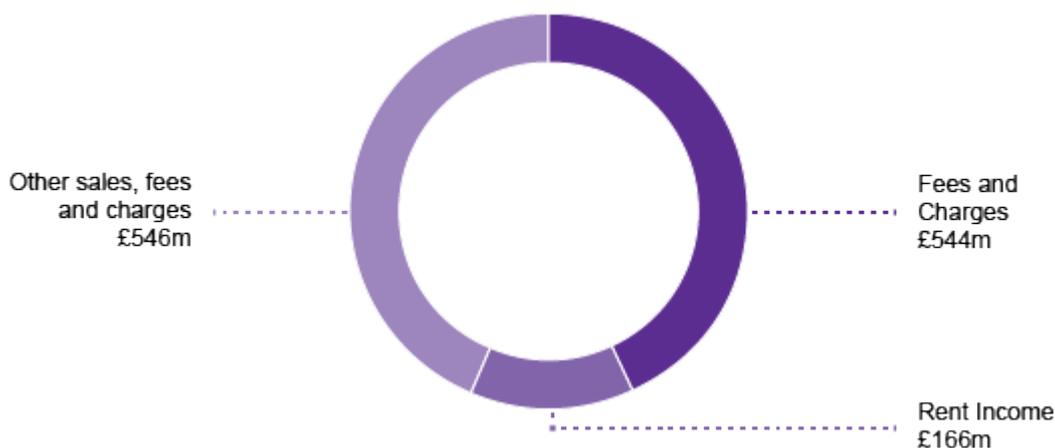


Note: 6 councils no longer manage housing stock due to previous stock transfers to housing associations - Dumfries & Galloway Council, Glasgow City Council and Scottish Borders Council in 2003, Eilean Siar and Argyll & Bute Council in 2006 and Inverclyde Council in 2008.

Excluding all HRA customer and client receipts (mainly rental income of around £1bn), customer and client receipts of £1.26bn (fees and charges from service users, rent income and other fees and charges) made up only around 8% of councils' total income in 2015-16 (mainly government grants, non-domestic rates, council tax income).

Fees and charges for General Fund services, the focus of this briefing, made up around 40% of this (£544.2m in 2015-16) i.e. around 3.5% of councils' total income.

Figure 2 – General Fund customer and client receipts in 2015-16



Note: Total customer and client receipts for the local government sector (councils, Regional Transport Partnerships, Bridge Authorities and Joint Valuation Boards) were £1.28bn in 2015-16. Councils' share of this was £1.26bn, including fees and charges of £544.2m.

Figure 2 shows that only around 40% of customer and client receipts were from fees and charges for using services.

General Fund fees and charges income

Figure 3 - General Fund income from fees and charges to service users, 2011-12 to 2015-16

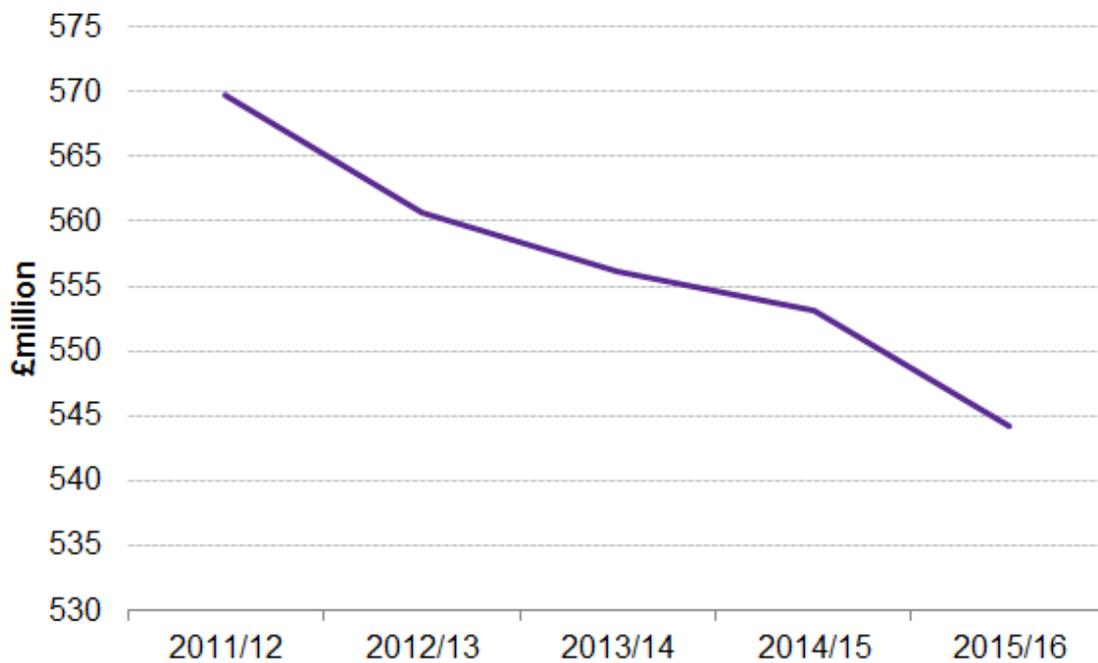


Figure 3 shows that, between 2011-12 and 2015-16, the income that the 32 councils raised from fees and charges to service users reduced from £569.7m to £544.2m (4.5%, real terms). This overall trend, however, will be affected by variations in the number of councils reporting income within individual service areas.

Service-level analysis

Overview

Figure 4 - Fees and charges by service area, 2011-12 to 2015-16, Real terms

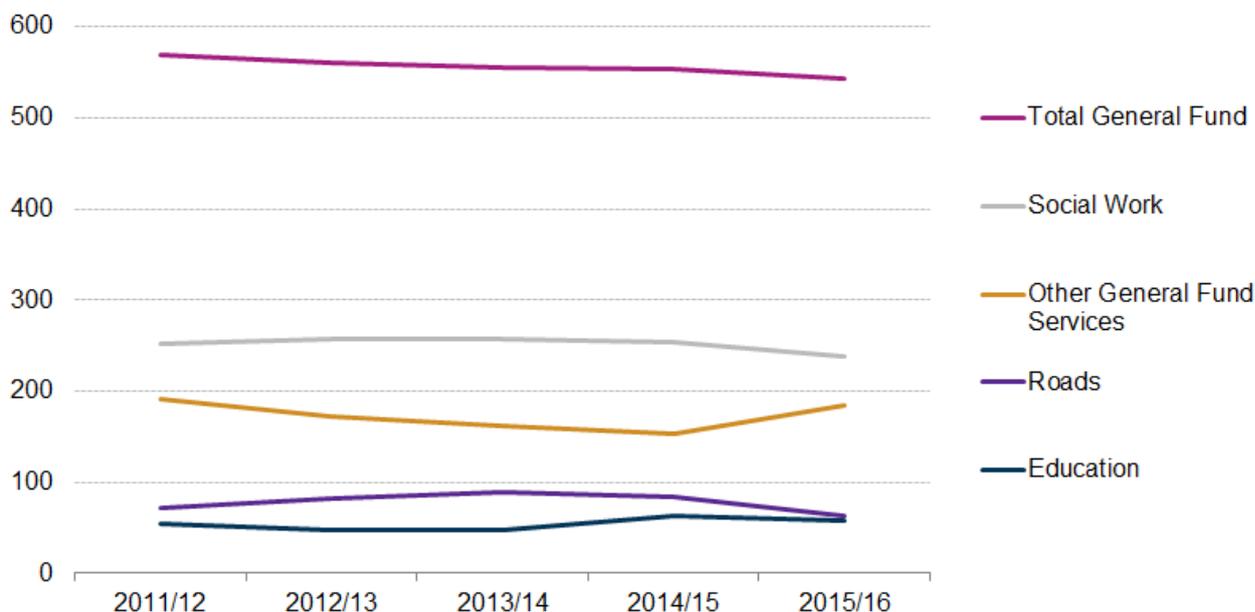


Figure 4 shows that, of the service areas covered in this briefing, by far the largest proportion of income comes from Social Work, with Roads and Education representing the next largest areas of fees and charges income respectively.

Service-level approach

The following sections look at the high-level trends over individual service areas.

Where the general trends have been noted there may be some slight variations over the years, as some councils have not reported income from charges to service users consistently over the 5 year period. This is due to various factors as discussed in the [methodology section](#).

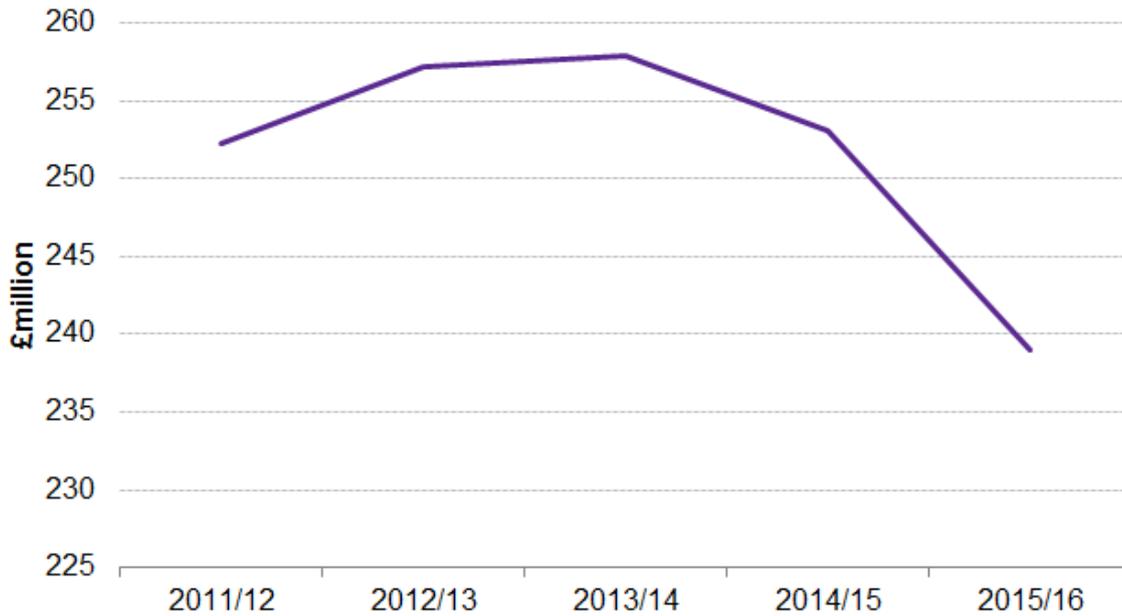
The income from fees and charges graphs within each section have the number of councils who reported an income for that service each period under the year. Because, over the longer term, the income from Central, Trading and Housing services has represented the smallest quantities, these service categories have been combined.

Social Work

Social Work income from fees and charges has reduced by £13.2m (5.2%) in real terms from £252.2m in 2011-12 to £239m in 2015-16. It should be noted that this includes payments between councils where a resident from one council area is receiving care, for

example is resident within a care home, in a different area. Therefore these figures do not simply represent fees that individuals are paying to access care services.

Figure 5 - Social Work income from fees and charges 2011-12 to 2015-16, Real terms



All 32 councils reported income from fees and charges in all five years. Total Social Work income (service income mainly from grants, contributions from health authorities and customer and client receipts) was £874.8m in 2015-16. From 2014-15 to 2015-16 the proportion of this service income coming from fees and charges fell from 30.1% to 27.3%.

This is partly attributable to how councils are recognising the flow of income that arises from health and social care integration (and councils receiving budgets from Integration Authorities to deliver a range of delegated services). A number of other factors may also directly influence this including, but not limited to, different demographics within each service area, and the nature of care provision within each council (specifically different thresholds for eligibility/contribution rates for care packages).

There was variation between the level of customer and clients receipts each council received from fees and charges from service users in 2015-16.

Figure 6 - Social Work services income from fees and charges, as a proportion of total Social Work services income, 2015-16

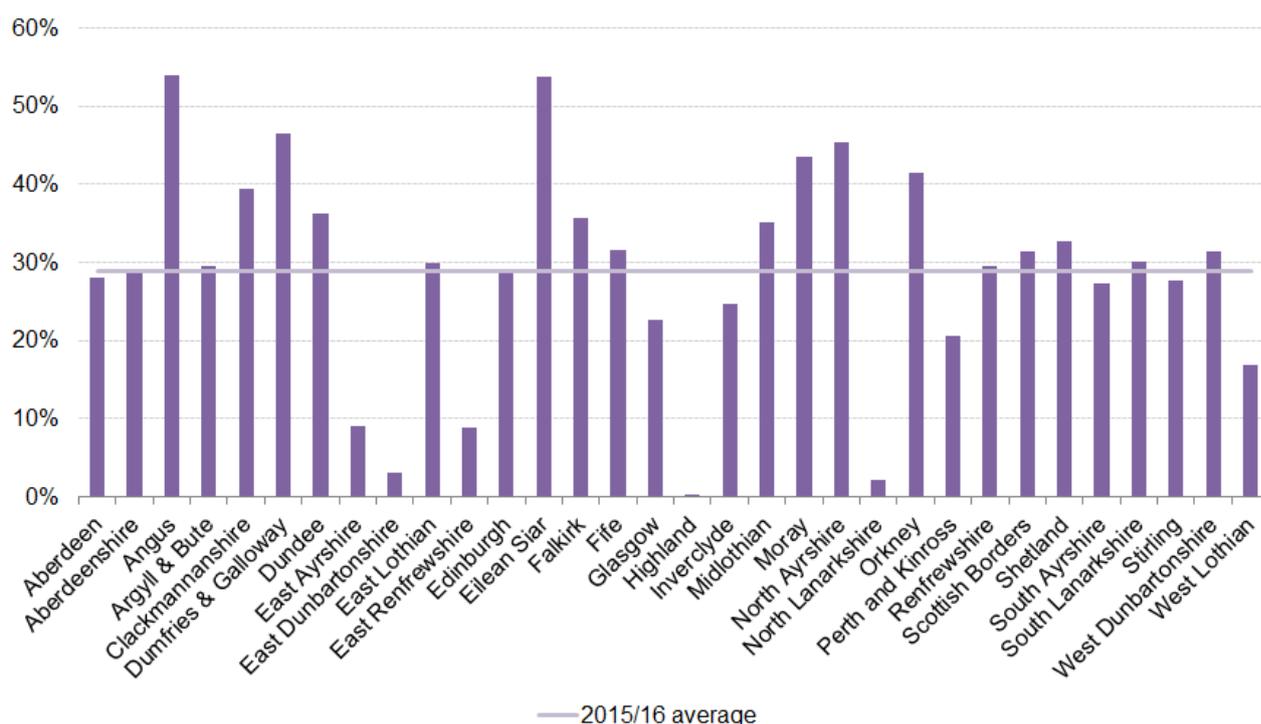


Figure 6 shows that there was wide variation in the percentage of Social Work income coming directly from fees and charges to service users in 2015-16.

Roads and Transport

Roads and Transport services are the major area where figures for councils will differ from figures for the local government sector as a whole (as reported in the Local Government Finance Statistics). This is due to the inclusion of income and expenditure statistics relating to Regional Transport Partnerships being included within the sector figures. Fees and charges income from roads accounted for 12% of councils' total fees and charges income in 2015-16.

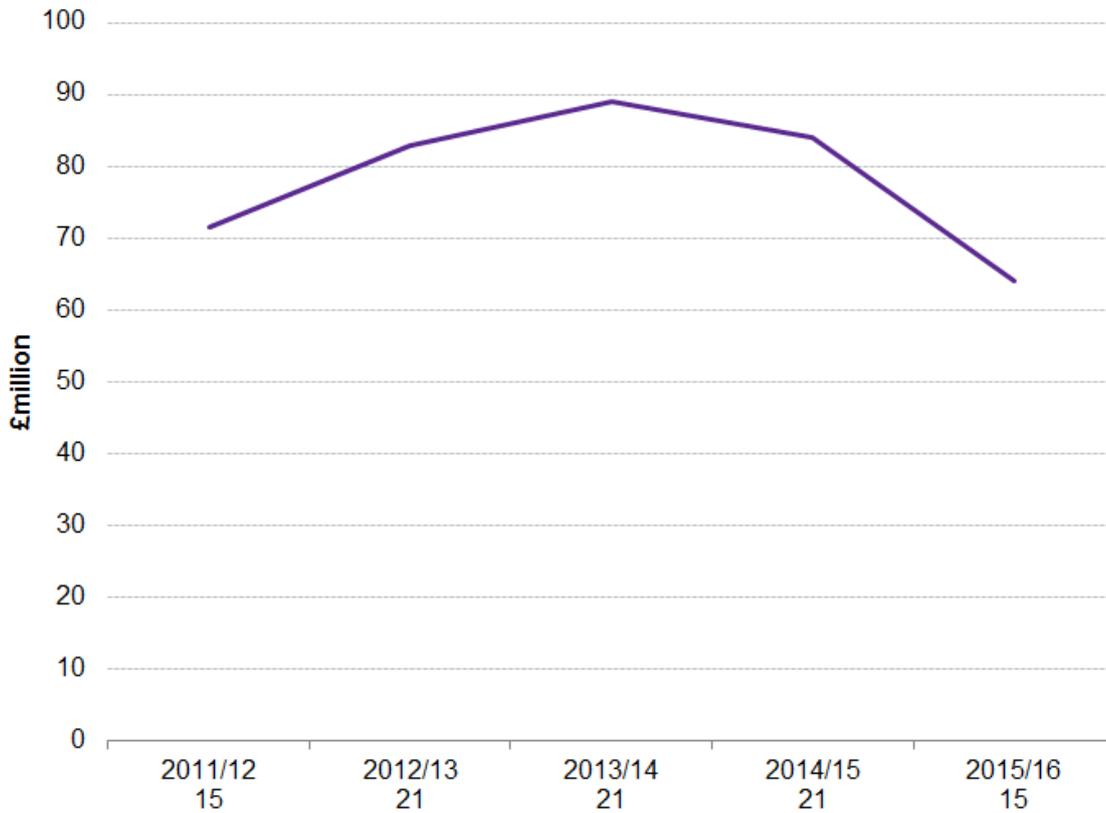
Once removed, income from fees and charges reduced from £71.6m in 2011-12 to £64m in 2015-16 (in real terms, a 10.6% reduction). This was accompanied by annual changes in the number of councils reporting fees and charges income within this service area.

Several councils reported no fees and charges income consistently over the period, reflecting local arrangements, but information from other councils as supplied through the LFRs varied. For example-

- Eight councils consistently reported zero income from fees and charges across the period.
- 12 councils consistently reported income from fees and charges across the period.
- 12 councils saw variation in the information reported, including four councils who began reporting income but, by the end of the period were reporting no income from fees and charges.

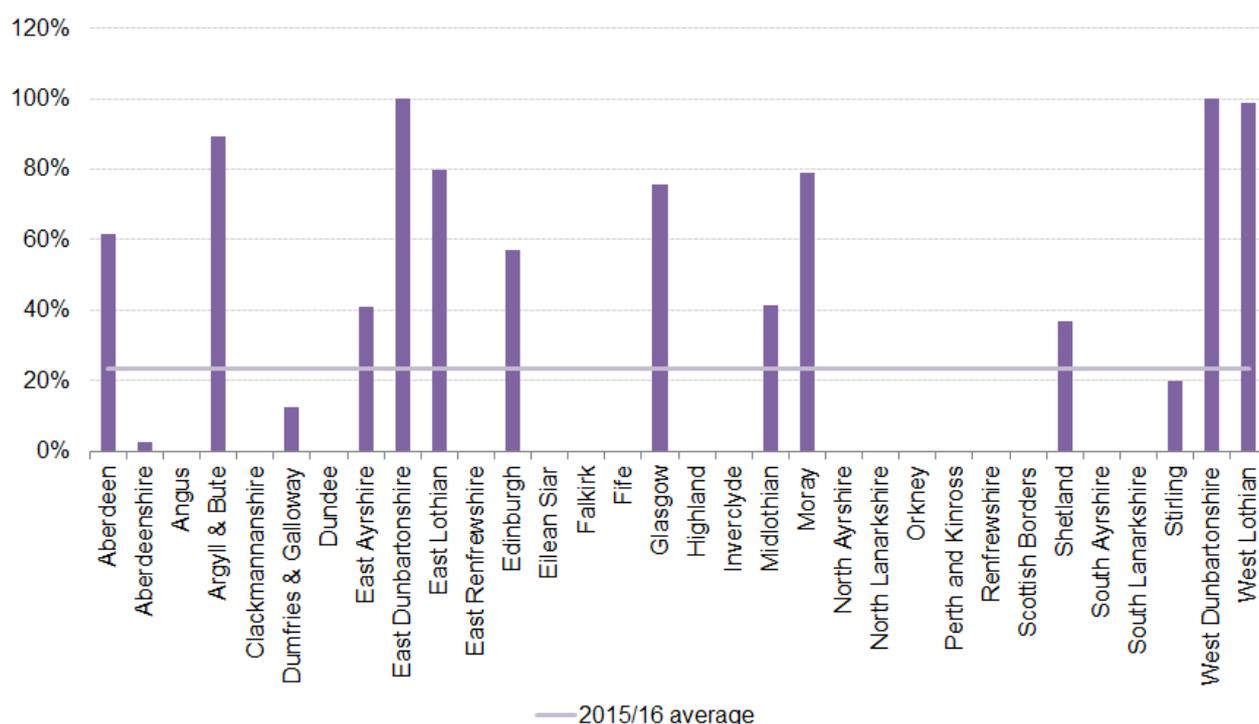
Details of the which services individual councils reported fees and charges income for each year is shown in the Annexe.

Figure 7 - Roads and Transport services income from fees and charges 2011-12 to 2015-16, Real Terms



Over the period the share of service income derived from fees and charges remained relatively stable at around 38% (with the exception of 2014-15 where it fell to 35%).

Figure 8 - Roads and Transport services income from fees and charges, as a proportion of total Roads and Transport services income, 2015-16



Education

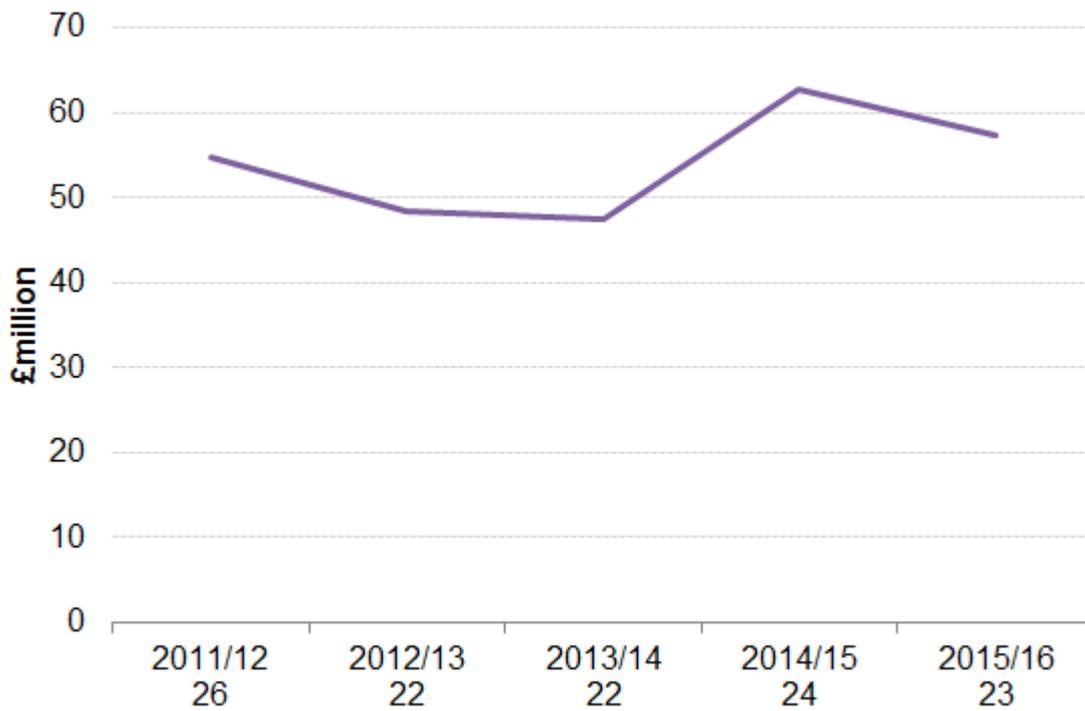
Education is a significant area of council spending and generates a significant proportion of fees and charges income (11% of the total in 2015-16). The sources of this income are explored in more detail within the case study later in this report.

Income from fees and charges for education services increased from £54.7m in 2011-12 to £57.4m in 2015-16 (in real terms, a 5% increase). This was accompanied by annual changes in the number of councils reporting fees and charges income within this service area.

Several councils reported no fees and charges income consistently over the period, reflecting local arrangements, but information from other councils as supplied through the LFRs varied. For example-

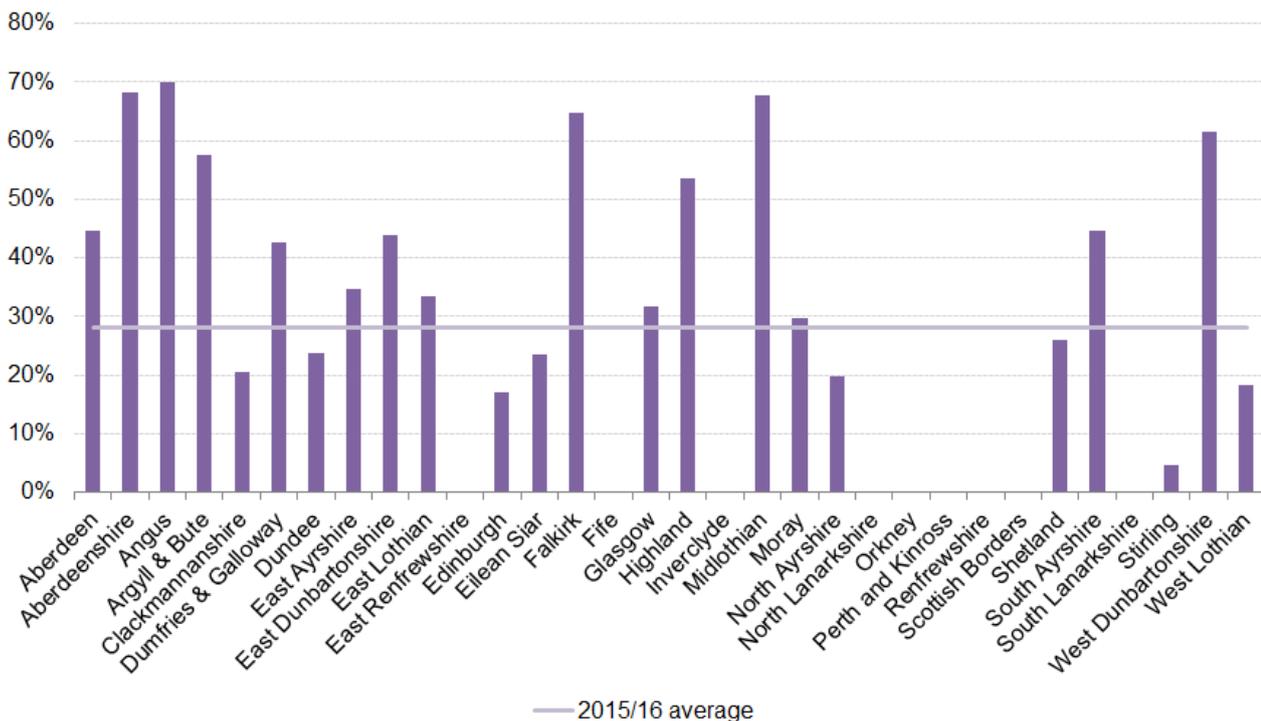
- Seven councils consistently reported zero income from fees and charges across the period.
- 19 councils consistently reported income from fees and charges across the period.
- Six councils reported fees and charges in some but not all years.

Figure 9 - Education services income from fees and charges 2011-12 to 2015-16, Real terms



Between 2014-15 and 2015-16 the proportion of Education service income attributed to fees and charges fell from over 30% to 27.4%.

Figure 10 - Education services income from fees and charges, as a proportion of total Education services income, 2015-16



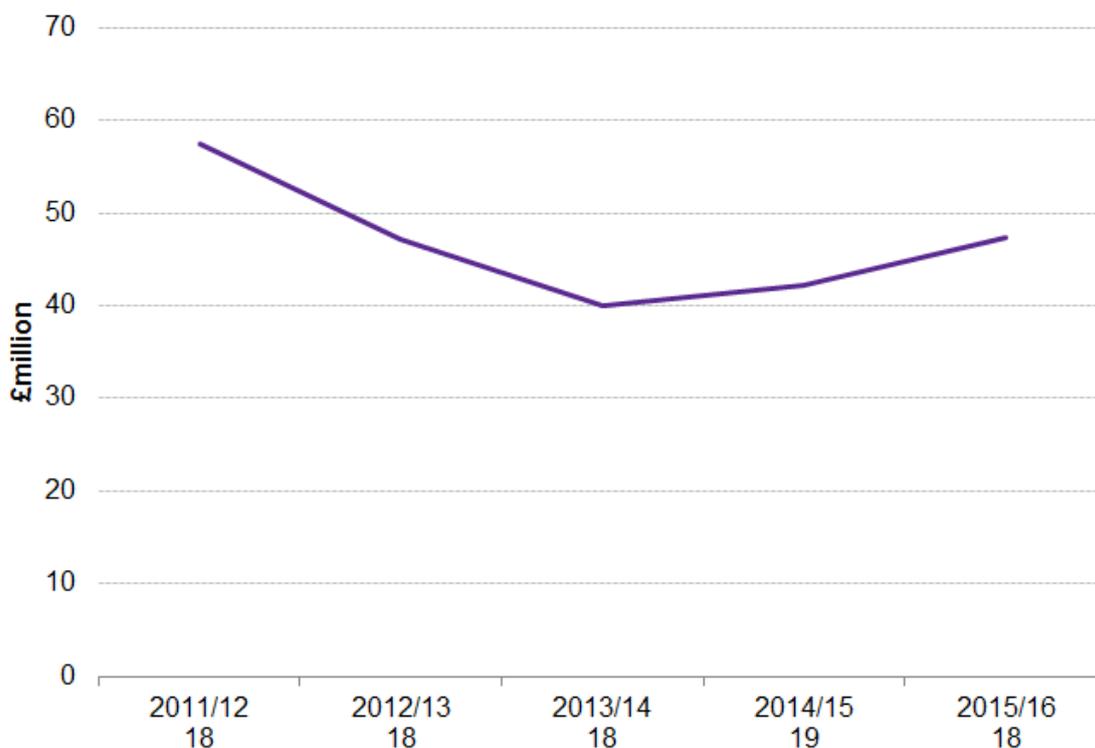
Environmental

Income from fees and charges within Environmental services decreased from £57.5m in 2011-12 to £47.3m in 2015-16 (in real terms, a 17.8% reduction). This was accompanied by annual changes in the number of councils reporting fees and charges income within this service area.

Several councils reported no fees and charges income from Environmental services consistently over the period, reflecting local arrangements, but information from other councils as supplied through the LFRs varied. For example-

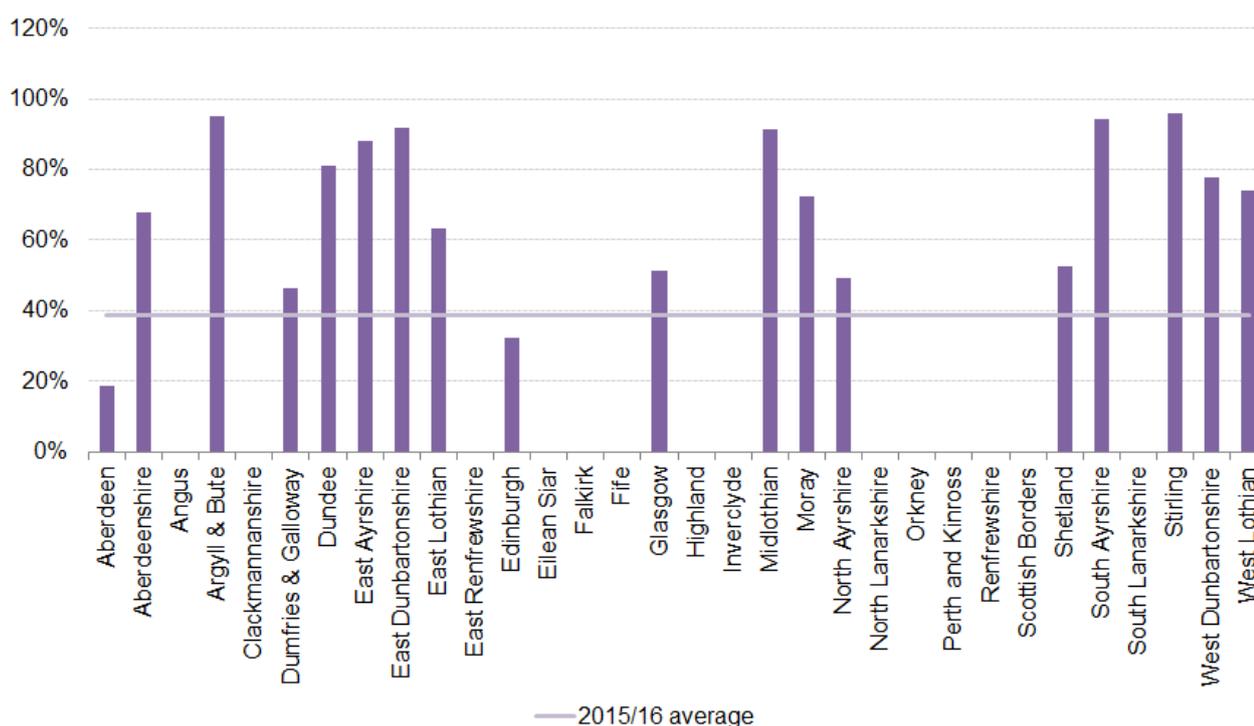
- Seven councils consistently reported zero income from fees and charges across the period.
- 13 councils consistently reported income from fees and charges across the period.
- 12 councils reported fees and charges in some but not all years.

Figure 11 - Environmental services income from fees and charges 2011-12 to 2015-16, Real terms



Between 2014-15 and 2015-16 the proportion of Environmental services income attributed to fees and charges increased from 33.7% to 35.6%.

Figure 12 - Environmental services income from fees and charges, as a proportion of total Environmental services income, 2015-16



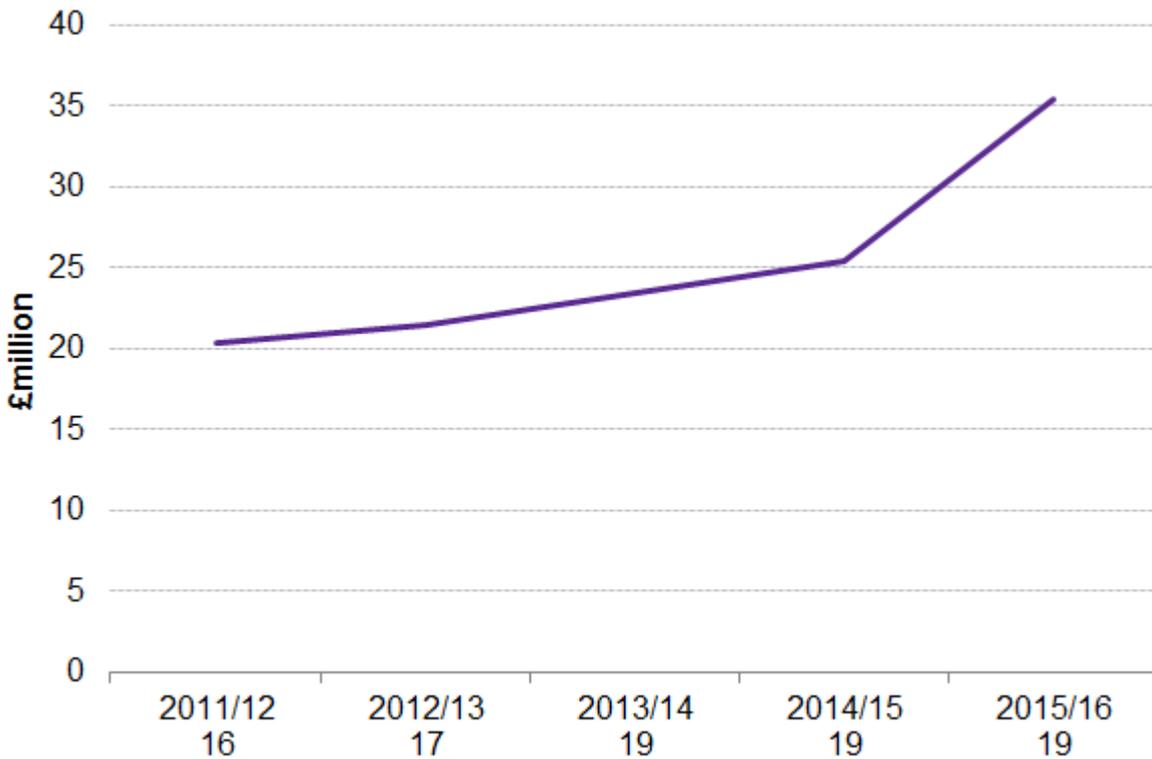
Planning and Development

Planning and Development services income from fees and charges increased from £20.4m in 2011-12 to £35.4m in 2015-16 (in real terms, a 73.9% increase). This was accompanied by annual changes in the number of councils reporting fees and charges income within this service area.

Several councils reported no fees and charges income consistently over the period, reflecting local arrangements, but information from other councils as supplied through the LFRs varied. For example-

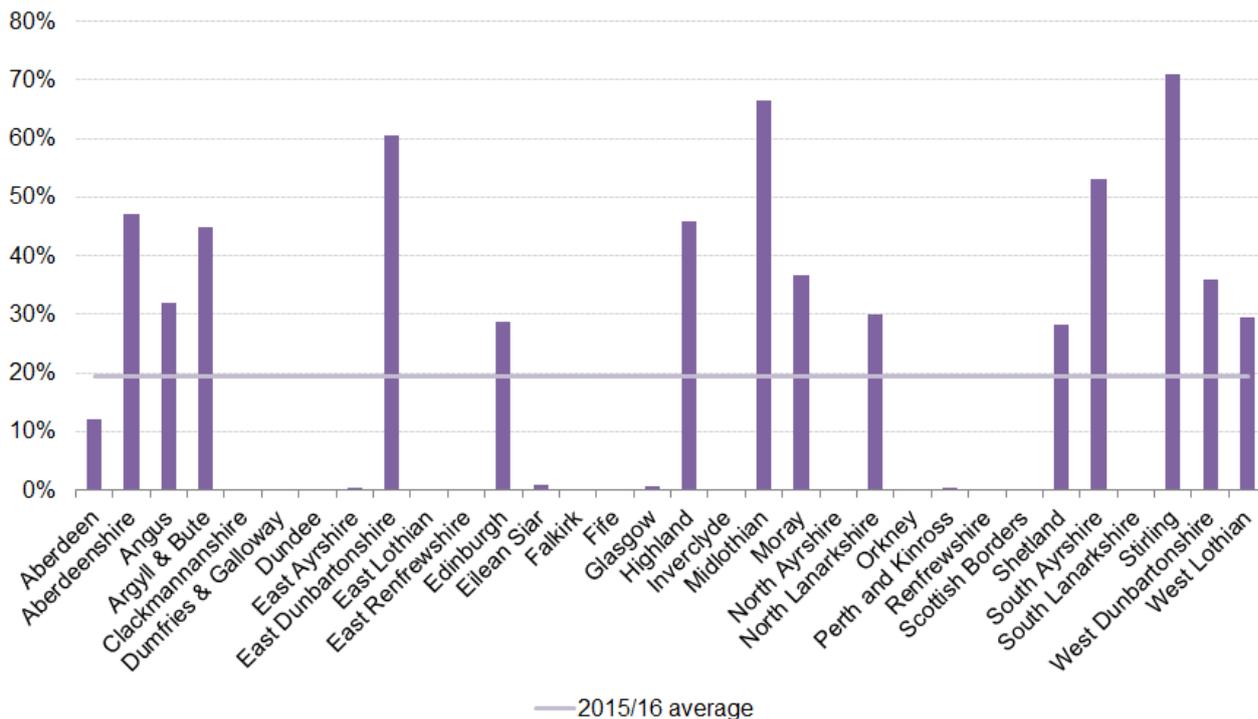
- Seven councils consistently reported zero income from fees and charges across the period.
- 11 councils consistently reported income from fees and charges across the period.
- 14 councils reported fees and charges in some but not all years.

Figure 13 - Planning and Development services income from fees and charges 2011-12 to 2015-16, Real terms



Between 2014-15 and 2015-16, the proportion of planning and development service income attributed to fees and charges increased from 13.7% to 19.5%.

Figure 14 - Planning and Development services income from fees and charges, as a proportion of total Planning and Development services income, 2015-16



Culture and Leisure

Culture and Leisure services is an area of interest when analysing the income that councils raise from charges to service users due to the nature of the services provided. However, this is also one of the areas where councils have most prominently set up ALEOs, and figures will be heavily influenced by this.

The impact on how this affects councils' reporting income will include the services that are provided by the ALEO (leisure, culture or both), the structure of the ALEO, and it's relationship to the council and the accounting treatment related to this.

Income from fees and charges for Culture and Leisure services decreased by £12.1m over the period, from £42.6m in 2011-12 to £30.5m in 2015-16 (in real terms, a 28.4% decrease).

Several councils reported no fees and charges income consistently over the period, reflecting local arrangements, but information from other councils as supplied through the LFRs varied. For example-

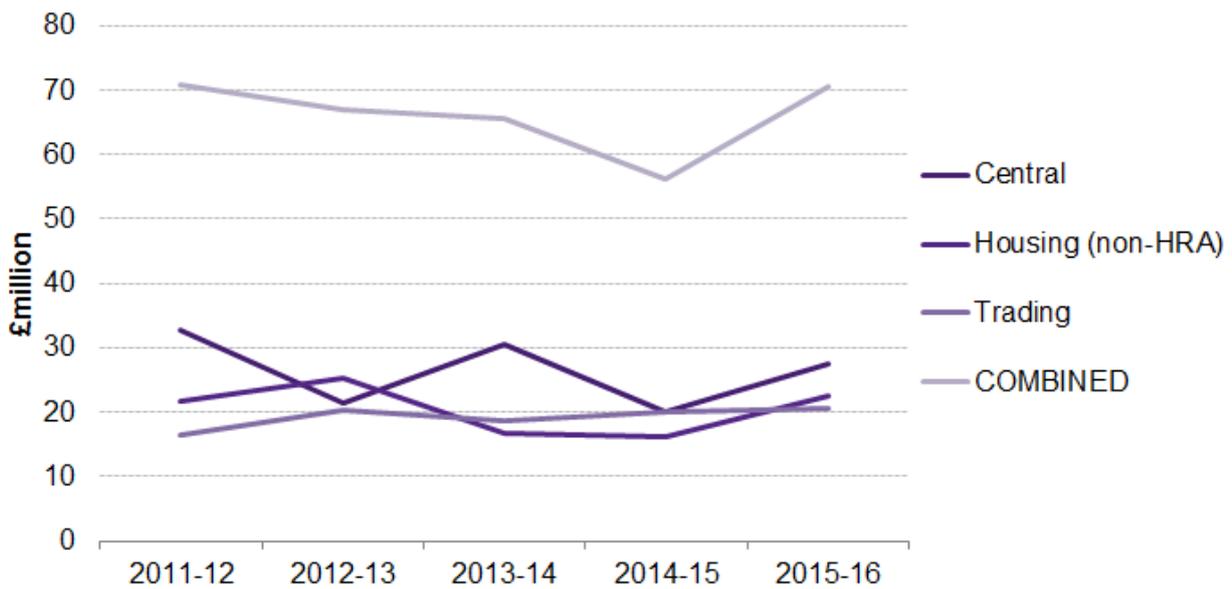
- Four councils did not report any leisure fees and charges income from 2011-12 to 2015-16, which may indicate services are supplied by a leisure ALEO and recorded within council accounts as a transfer between the two bodies rather than as income derived from service users.
- 18 councils reported income from fees and charges every year in the period suggesting that all fees income from a leisure ALEO is recorded or that there are services the council supplies directly (i.e. not transferred to an ALEO).
- 10 councils did not consistently report income in every year suggesting that they will either be recording this income within different categories or, where income has not been recorded in 2015-16, new arrangements may have been introduced.

Central, Trading and General Fund Housing

The remaining areas of General Fund services that generate income from fees and charges to service users account for a relatively small proportion of all fees and charges income. For example in 2015-16, combined, they made up 13% of all fees and charges income (an increase from 12.4% in 2011-12).

Combined, however, they represent a large number of services provided by councils directly to the public, including for example statutory repairs to privately owned buildings.

Figure 17 – Income from fees and charges for Central, Trading and General Fund Housing services 2011-12 to 2015-16, Real terms



Case studies

Introduction

As explained in the [methodology section](#) of this briefing, the data on Education and Social Work services is detailed enough to allow for some further analysis at a sub-category level. It is still the case, however, that reporting differences and the use of third or private sector social care providers will have an effect on this data - it cannot be said to reflect the true impact on service users.

Education and Social Work are the two biggest areas of local government spending, and the areas which have the most service users. In recent years, funding for these two service areas has been protected within the Scottish Government's funding for local authorities to some extent, through commitments to, for instance, maintain pupil:teacher ratios and fund the living wage for social care practitioners.

CoSLA, in its submission to the Local Government and Communities Committee on pre-budget scrutiny 2018-19, explains that 58% of the local government budget is now ringfenced, meaning that any cuts of local government budgets must come from the remaining 42%. It surmises that an 8% cut in local government spending would effectively result in a 20% cut on unprotected core services, before the pressures of inflation and demand are taken into account.

CoSLA noted the increased use of fees and charges, but argued that-

“ Local authorities can't price citizens out of services that deliver social inclusion, health and well-being, early intervention and prevention, when setting charges. For example, when setting charges for access to leisure and cultural facilities. ”

CoSLA, 2017¹¹

Methodology

Data for local authorities who did not report any service income in any year (for instance because ALEOs were providing services) has been removed, so the number of local authorities with data in each category is noted in brackets on charts where relevant. It is possible that ALEOs, or private or third-sector partners, are used to deliver some, but not all, services in some areas - data has not been adjusted to remove these instances. Local authorities which present more than a 100% change (unless otherwise stated) between 2011-12 and 2015-16 have been removed.

It's important to note that income has not been explored on a per-capita basis, nor has the population make-up of individual local authorities been taken into account. It is possible that demographic changes, such as increasing and declining populations, and ageing populations, may have had an impact on income, but an analysis at this level has not been included in this briefing.

Social Care

The joint SPICe briefing with the Universities of Glasgow and Heriot Watt, The social impact of the 2016-17 local government budget ⁹, explores, with the use of a social impact tool, the spending and saving choices made by local authorities in the context of the impact on different social groups. SPICe have chosen to include detail on this classification approach in this briefing in the interest of linking to this work.

The social impact tool classifies council services into six categories on a scale between "Pro-Rich" and "Very Pro-Poor". "Pro-Rich" implies the service is used disproportionately more by more affluent households but does not mean that it is only used by more affluent households. Further information on the classification and its development can be found in the joint briefing ⁹.

Social work services in the context of the social impact tool classification, range from "Pro-Poor" to "Very Pro-Poor", which suggests that the impact of charges within this service area may fall on those that can least afford it.

Changes to social care income by category

Figure 18 - Income from charges for Social Care services by category, 2011-12 to 2015-16, % change, Real terms

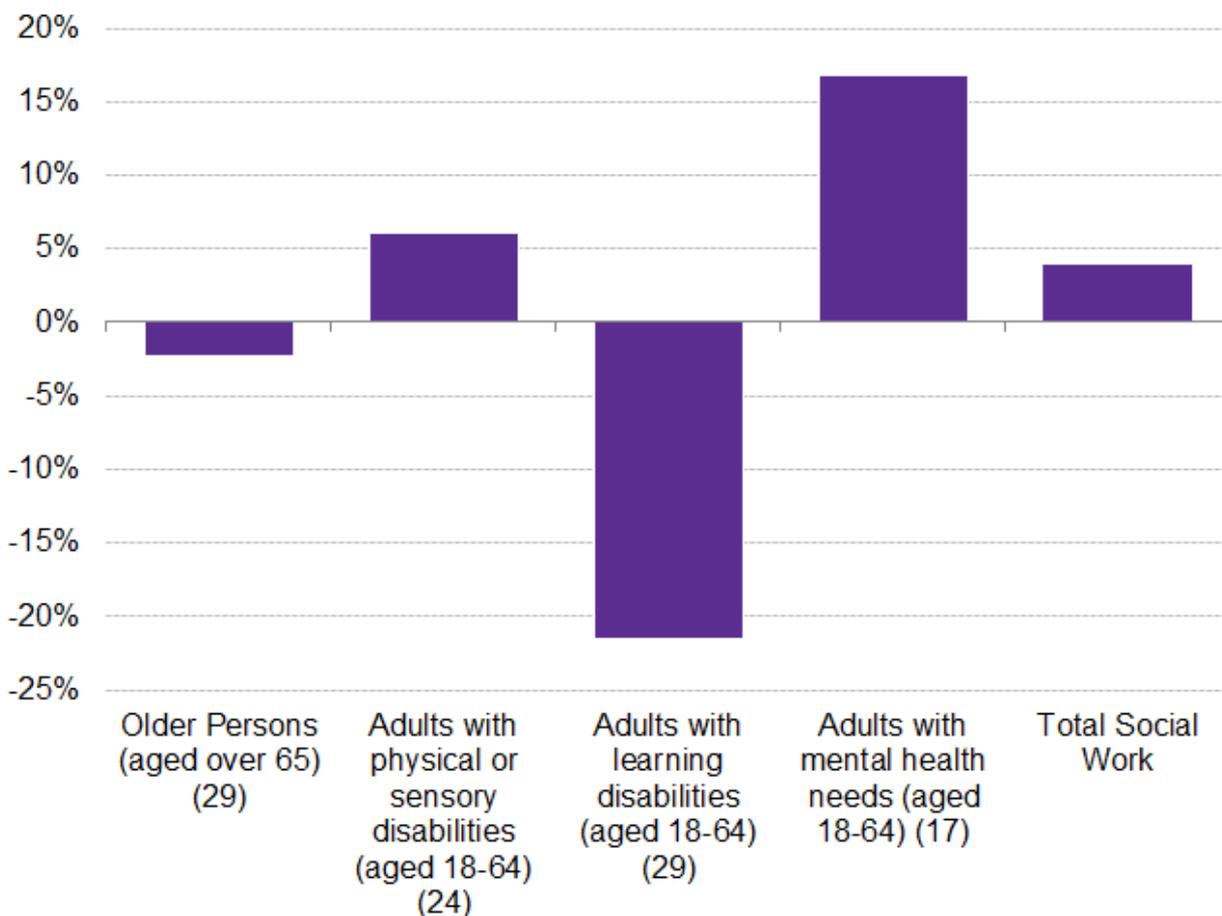


Figure 18 shows the changes to the total income from charges to service users, by service category. Because only nine local authorities consistently reported income from Children and Family services and Other Adult services, these categories have not been included.

It's important to note that it's not possible to see from this data whether increased income results from increased charges, or from increased service use through, for instance, demographic changes or greater demand for services.

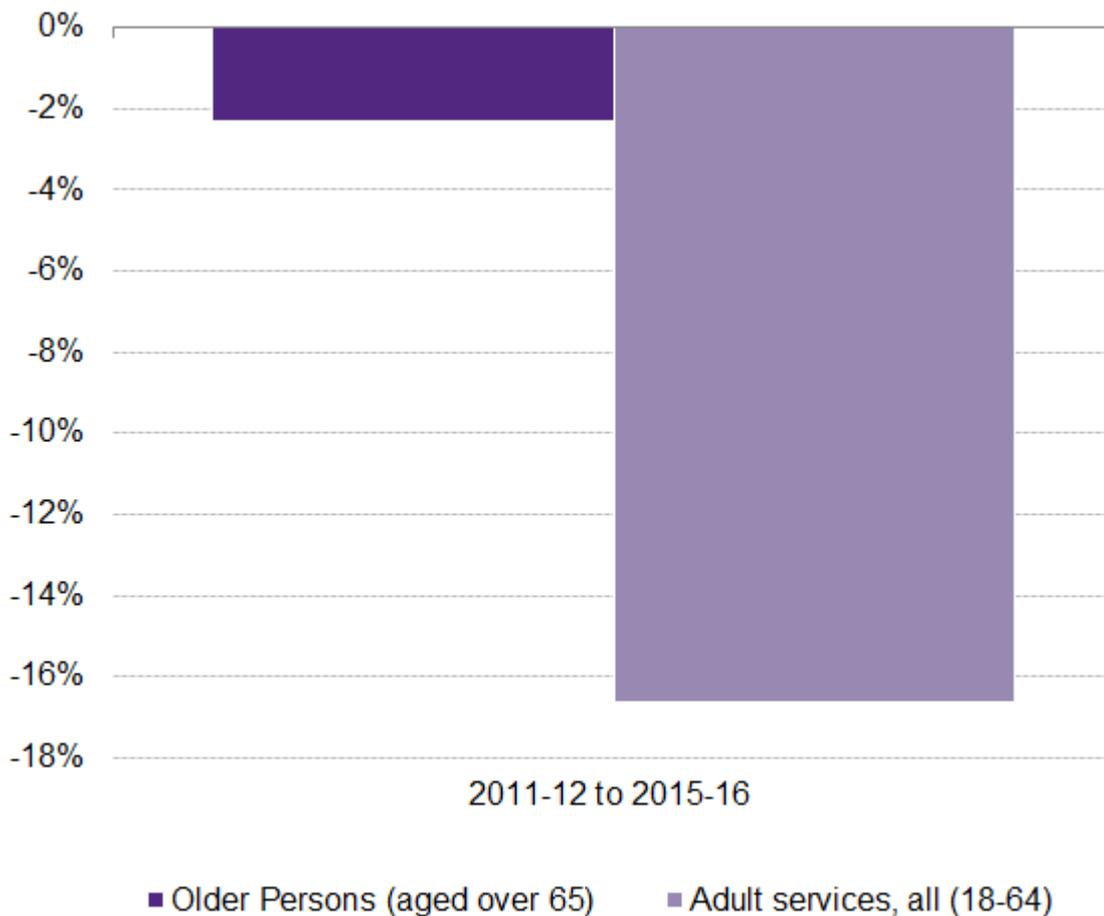
The trends suggest that, whilst income from charges in Social Care services overall has only risen by 4%, income from charges for services for Adults with Physical or Sensory Disabilities and Adults with Mental Health Needs has increased at a higher rate. Income from charges for the Older Persons and Adults with Learning Disabilities service categories show a reduction in income, with falls of 2% and 22% respectively.

By far the greatest increase in income from fees and charges has been for Adults with Mental Health Needs, at 17%, though it should be noted that this reflects data from only 17 local authorities as the instances of nil-returns and outliers in this areas is high.

Changes to social care income by age

Due to the inconsistencies in data, another way to view this is to combine all adult services (with the exception of 'Adults with Other Needs') into a single category. Figures for Adult Services in the 18-64 bracket represent the combined figures used in Figure 18, with nil-returns and outliers removed.

Figure 19 - Income from charges for Social Care services by age, 2011-12 to 2015-16, % change, Real terms



This shows that between 2011-12 to 2015-16, income from charges to service users fell all round. There was, however, a much smaller fall in the Older Persons category (2%) than for all Adult Services (less 'Other'), which fell by 17%. In both cases, decreases in income could be down to changes in service provision and/or demand arising from demographic changes.

We can break the overall income level down further to look at the income from charges made by different local authorities.

Figure 20 - Individual councils' income from Social Care by age, 2011-12 to 2015-16, % change, Real terms



Looking at individual councils, once councils with nil-returns and outliers (greater than a 60% change) are removed, it's possible to compare the income from charges to service users for 16 local authorities. This presents a mixed picture, though it can be said that most local authorities have seen changes to income in one specific area or the other.

Education

Education is the largest area of local government spending ², and the third largest area in terms of the amount of income generated by fees and charges for services. The Scottish Government's policies relating to early learning hours, maintaining pupil:teacher ratios and free school meals mean that a large portion of local government spending is pre-allocated to Education services. Teachers' pay is agreed at a national level by the Scottish Negotiating Committee for Teachers (of which local government representatives form a part), which further constrains spending decisions at a local level

The social impact tool used in the briefing *The social impact of the 2016-17 local government budget* ⁹ classifies Pre-primary Education as being "Neutral", Secondary Education as "Neutral-Poor", and both Primary and Special Education as being "Pro-Poor".

In its Draft Budget 2015-16, the Scottish Government committed to free school meals for all P1 to P3 children worth around £330 for each of around 170,000 children ¹².

Updating this in its Draft Budget 2017-18, the Scottish Government set out that, in the context of delivering its Pupil Equity Fund, as of 2017-18-

“ Schools will be allocated around £1,200 for each pupil from P1-S3 known to be eligible for free school meals. ”

Scottish Government, 2016¹³

The Pupil Equity Fund is intended for schools to use to address the socio-economic gap in attainment. It largely benefits pupils that happen to qualify for free school meals on low income grounds, however the focus is not on school meals themselves. Funding for the Pupil Equity Fund is included in the local government settlement, however, money is allocated to individual schools to be utilised at the discretion of headteachers in addition to the resources already available to them ¹³ .

Changes to Education services income by category

Figure 21 - Income from charges for Education Services 2011-12 to 2015-16, % change, Real terms

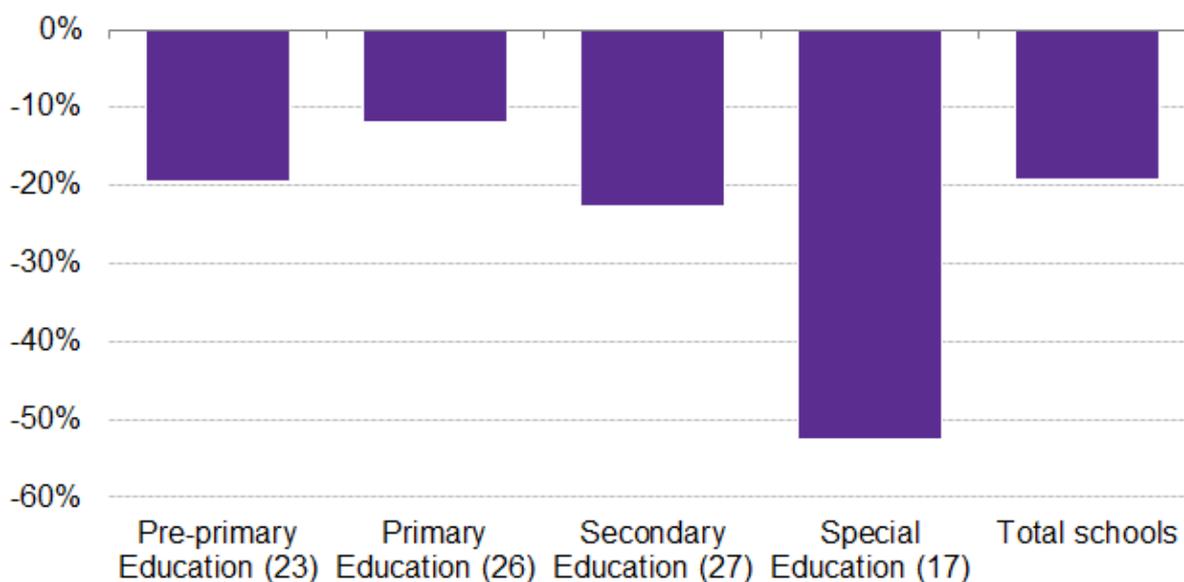


Figure 21 shows that, once nil-returns and outliers are removed, total income from charges for Education Services reduced by 19% between 2011-12 and 2015-16. Income from charges within all categories fell, with the greatest reduction being in Special Education at 53%. Of the 17 local authorities included in these figures, only five saw increased income from charges. The smallest reduction in income was in charges from Primary Education services, at 12%.

As discussed in the [methodology section](#), the reasons for changes could vary. It should be noted that these figures demonstrate a reduction in income, not a reduction in actual charges - it is possible that income in this area as a whole has reduced because the offerings of Education Services which local authorities charge for, such as extra-curricular activities and excursions, are reducing.

Changes to School Meals income

Figure 22 - Income from School Meals, 2011-12 to 2015-16, % change, Real terms

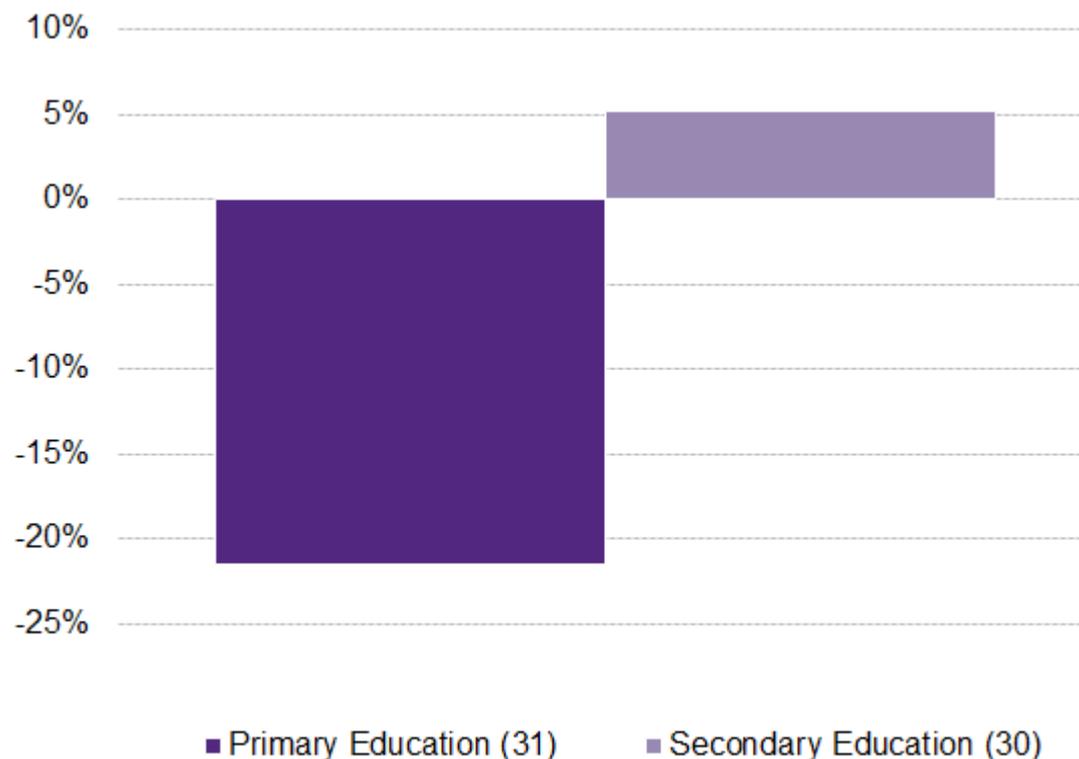


Figure 22 shows the change in the comparative income from charges for School Meals within Primary and Secondary Education from 2011-12 to 2015-16. Nil-returns and outliers greater than a 50% change have been removed.

As might be expected in the context of policy, income from charges at a Primary level decreased by 21% between 2011-12 and 2015-16. Data shows that this change can be attributed to a fall at the same percentage between 2014-15 and 2015-16 - the point at which the Scottish Government's commitment to provide free school meals to 170,000 eligible children was introduced. In contrast, income from charges for school meals at the Secondary level increased by 5% between 2011-12 and 2015-16.

Figure 23 - Income from School Meals, by year, % change, Real terms

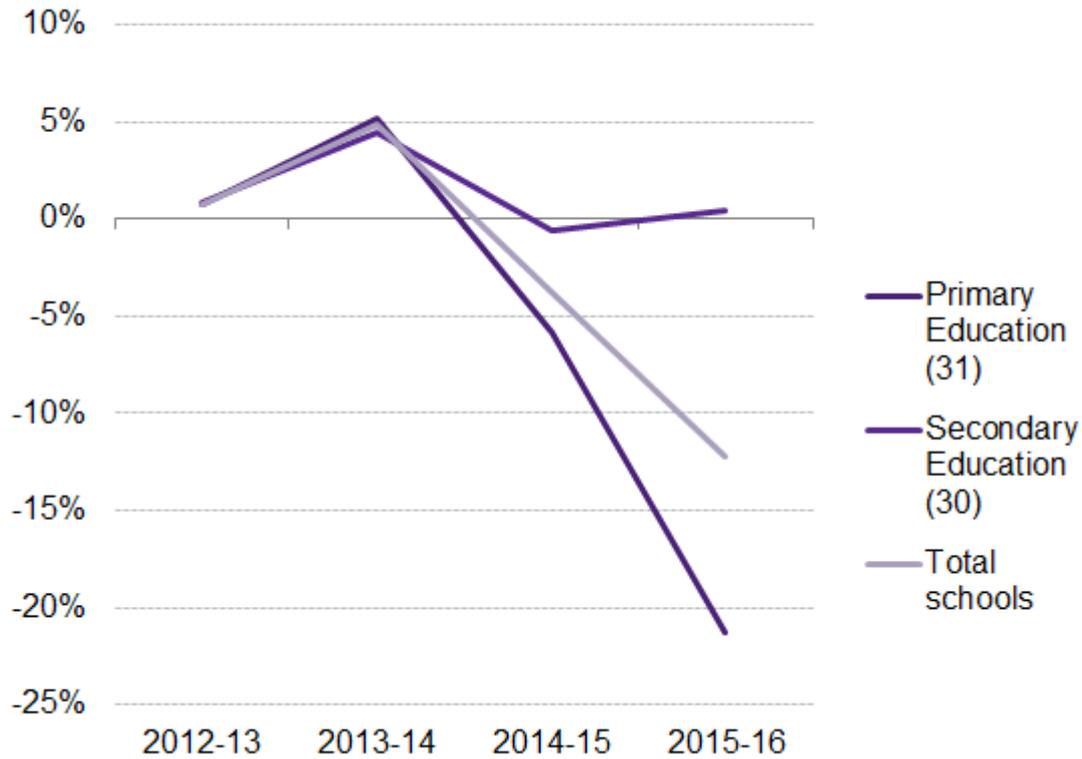
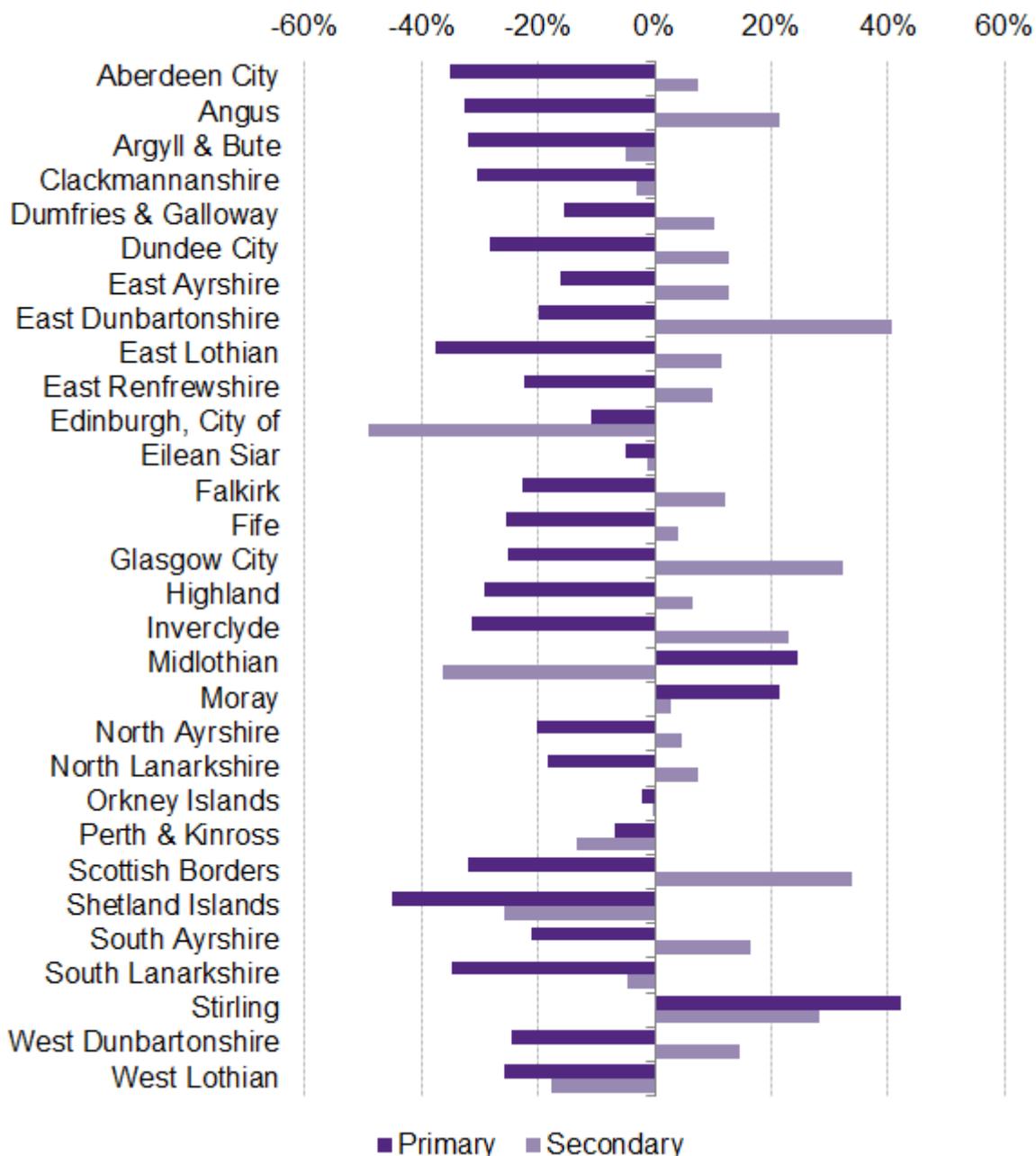


Figure 23 shows that, in the years 2011-12 to 2013-14, changes to School Meal income in Primary and Secondary Education followed a similar trend, before diverging slightly, then more widely between 2014-15 and 2015-16. This supports the suggestion that recent policy changes have had a marked impact on income.

As with Social Care, the trend can be broken down to a local authority level.

Figure 24 - Individual councils' income from School Meals, % change, Real terms



Looking at individual councils, once councils with nil-returns and outliers (greater than a 50% change) are removed, it's possible to compare the income from charges for School Meals for 30 local authorities.

Figure 24 shows that the real terms income from School Meals received by local authorities for Primary Schools has relatively consistently fallen, though it has increased in three council areas. By contrast, 20 out of 30 local authorities saw an increase in income from Secondary School Meals. This suggests that policy commitments relating to free school meals at the Primary level may have led to some local authorities charging more for Secondary School meals, however it's important to note that this analysis does not take into account any demographic changes which may have caused changes to demand levels.

Future Work

Local financial Return figures for 2016-17 are due to be published in February 2018, which may offer an opportunity to update this work. Further analysis of the trends within the case study areas of Social Care and Education services may help to gain a better understanding of the impact of central government policy on these key areas of spending, for instance the expansion of free school meal provision.

The Accounts Commission will publish their next wider local government overview (rather than their financial overview) in April 2018. This will provide an opportunity for initial analysis of councils' income from fees and charges in 2016-17. The Accounts Commission also expects to publish an audit of the use of ALEOs in early-2018, which may help to build a clearer picture of where fees and charges may be impacted by the presence of ALEOs.

SPICe intend to update its "Local Government: facts and figures" series in the first half of 2018, which is likely to provide an update in this area of interest.

SPICe and Audit Scotland intend to continue working collaboratively in this area, analyzing the 2016-17 LFR data when it becomes available and will look to work with colleagues in the Scottish Government to look in more detail at the variations of reported fees and charges income within individual councils to inform any future work in this area.

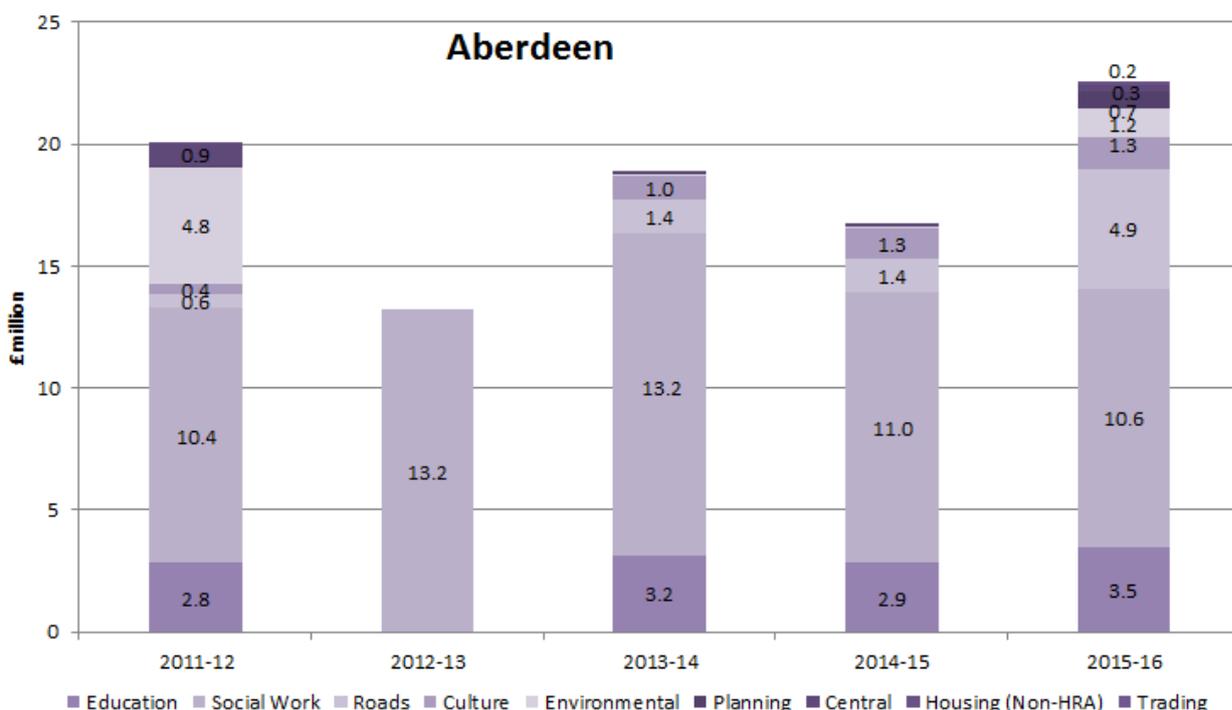
Annexe

The following charts detail, for each council, the total income they have recorded from fees and charges from 2011-12 to 2015-16 (at 2015-16 prices) and which services have contributed to this. Note that the vertical axis scale varies between the different charts.

SPICe are able to provide figures and source data for these charts on request.

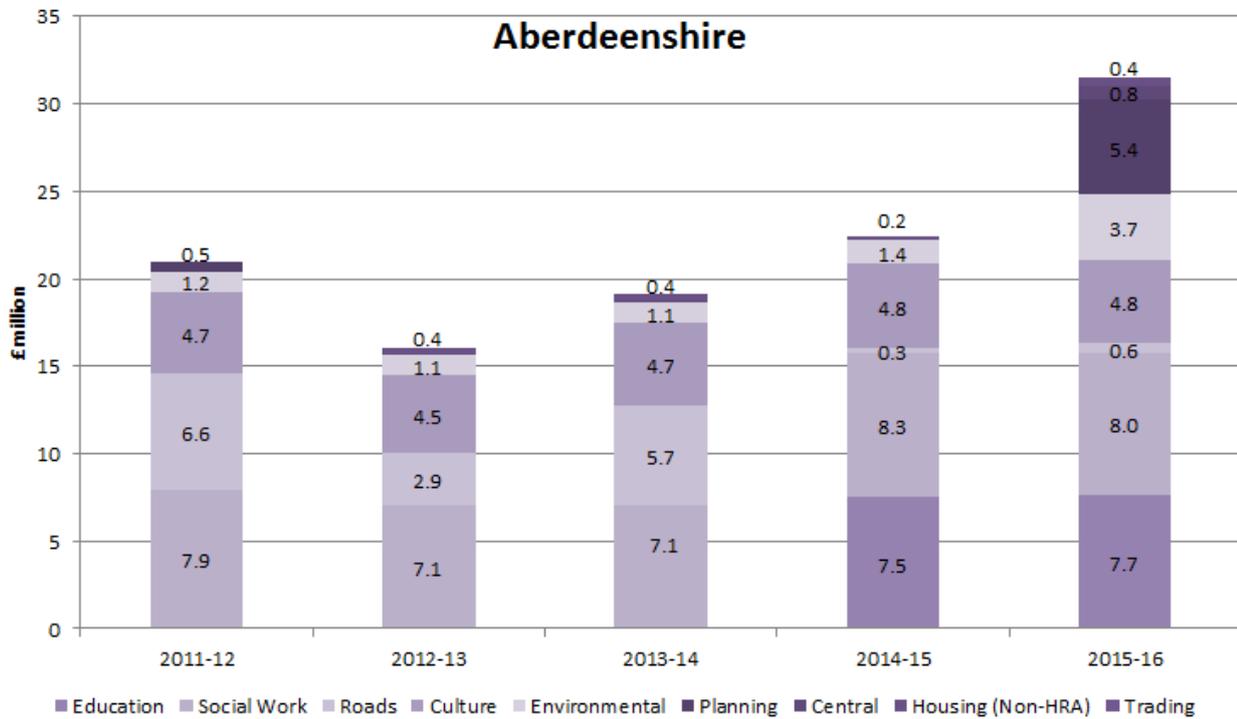
Aberdeen City

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



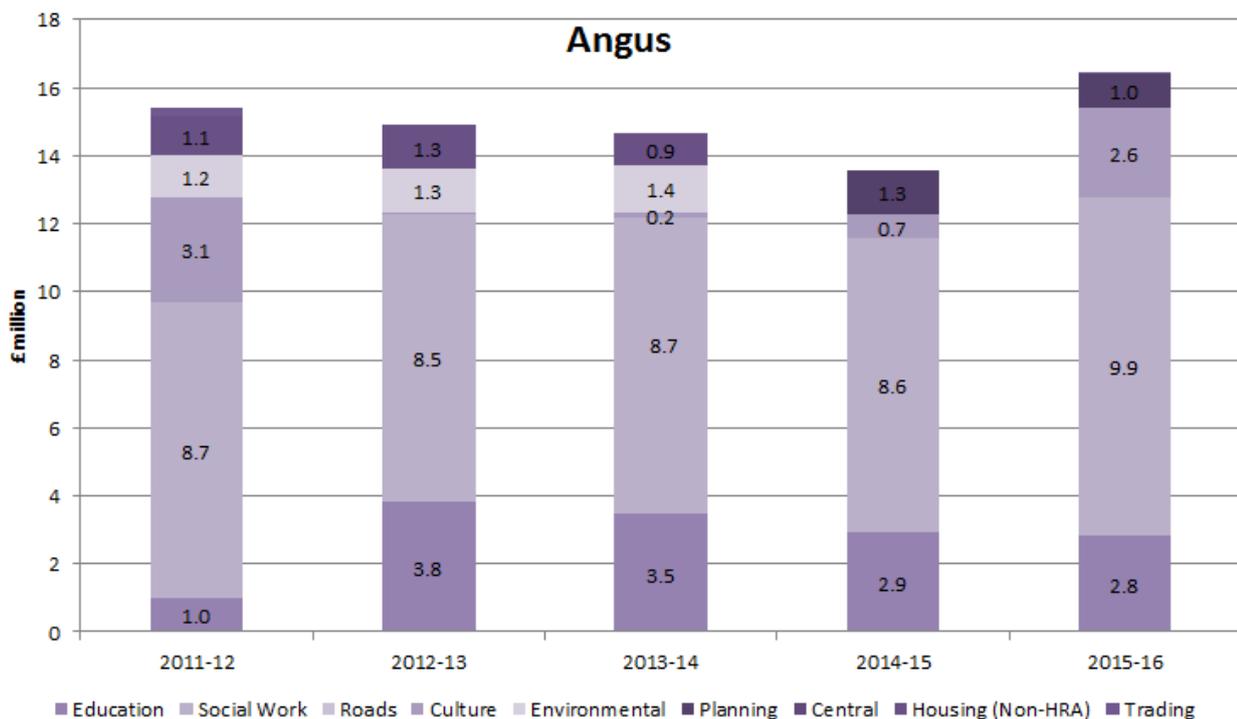
Aberdeenshire

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



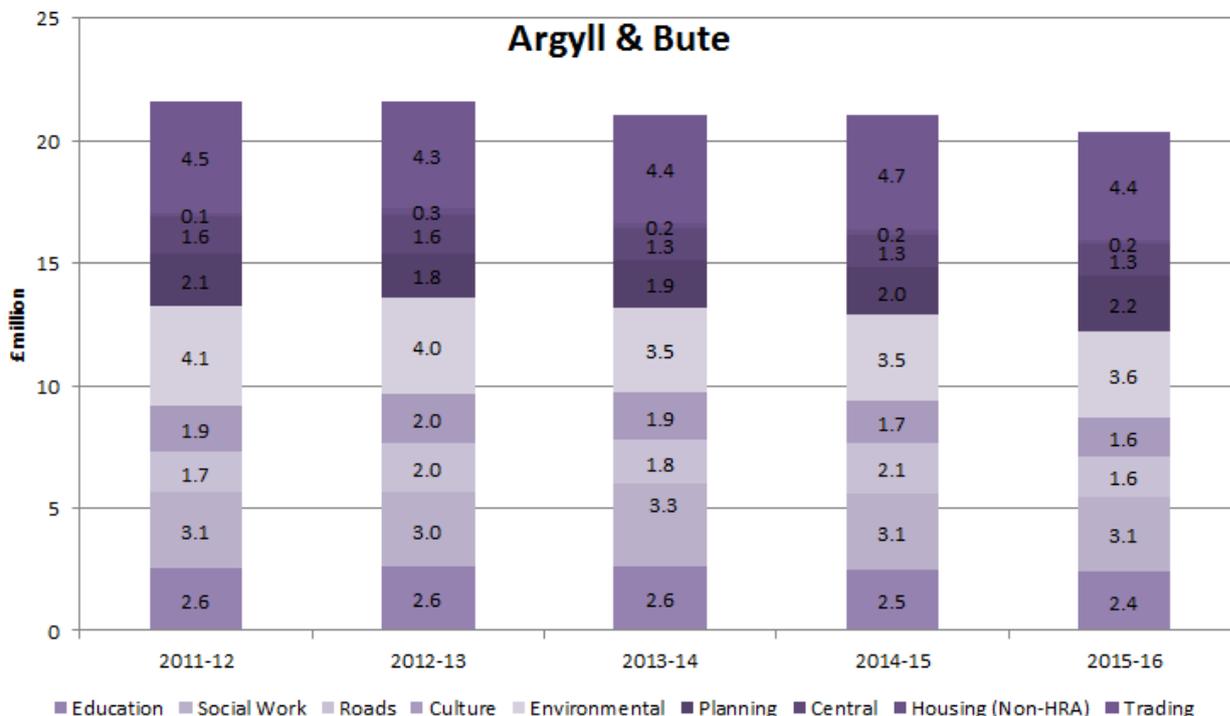
Angus

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



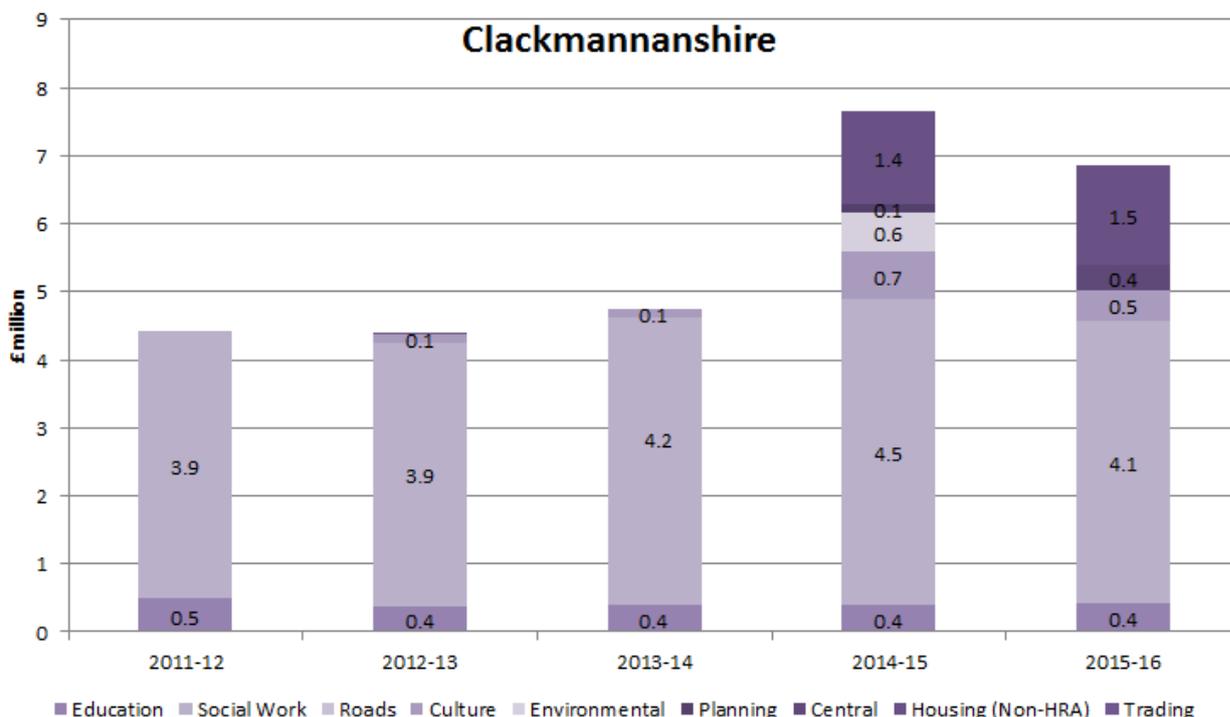
Argyll and Bute

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



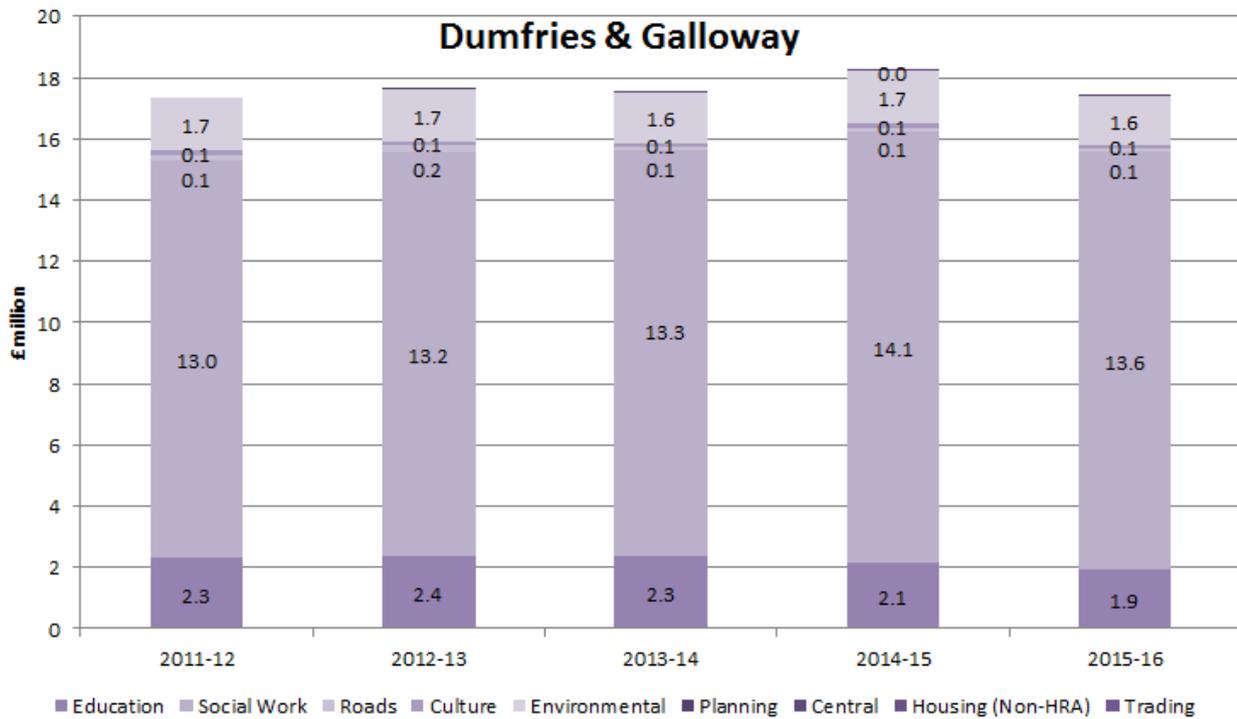
Clackmannanshire

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



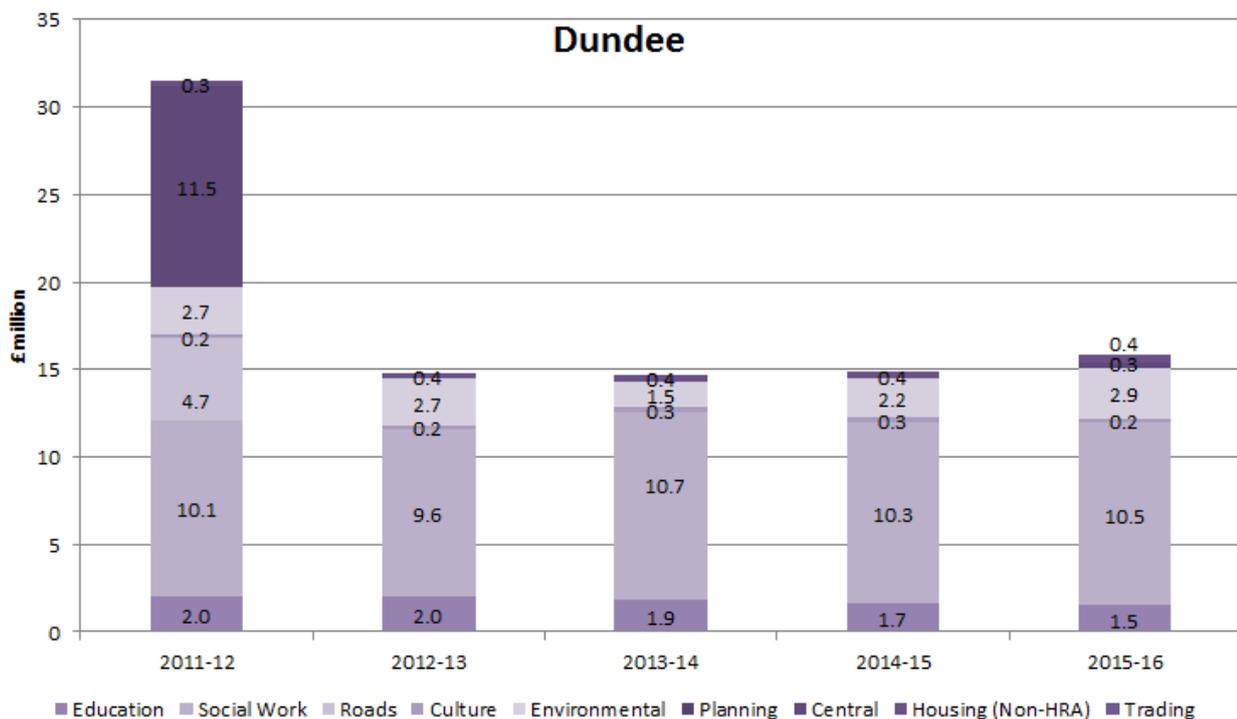
Dumfries and Galloway

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



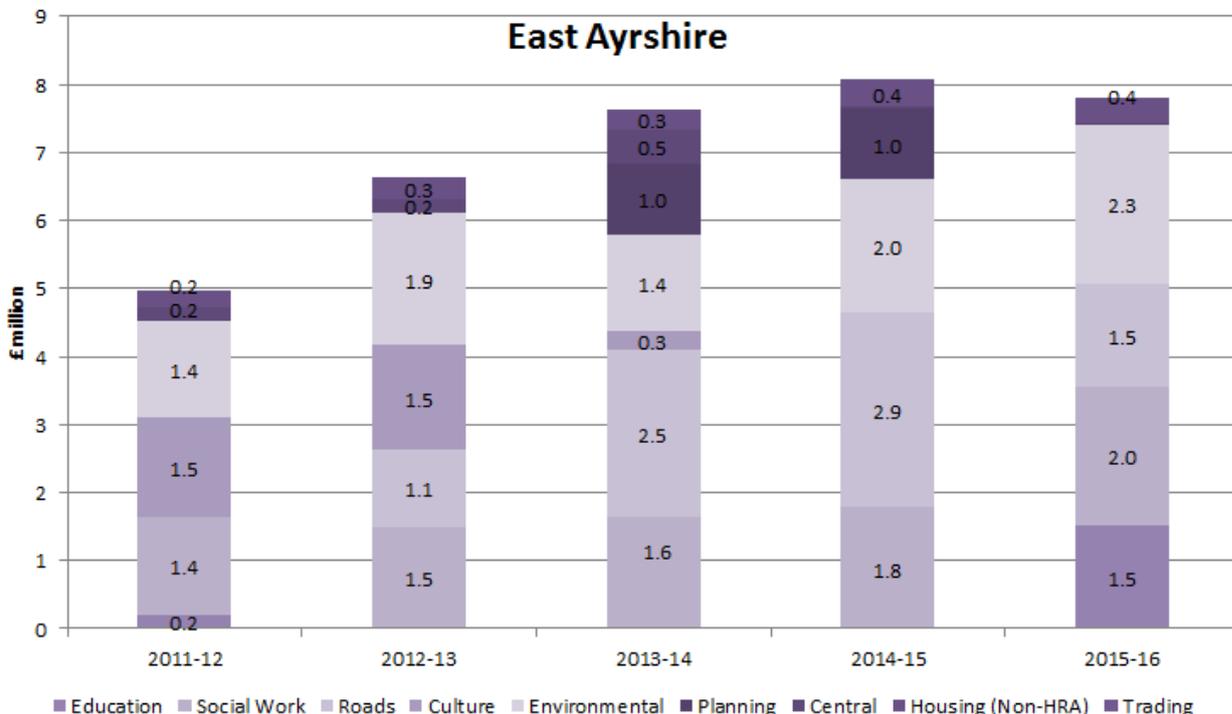
Dundee

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



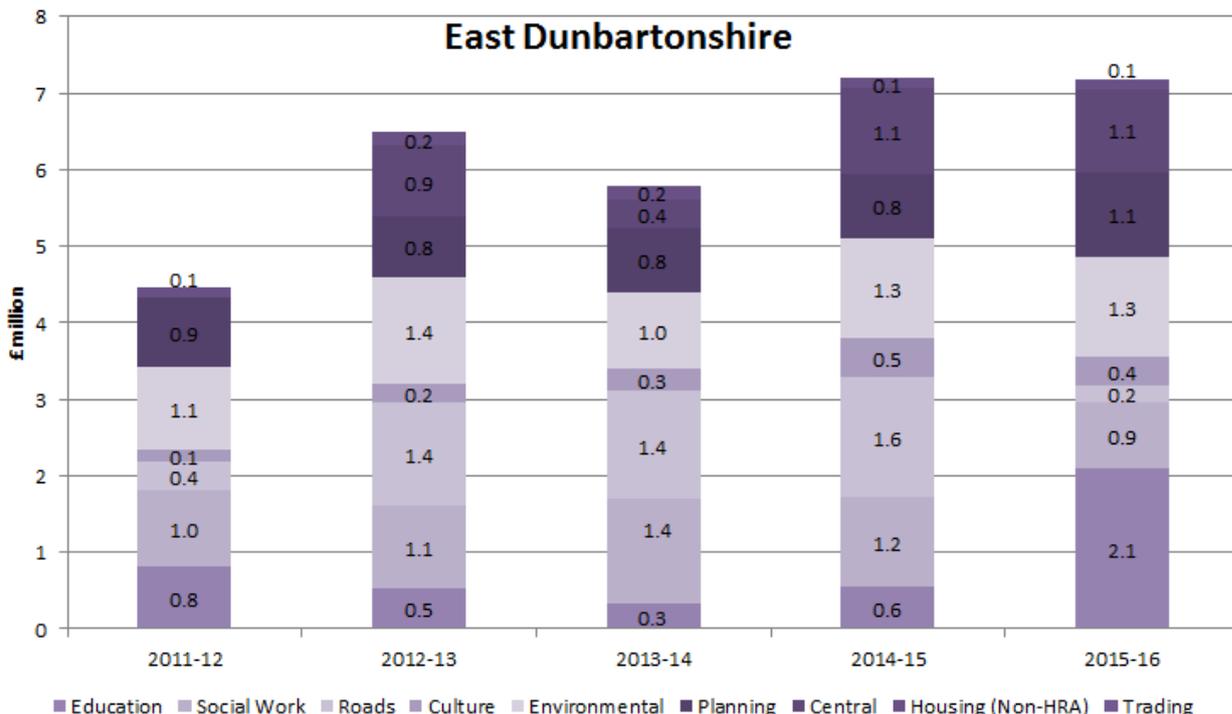
East Ayrshire

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



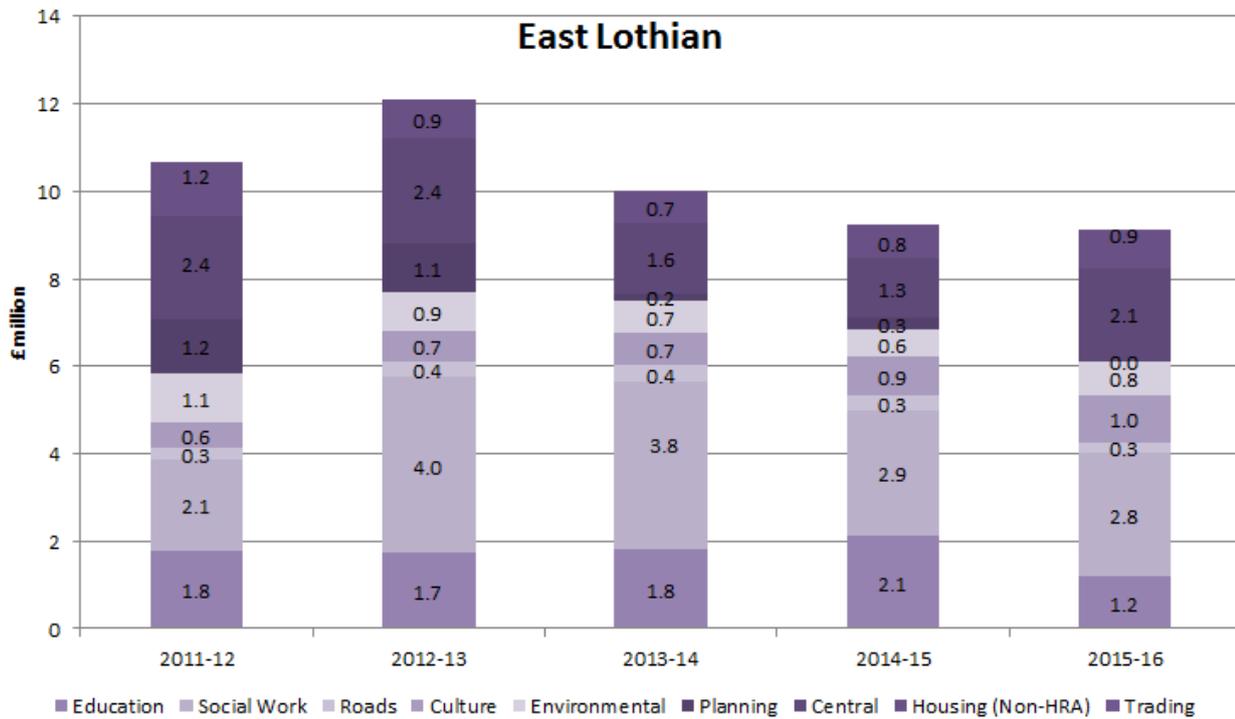
East Dunbartonshire

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



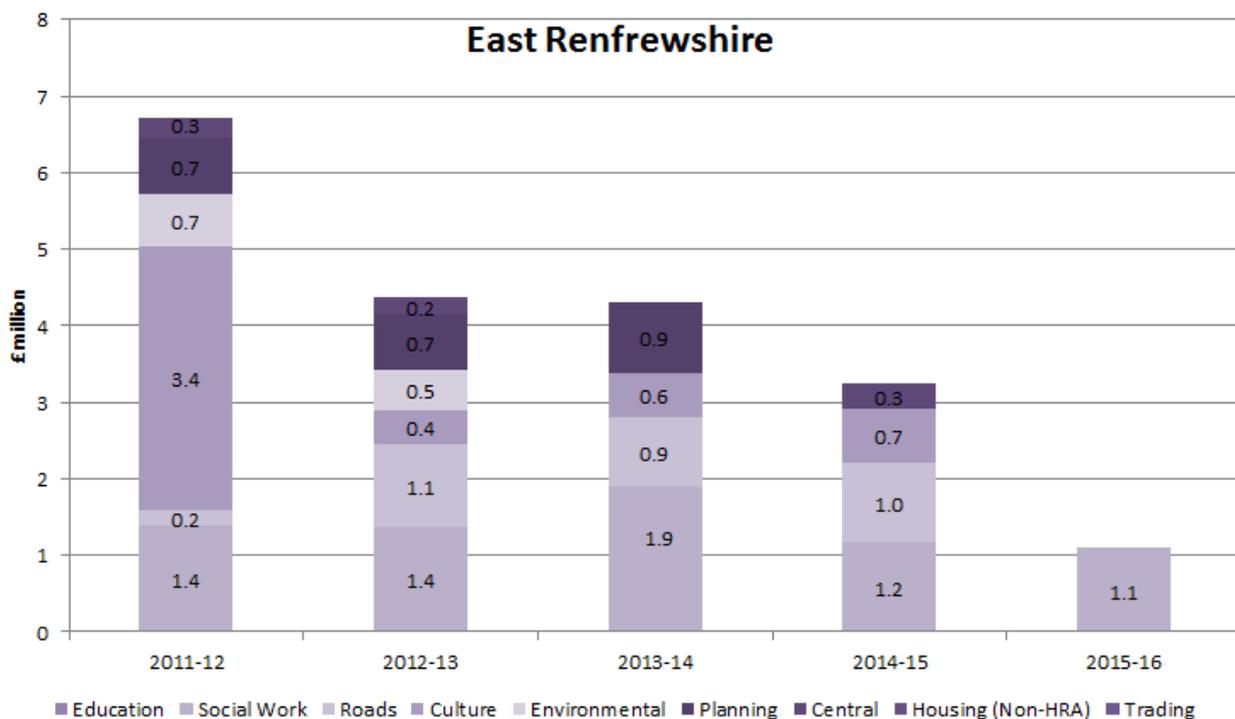
East Lothian

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



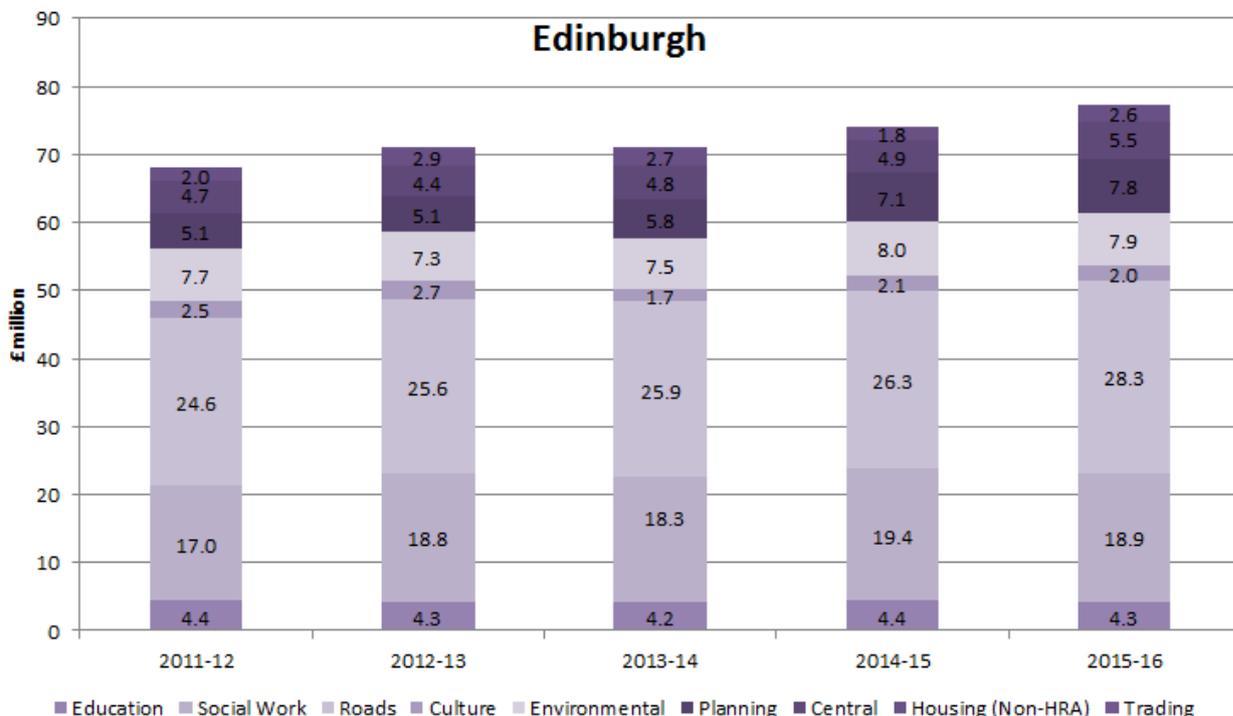
East Renfrewshire

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



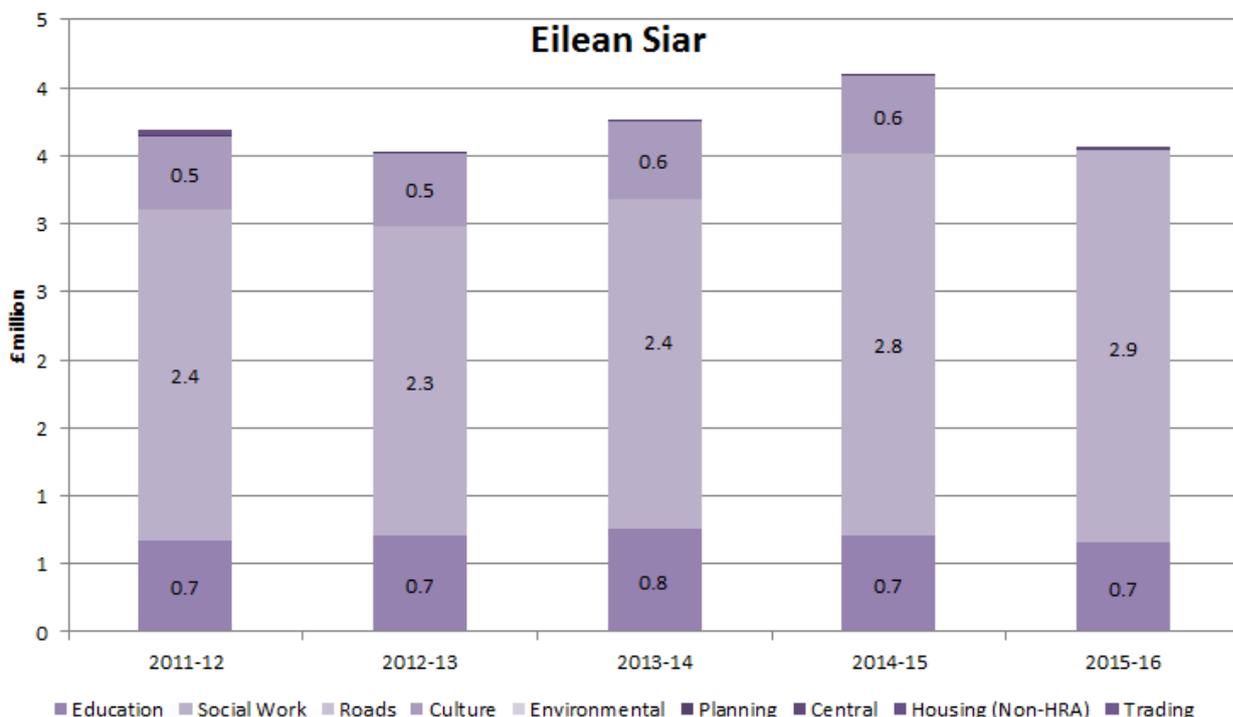
City of Edinburgh

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



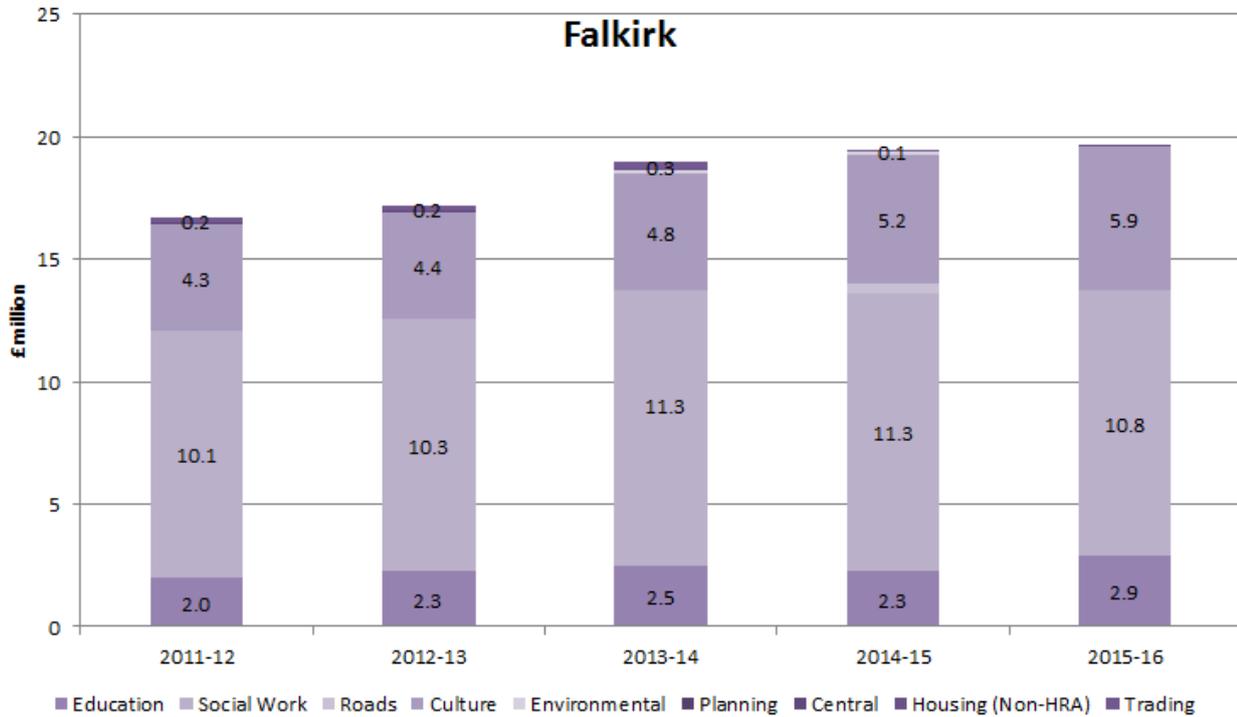
Eilean Siar

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



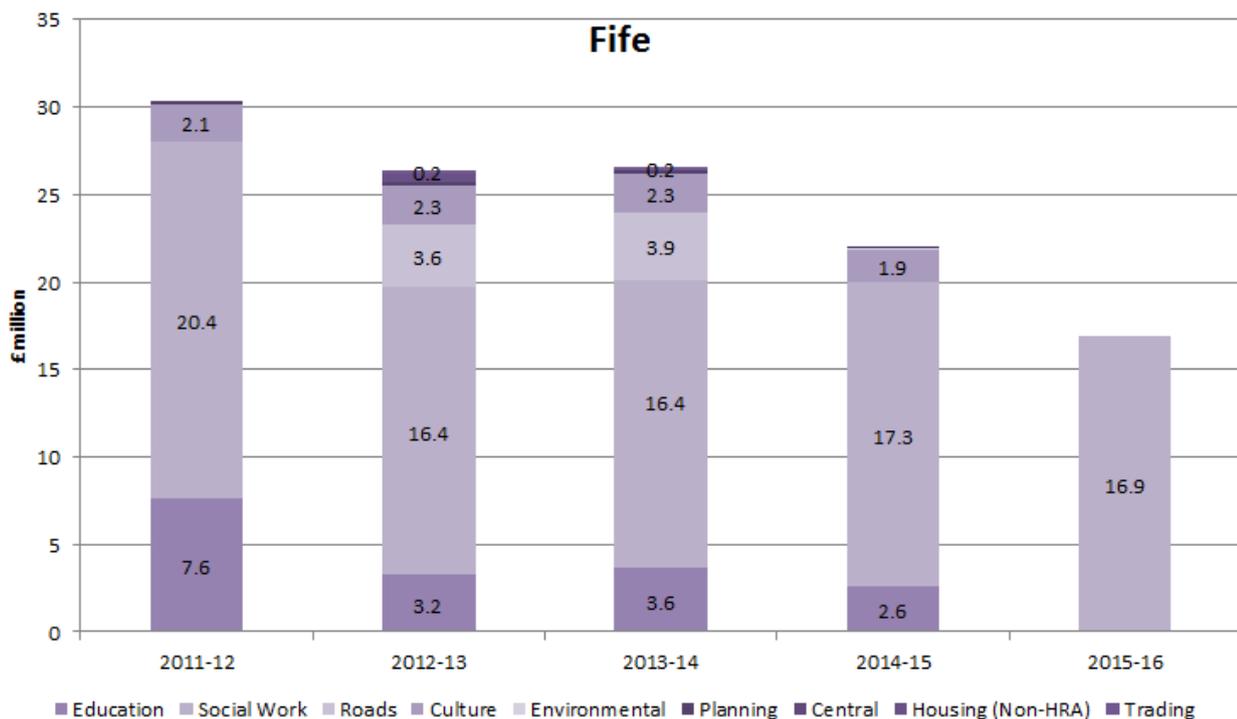
Falkirk

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



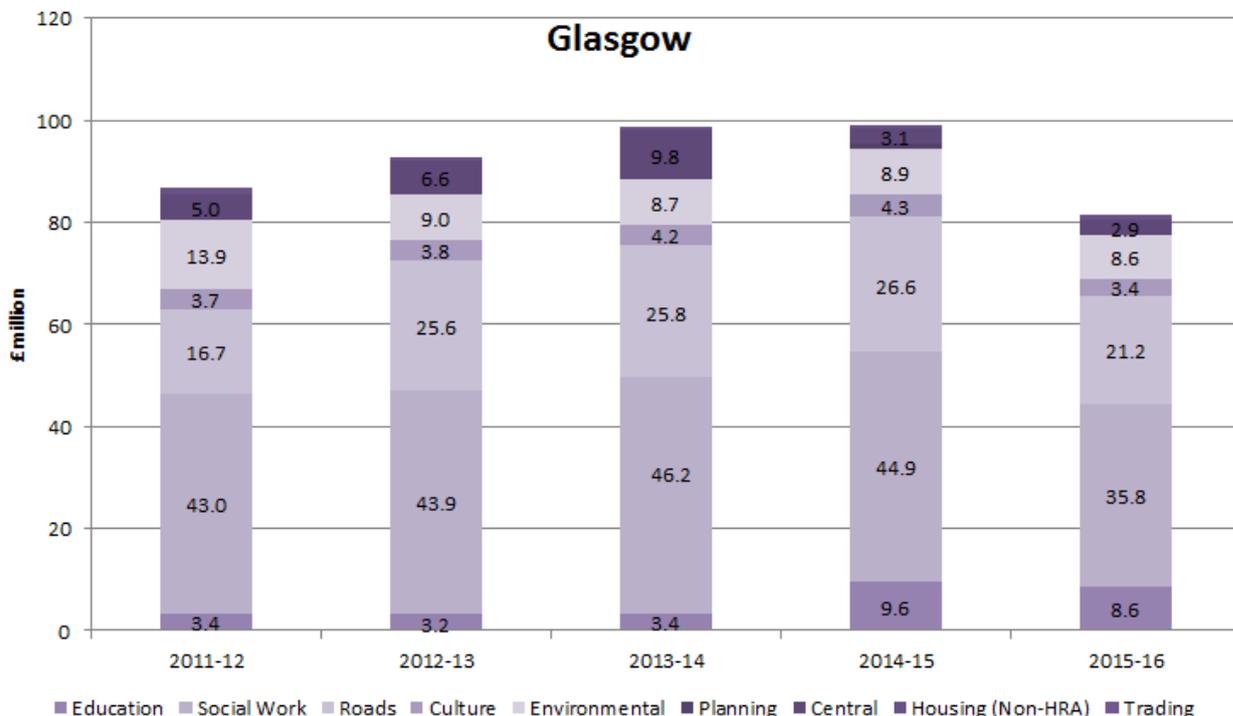
Fife

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



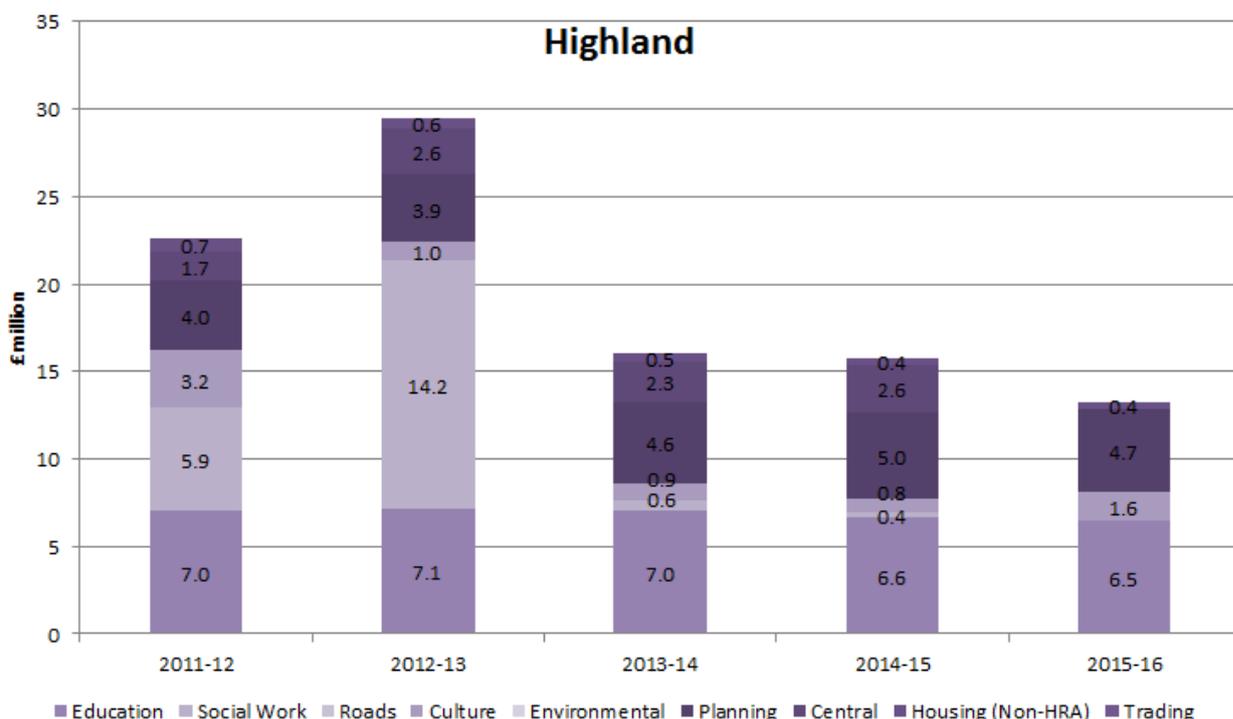
Glasgow City

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



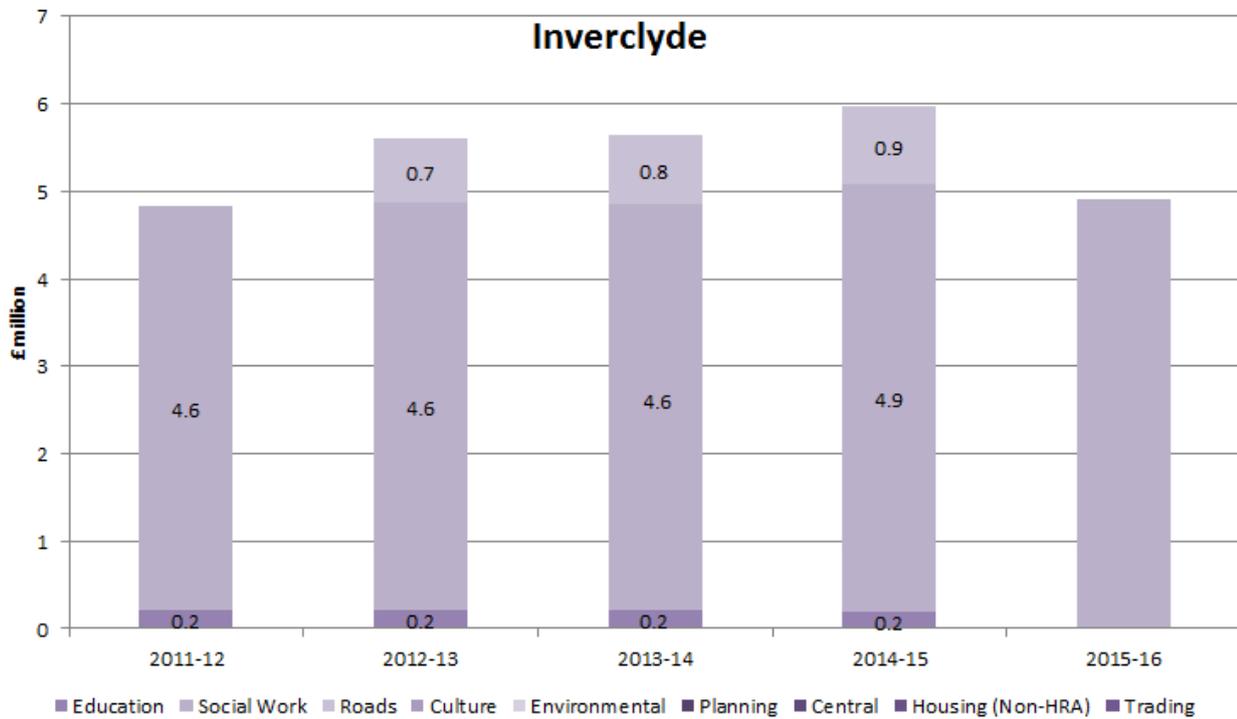
Highland

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



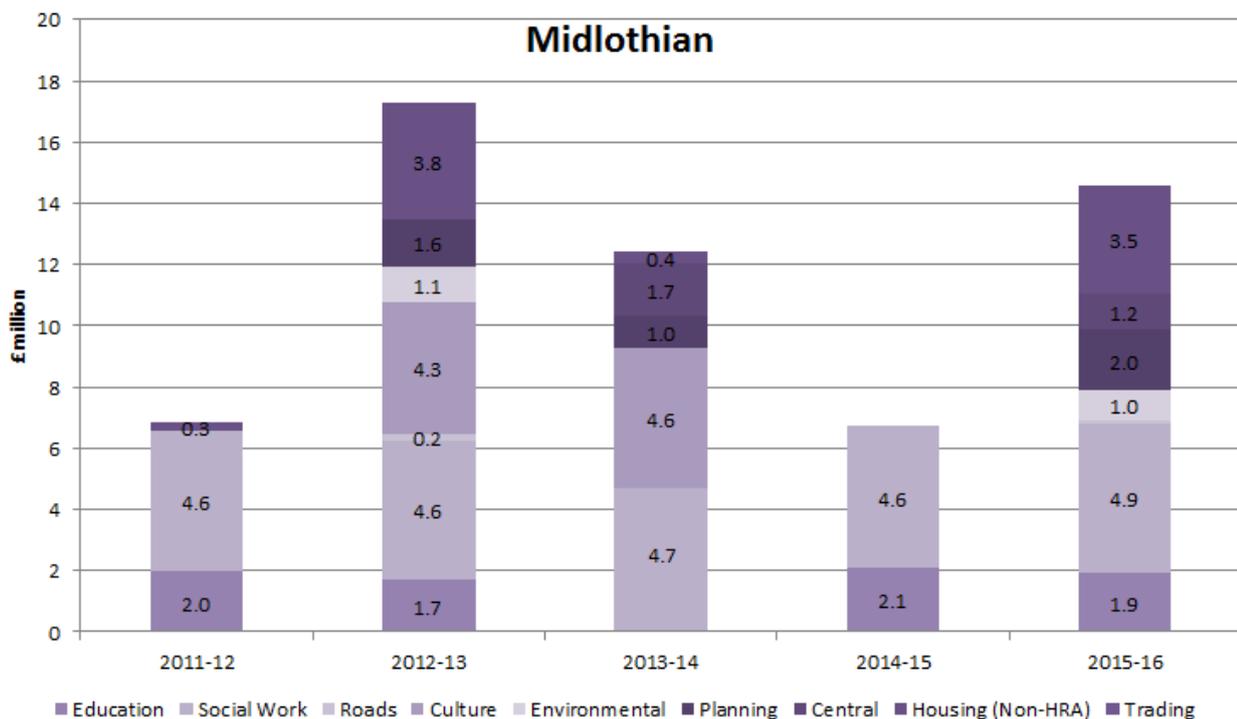
Inverclyde

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



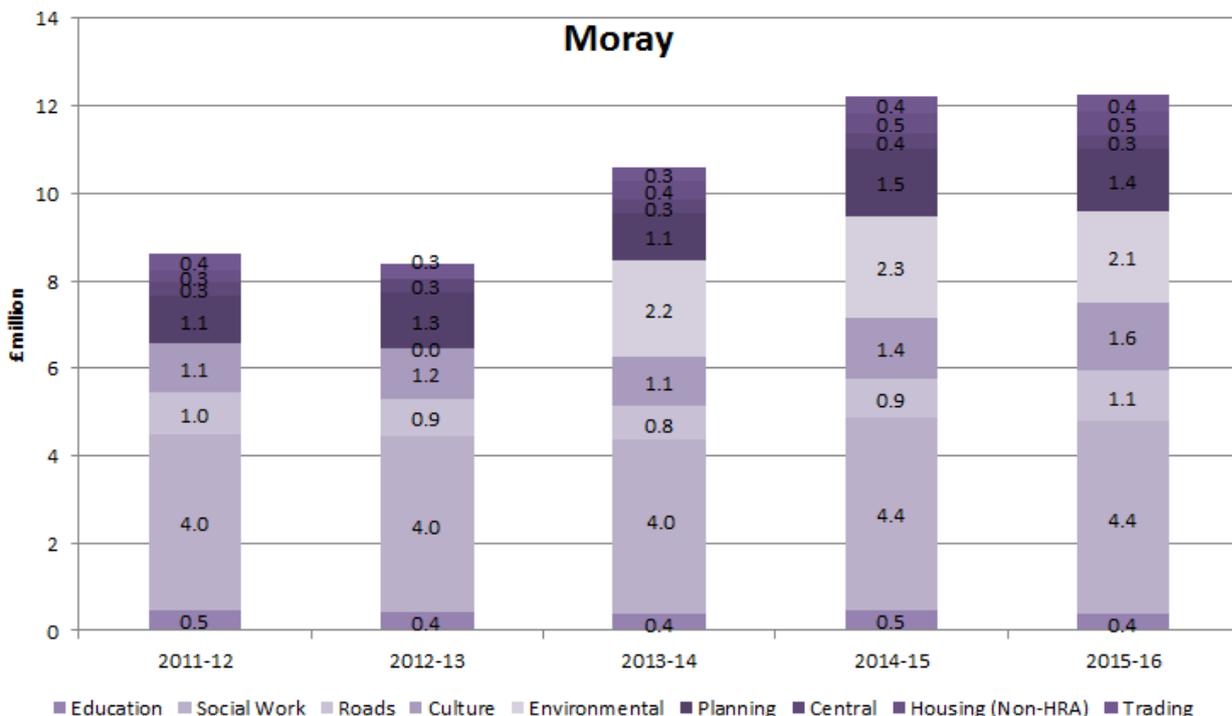
Midlothian

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



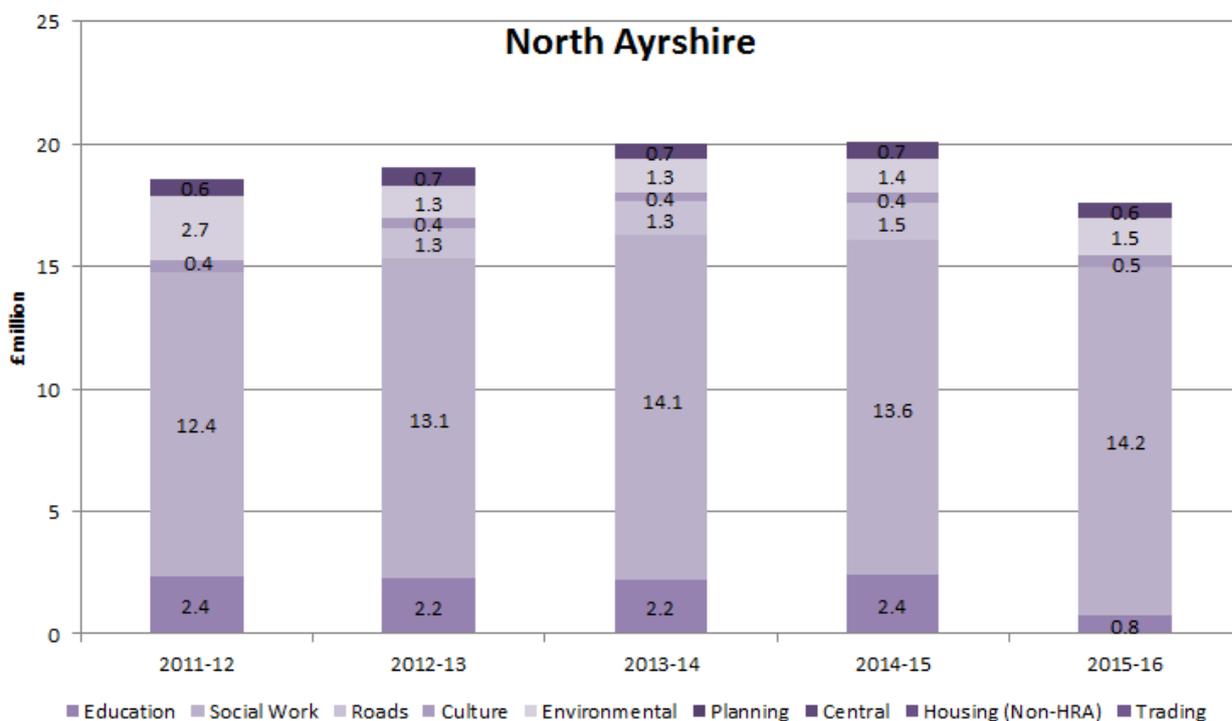
Moray

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



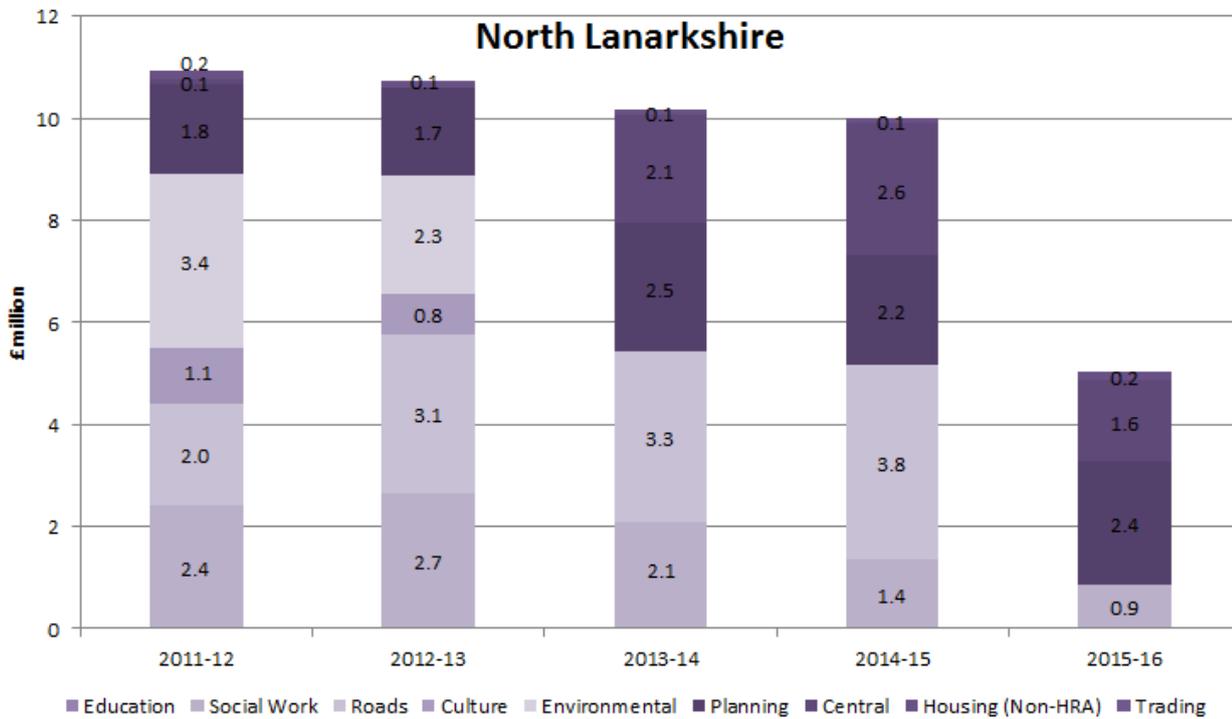
North Ayrshire

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



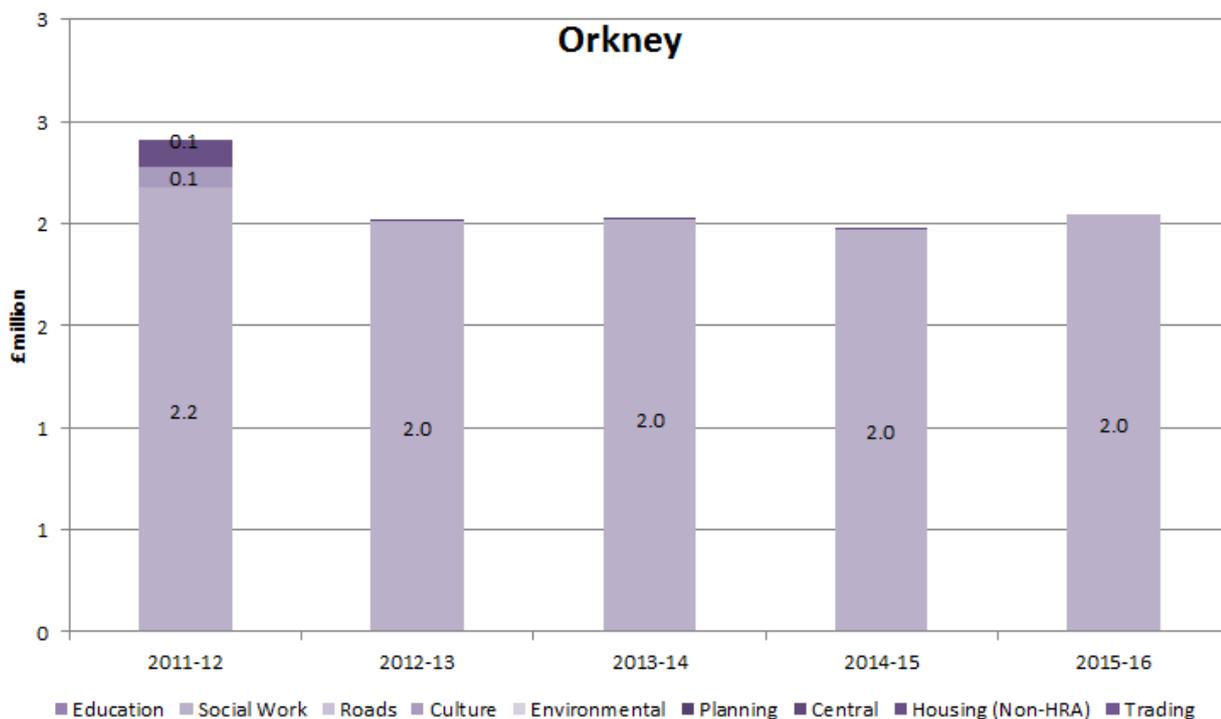
North Lanarkshire

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



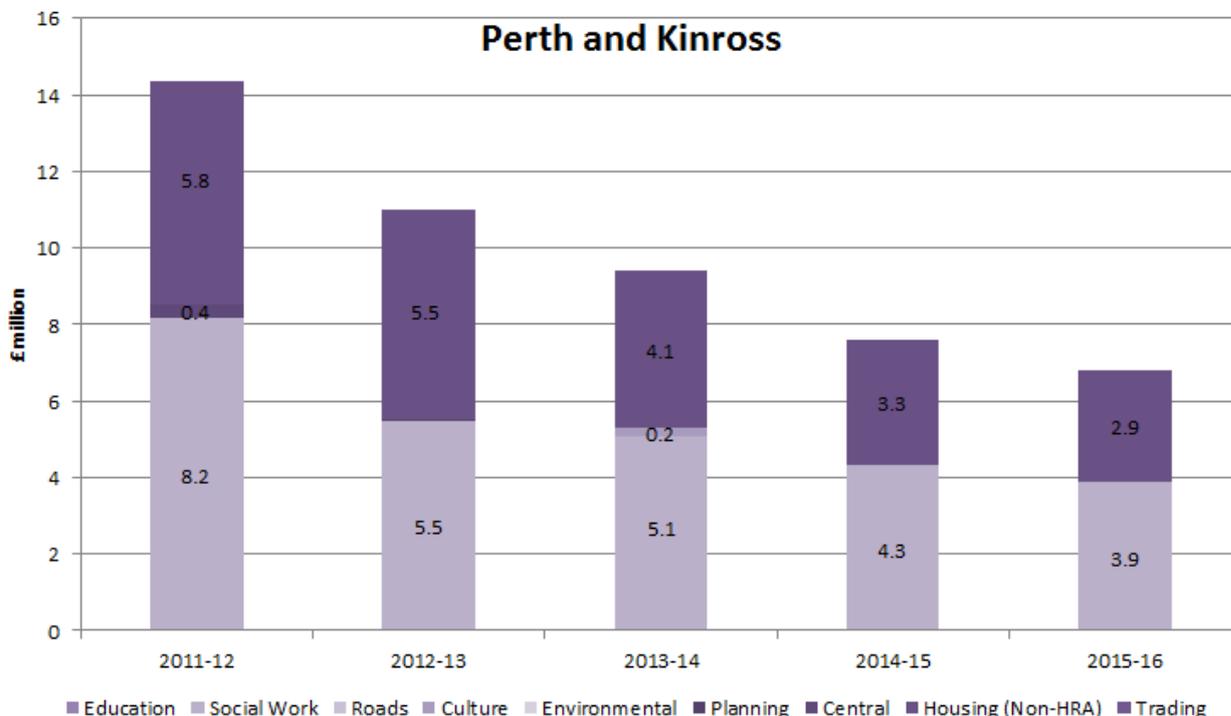
Orkney

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



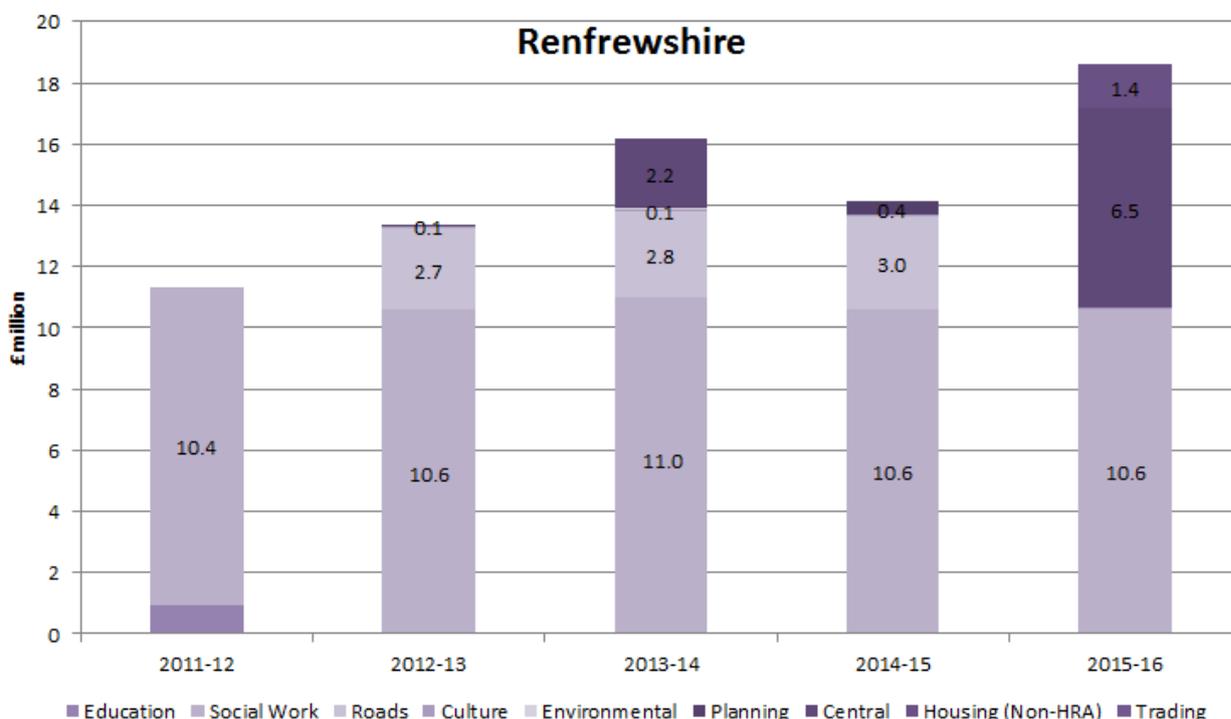
Perth and Kinross

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



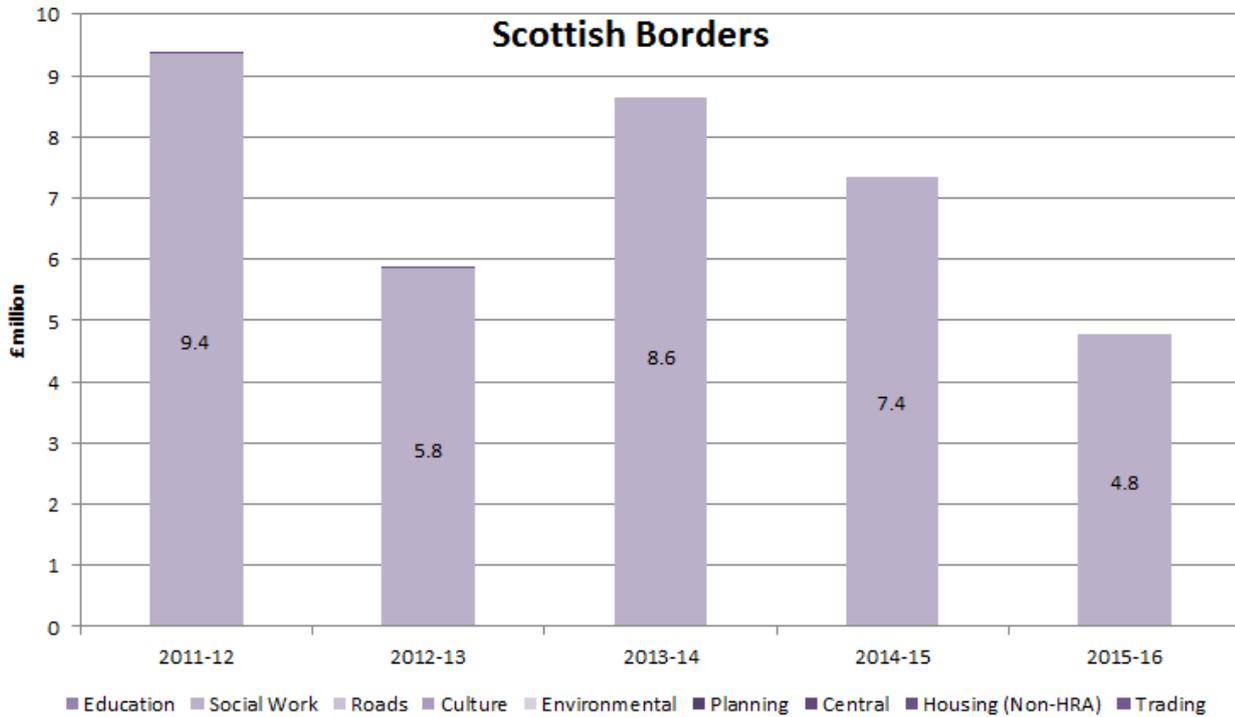
Renfrewshire

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



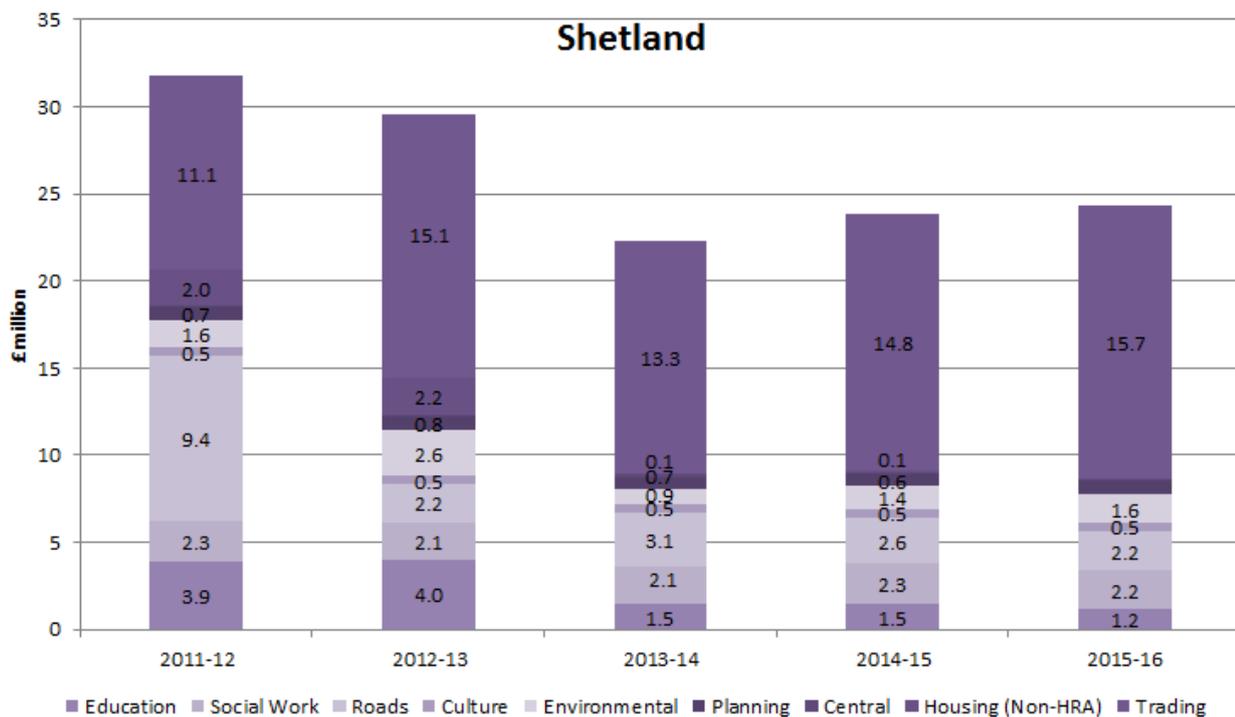
Scottish Borders

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



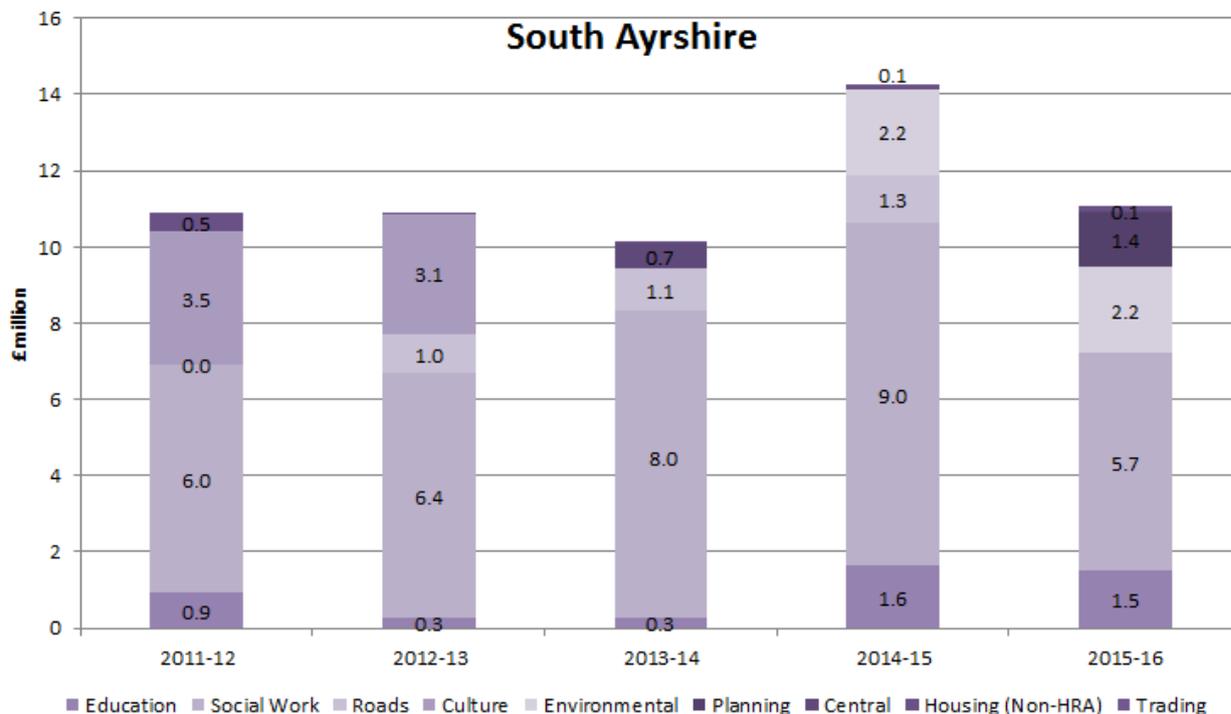
Shetland

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



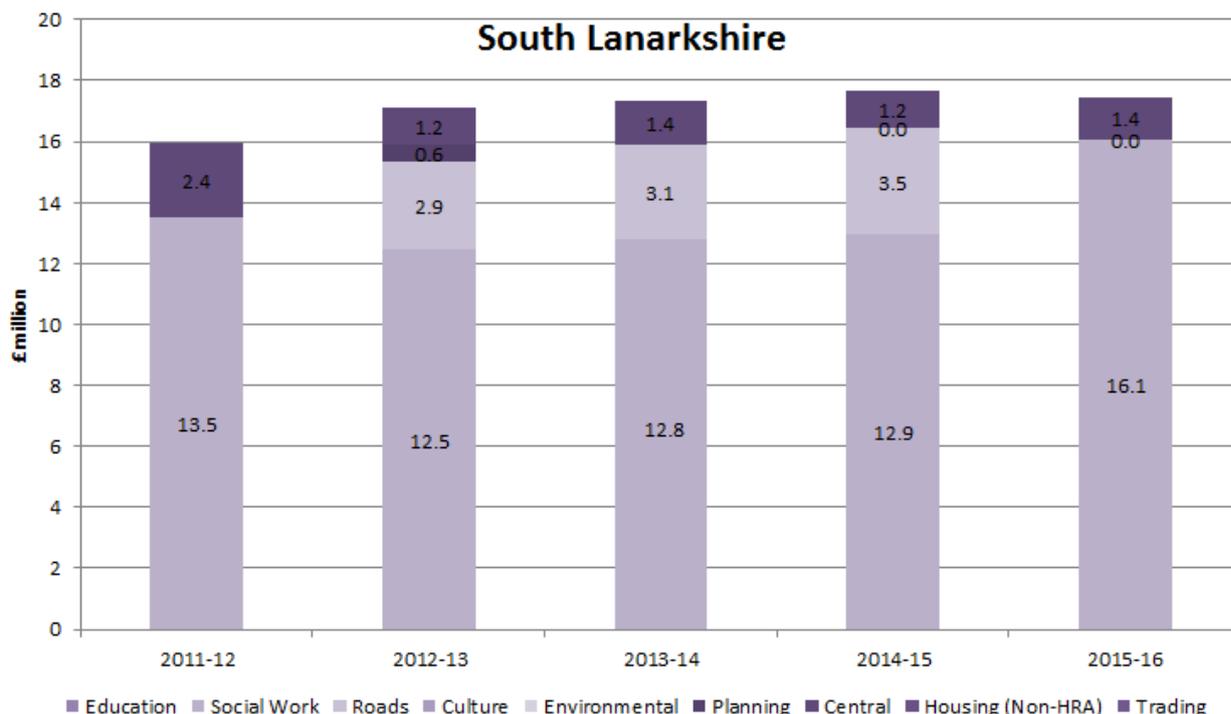
South Ayrshire

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



South Lanarkshire

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



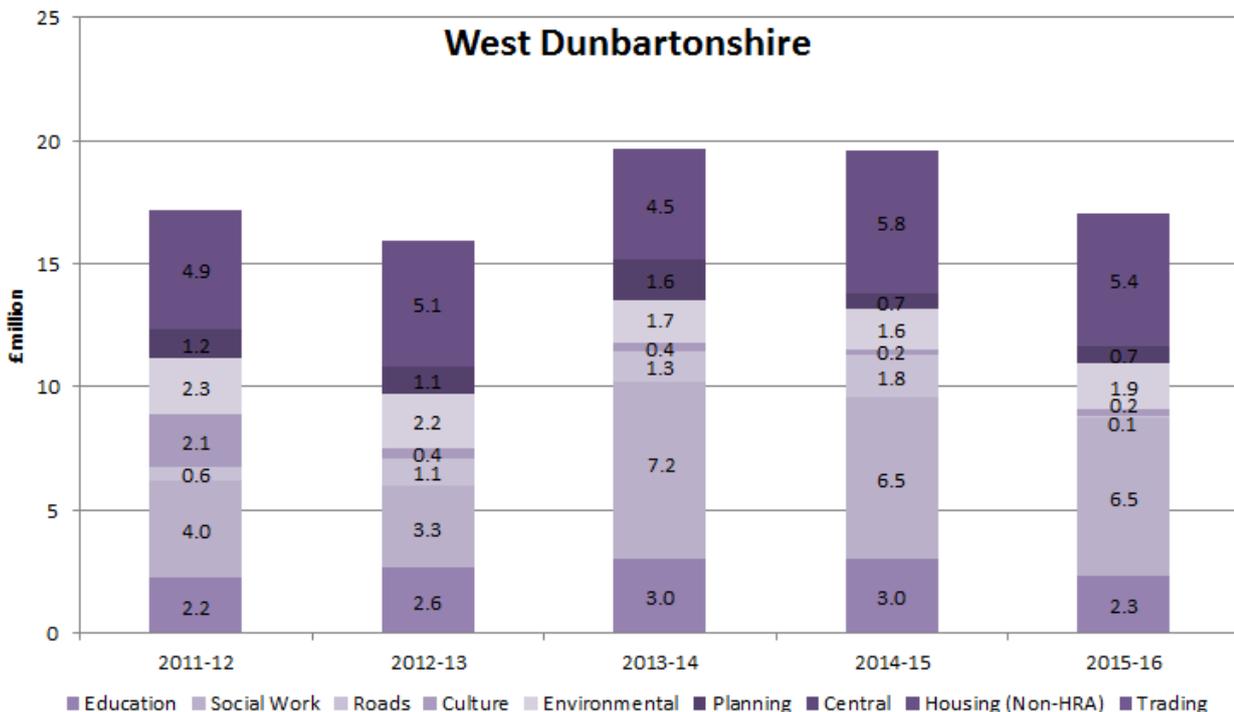
Stirling

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



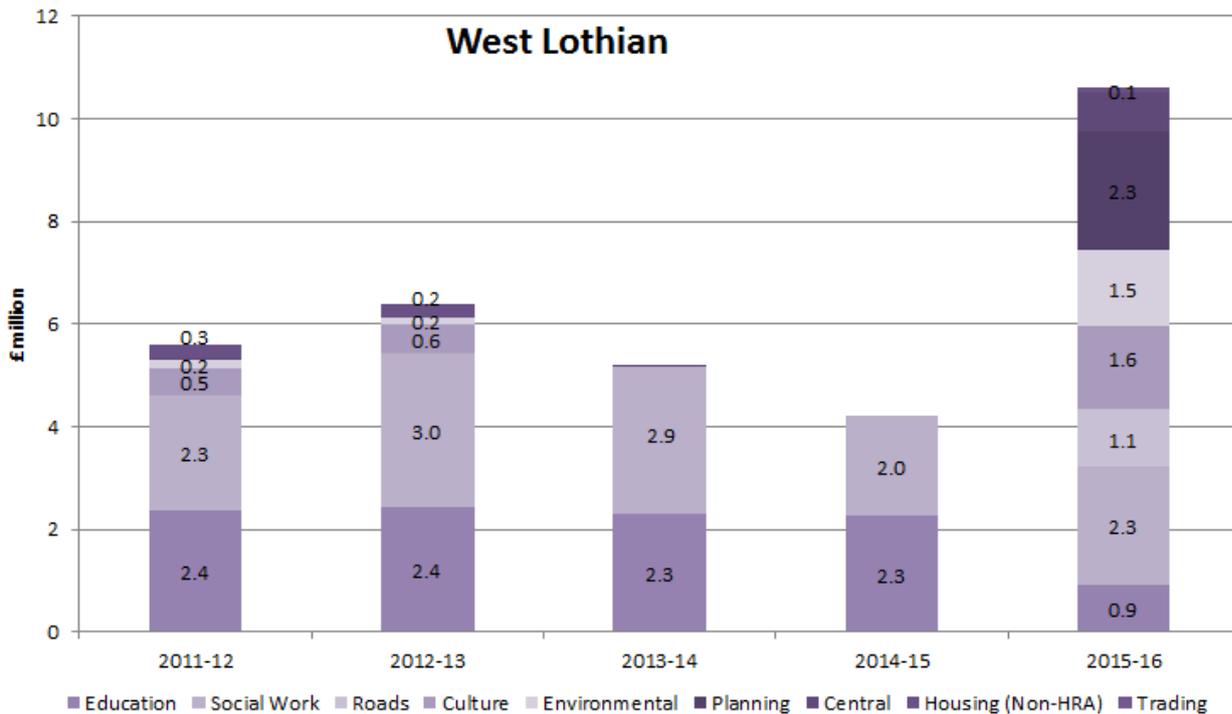
West Dunbartonshire

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



West Lothian

Total income recorded from fees and charges from 2011-12 to 2015-16, Real terms



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