



Audit Scotland report: Councils' use of arm's-length organisations

Committee Audit and Standards

Date of meeting 8 June 2018

Date of report 23 May 2018

Report by Assistant Chief Executive

1. Object of report

To advise the committee on the issue of an Audit Scotland report titled '*Councils' use of arm's-length organisations*'.

2. Background

Audit Scotland report

In May 2018, Audit Scotland published a report titled '*Councils' use of arm's-length organisations*'.

The report looks at how councils are using the estimated 130 ALEOs (arms-length external organisations) in Scotland, which have an annual spend of more than £1.3 billion, and the impact they are making.

ALEOs can take many forms - such as companies, community organisations or charities. Most run sports and leisure centres or cultural services like museums and theatres. Others provide social care services, property management, and commercial activities.

The report can be found at: <http://www.audit-scotland.gov.uk/report/councils-use-of-arms-length-organisations>

3. Outline of findings

The report says they (ALEOs) have brought benefits, including reducing costs, increased uptake in sport and leisure and improved standards of care.

The report adds that Councils have strengthened their oversight of ALEOs. They are showing improving practice in evaluating them as an option but could do more to involve the public and wider stakeholders in that process.

The report highlights issues in councils' use of ALEOs. It stresses the need to continue to follow the principles of the Following the Public Pound code agreed by the Commission and the Convention of Scottish Local Authorities. The Commission has since published updated

guidance on governance, accountability and potential conflicts of interest such as councillors sitting on ALEO boards as well as carrying out their council role.

Councils see ALEOs as a half-way house between providing services themselves and contracting out entirely to the private sector. They can operate flexibly to improve services for local people and bring in more income and benefit from tax breaks while allowing councils to retain some control and influence.

The report adds that around half of ALEOs are registered charities and this allows them relief from non-domestic rates, but the Scottish Government has indicated this would not be available to new ALEOs.

4. Conclusions

Audit Scotland published a report titled '*Councils' use of arm's-length organisations*'.

5. Committee action

The committee is asked to note the contents of this report and the Audit Scotland report titled '*Councils' use of arm's-length organisations*'.

6. Consequences

Policy consequences	<i>None</i>
Legal consequences	<i>None</i>
Financial consequences	<i>None</i>
Personnel consequences	<i>None</i>
Social Inclusion consequences	<i>None</i>
Risk consequences	<i>As detailed in the report</i>

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