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## News release

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### **ALEOs: Accounts Commission highlights importance of clear governance and accountability**

An Accounts Commission report published today, entitled *Arm's-Length External Organisations (ALEOs): are you getting it right?*, says councils are increasingly using arm's-length organisations as an alternative way of delivering services.

Most councils use ALEOs, which can provide financial and operational advantages, such as business rates relief for charities and greater flexibility in service delivery. They are separate bodies, but councils are still responsible for the funds used and ensuring value for money. Arrangements can be complex and good governance arrangements are crucial.

Today's report highlights good practice in the way ALEOs are set up and managed, such as arrangements for performance monitoring. It includes a checklist and key points for action, intended for use by councillors and officers.

Chair of the Accounts Commission John Baillie said: "As budget pressures rise, councils are considering alternative ways of delivering services. This may lead to further and more innovative use of ALEOs.

Good governance and accountability arrangements are increasingly important. Councils should ensure they are clear about their expectations of ALEOs and that they have good systems in place to monitor performance and flag up significant financial and service risks on a continuing basis."

The principles of openness, integrity and accountability that councils observe apply equally when services are delivered through ALEOs. One particular area highlighted is the potential for conflicts of interest in being both a councillor and on the board of an ALEO.

John Baillie continued: "Everyone involved in ALEOs has respective roles and responsibilities, which need to be well understood. It is common practice for councillors and officers to be on the board of ALEOs and they can have an important role in governance. But councils need to assess the advantages and possible risks. It is crucial that individuals are supported in these roles, so that they are fully aware of their responsibilities to the council and the ALEO and know how and when to seek advice if any potential conflicts of interest arise."

Today's guide is being distributed to all councils in Scotland.

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#### **Notes to editors**

1. Audit Scotland defines ALEOs as companies, trusts and other bodies that are separate from the local authority but are subject to local authority control or influence. Examples of the services they deliver include leisure, transportation, property development and care services.
2. There are currently around 130 major ALEOs across the majority of councils in Scotland. The number and variety of ALEOs is growing; for example, the number of ALEOs set up to provide leisure related services has almost doubled in the last 10 years.
3. The Code of Guidance on Funding External Bodies and Following the Public Pound sets out key principles for councils. It was published by the Accounts Commission and COSLA in 1996. Audit Scotland reports on this topic are available at [http://www.audit-scotland.gov.uk/docs/local/2003/nr\\_040311\\_following\\_public\\_pound.pdf](http://www.audit-scotland.gov.uk/docs/local/2003/nr_040311_following_public_pound.pdf) and [http://www.audit-scotland.gov.uk/docs/local/2005/nr\\_051215\\_public\\_pound.pdf](http://www.audit-scotland.gov.uk/docs/local/2005/nr_051215_public_pound.pdf)
4. Legislation requires Scottish councils to provide Best Value, whereby they deliver quality services that meet citizens' needs and are value for money

5. This report is the second in the How Councils Work series. This series draws on audit work in all councils to highlight concerns, issues and good practice. The first report looked at councillors' and officers' roles and working relationships.

6. Today's report has been prepared by Audit Scotland for the Accounts Commission. The Accounts Commission for Scotland checks whether local authorities, fire & rescue services and police boards spend public money properly and effectively. Audit Scotland provides services to the Accounts Commission. More background is available at [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)