

Arm's length organisations – lessons from Scotland

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 **AUDIT SCOTLAND**



What does our report cover?

Councils' use of arm's-length organisations



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
May 2018

why councils use
ALEOs

how councils
manage them

“it depends”

examples of
performance

their future use

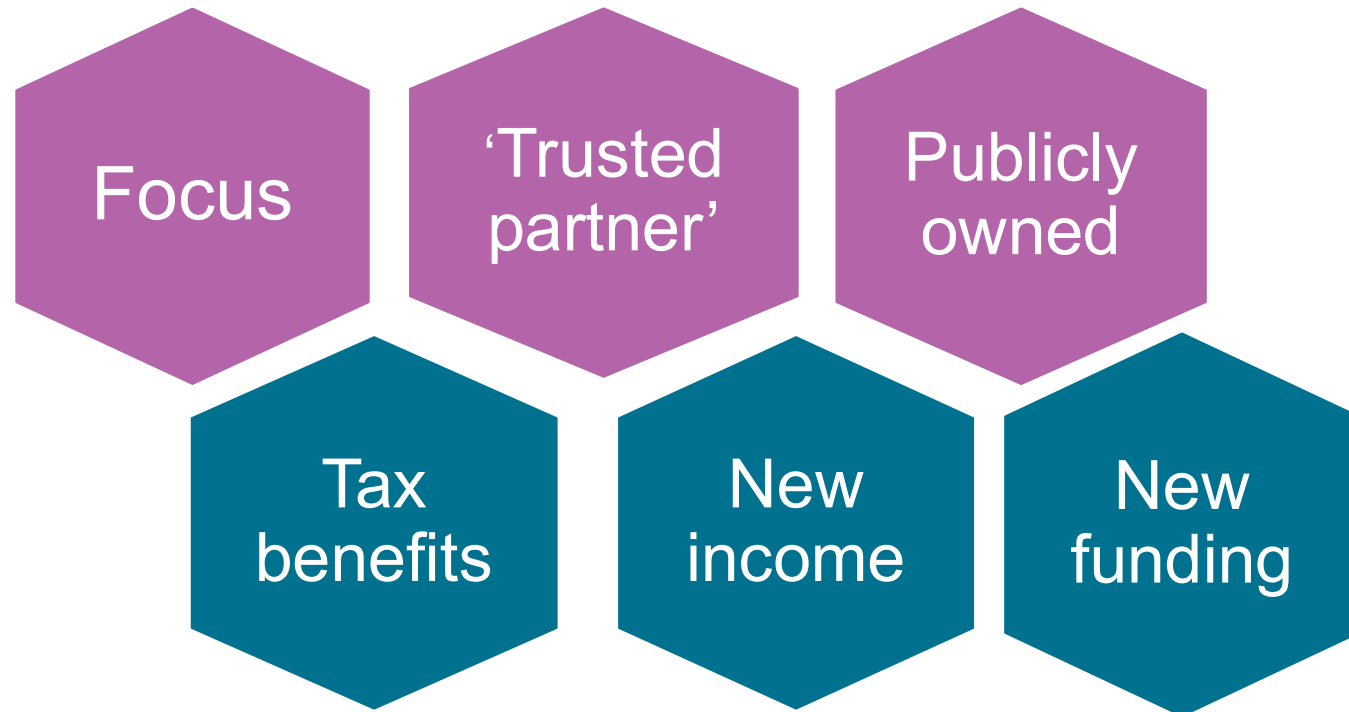
Description

- **separate body – council has significant control or influence**
- **typically created by council – can take many forms**

Examples

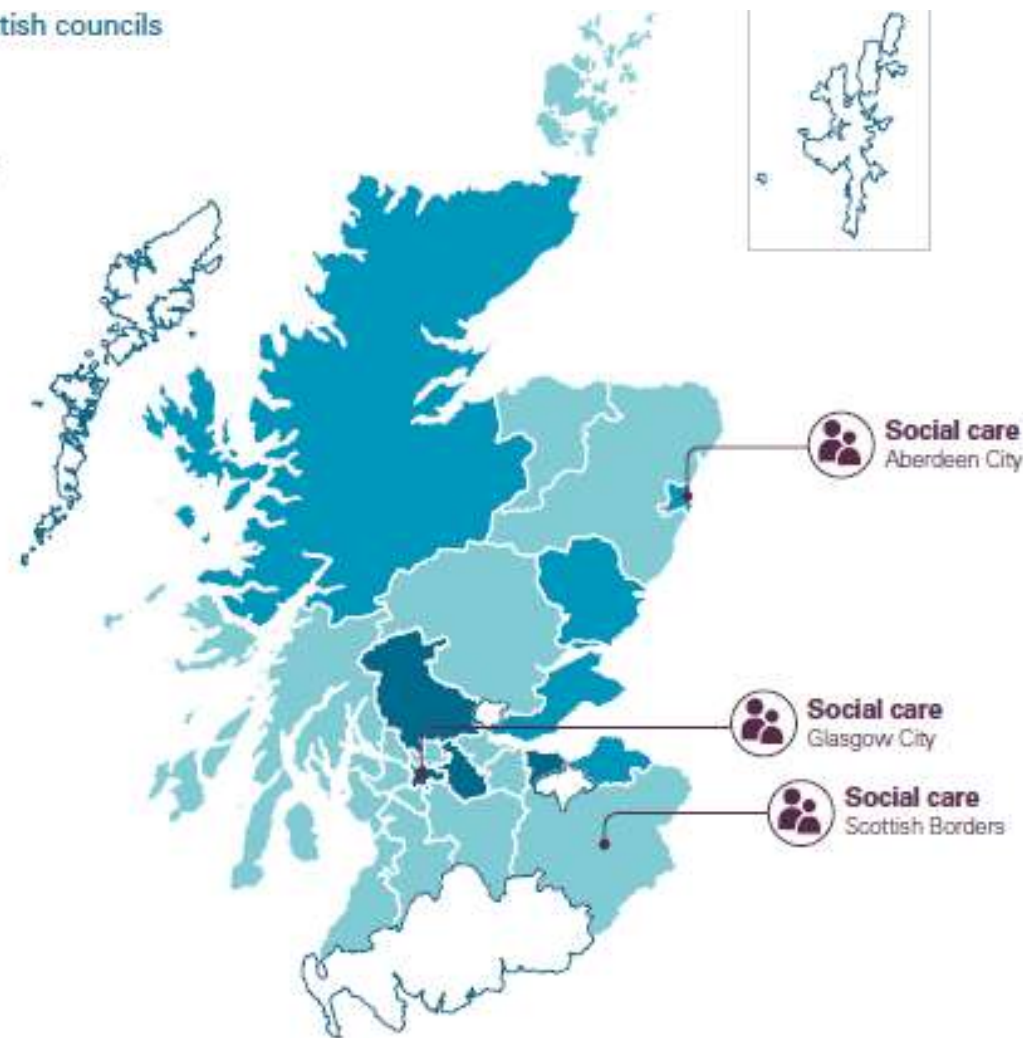
- **sports and leisure charitable trusts**
- **building management companies**
- **social care companies**

Why use them?



ALEOs across Scotland

ALEO use across Scottish councils



Almost 10% spend through arms-length bodies (Euro 1.4 billion)

ALEO activities in Scotland



Around 25 councils

**Sport and
leisure¹**



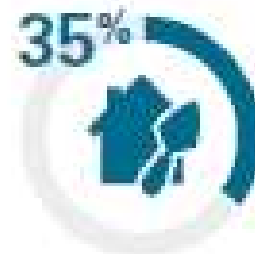
Around 20 councils

**Cultural
services¹**



Around 15 councils

**Economic
development
and regeneration**



Around 10 councils

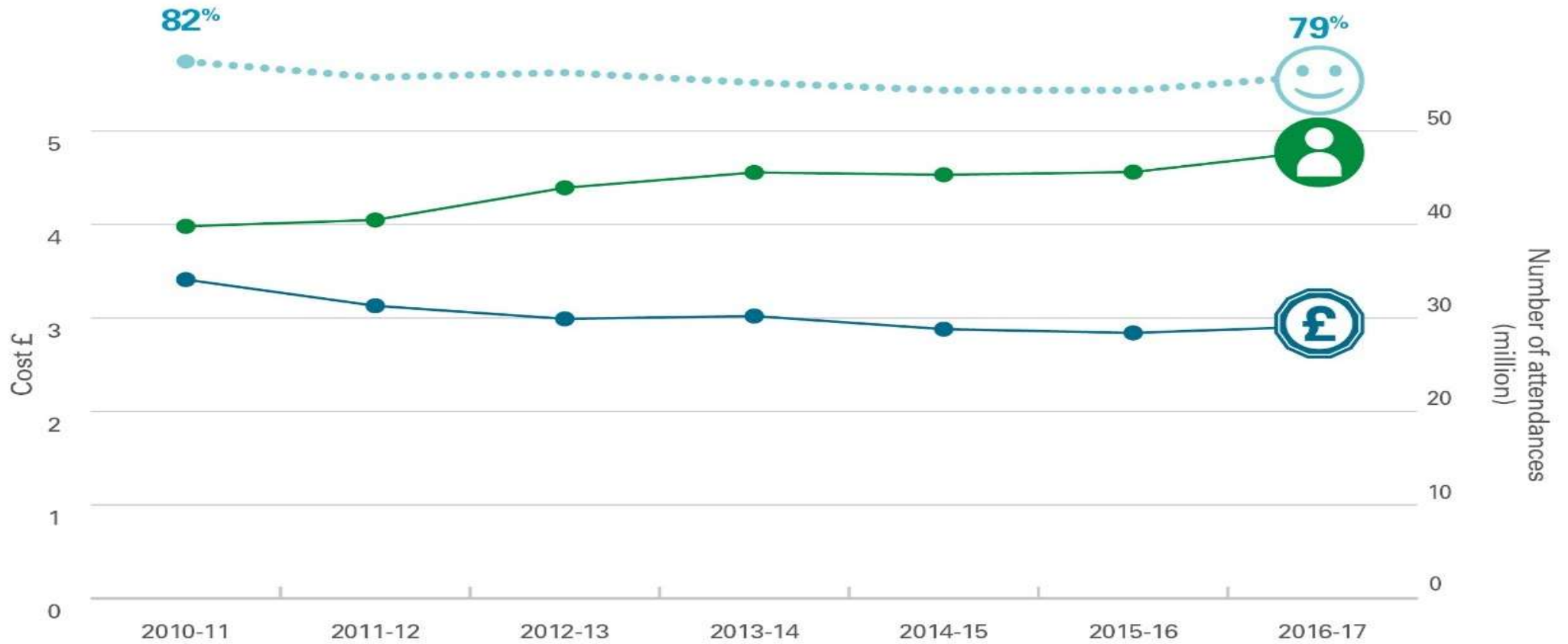
Property



Three councils²

**Social care
services**

Sports and leisure





Improving Care Inspectorate quality gradings



Efficiency savings but cost pressures remain
Commercial performance less positive



Maintaining staff terms and conditions



Transport: improve service and generate income



Energy: reduce fuel poverty, green energy and generate income



Property: new developments, generate income. Mixed success.



Buildings maintenance: social benefit through training, jobs and supporting local suppliers

Openness and accountability

- Access to information
- Customer services and complaints handling
- Service user or employee representatives on the board

Leadership

- Clear purpose; monitor and review performance
- Council representatives on the board - yes/no?
- Risk of conflicts of interest - company and charity law

Future issues

- ✓ Uncertain financial advantages
- ✓ Need for clearer social objectives
- ✓ Opportunities to enhance council-provided services
- ✓ Greater role for community enterprises and charities

Questions and comments

