

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 21 AUGUST 2018

ACCOUNTS COMMISSION REPORT – COUNCILS USE OF ARMS LENGTH EXTERNAL ORGANISATIONS

REPORT BY VIVIEN SMITH, HEAD OF STRATEGIC POLICY, TRANSFORMATION AND PUBLIC SECTOR REFORM

ABSTRACT

This report presents the key findings from the Accounts Commission report on councils' use of arms-length organisations (ALEOs).

1. RECOMMENDATION

It is recommended that the Committee:

- (i) review the Accounts Commission's report and provide any comments

2. ALIGNMENT TO THE ANGUS LOCAL OUTCOMES IMPROVEMENT PLAN/CORPORATE PLAN

This report contributes to the following local outcome(s) contained within the Angus Local Outcomes Improvement Plan and Locality Plans:

- Improved physical, mental and emotional health and well being

3. BACKGROUND

In May 2018, the Accounts Commission published the report 'Councils' Use of Arms Length Organisations'. The report can be downloaded from Audit Scotland's website: http://www.audit-scotland.gov.uk/uploads/docs/report/2018/nr_180518_councils_aleos.pdf

The report provides an overview of the use of ALEOs by local authorities in Scotland and includes case studies of good practice. The audit work was undertaken by Audit Scotland on behalf of the Accounts Commission.

Angus Council has one ALEO, ANGUSalive, providing culture, sport and leisure services on behalf of the Council.

4. KEY MESSAGES

A summary of the report's key messages are attached at Appendix 1.

The report includes recommendations for all councils:

- In deciding whether an ALEO is the best way to provide services over the longer term, while providing value for money, councils should:
 - examine wider options that can bring similar benefits to ALEOs such as reorganising an existing service, sharing services with other councils, or involving the local community
 - demonstrate how ALEOs help the council meet its objectives and improve outcomes for their communities
 - set clear criteria for reviewing an ALEO, considering risks, performance and how it fits with council priorities

- Councils should continue to apply the Following the Public Pound principles ensuring that they
 - oversee the performance, financial position, and associated risks of ALEOs
 - have clear reasons for appointing councillors and officers to ALEO boards, recognising the responsibilities and requirements of the role, and the risks of conflicts of interest
 - provide training, support and advice from both the perspective of the council and the ALEO. This should include legal responsibilities, scrutiny and oversight, and conflicts of interest
 - have processes in place to manage any potential conflict of interest of elected members and officers involved in the operation of ALEOs
 - take an active role in managing their relationship with ALEOs, including their compliance to service level agreements, contracts and other obligations
 - make information about ALEO funding and performance clear and publicly available

Angus Council's external auditors have recently issued their 2017/18 Interim Management Report (report 250/18 refers). The report identifies a number of risks, one of which is the need for effective scrutiny to ensure that external organisations are delivering value for money for the services provided. Arrangements have been made for ANGUSalve's 2016/17 annual performance report to be submitted to this committee in September 2018; the 2017/18 annual performance report will be submitted once the external audit of ANGUSalve has been completed and the report approved by the Board of ANGUSalve.

5. PROPOSALS

Members are asked to review the Accounts Commission report and provide any comments.

6. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

NOTE: No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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List of Appendices:

1. Extract from Accounts Commission report: Councils' Use of Arms-Length Organisations

Extract from Accounts Commission report: Councils' Use of Arms-Length Organisations

Summary

ALEOs have brought benefits but need to be managed carefully.

Key messages

1. Arm's-length external organisations (ALEOs) are separate organisations used by councils to deliver services. They can bring both financial and operational benefits.
2. Councils should consider the risks associated with ALEOs at the outset. Oversight, accountability and good management are essential. In managing ALEOs, councils should continue to apply the principles in the Following the Public Pound Code (FtPP).
3. Councils have improved and strengthened their oversight of ALEOs. They need to set clearer criteria for how councillors and officers are involved with ALEOs, and demonstrate more clearly how ALEOs secure Best Value.
4. Councils show improving practice in evaluating ALEOs as an option for delivering services. They could do more to involve the public and other stakeholders in the process.
5. Taxation advantages for registered charities have been a strong driver for councils establishing ALEOs. Following a Scottish Government review, these benefits are now less certain and some councils are exploring other options.
6. ALEOs have brought benefits including reduced service costs, increased uptake in sports and leisure, and improved standards of care. Councils need to better demonstrate how their use of ALEOs improves outcomes for people (by outcomes we mean the local improvements councils and their partners seek to make such as people's health and wellbeing, and a better-quality environment).
7. The context in which ALEOs operate is changing and cost pressures remain. Councils must have clear reasons for establishing ALEOs and consider alternatives. In doing so they should be clear on the risks involved, and work closely with local communities and businesses.