

## News release

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### ALEOs can bring benefits but need careful consideration

A report published today by the local authority spending watchdog 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 Accounts Commission report says they have brought benefits, including reducing costs, increased uptake in sport and leisure and improved standards of care.

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 also 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 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.

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.

Graham Sharp, chair of the Accounts Commission, said: "ALEOs can and do provide significant benefits. But they are not without risk and changes in tax relief may make the creation of an ALEO a less attractive option for the future.

"This is highly complex area. Councils need to give it careful consideration to ensure they make the right decisions for their own communities."

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#### Notes to editors

1. The Following the Public Pound code is available [here](#). Also available are previous Commission reports in [2005](#) and [2011](#).

2. ALEOs registered as charities have enjoyed tax relief from non-domestic rates. However, in its response to the 2017 Barclay Review, the Scottish Government has indicated this would not be available to new ALEOs.

3. Audit Scotland has prepared this report for the Accounts Commission for Scotland. All Audit Scotland reports published since 2000 are available at [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)  
The Accounts Commission is the public spending watchdog for local government. It holds councils and various joint boards and committees in Scotland to account and help them improve. It operates impartially and independently of councils and of the Scottish Government, and meets and reports in public  
Audit Scotland is a statutory body set up in April 2000, under the Public Finance and Accountability (Scotland) Act, 2000. It provides services to the Auditor General for Scotland and the Accounts Commission for Scotland.