

WEST DUNBARTONSHIRE COUNCIL

Report by the Chief Executive

Corporate & Efficient Governance Committee: 21 September 2011

Subject: Arm's- Length External Organisations (ALEOs)

1. Purpose

- 1.1** To advise Committee members of the Audit Scotland report on Arm's - Length External Organisations (ALOEs): are you getting it right? This report, at Appendix 1 is the second in a new 'how councils work' series of reports.

2. Background

- 2.1** The purpose of this new series of reports is to stimulate change and improve performance. Audit Scotland have select topics based on the recurring themes and issues from the Best Value audit work, the work of local auditors and their annual overview report. It is mainly drawn on their existing audit work but supplemented with new audit work and other information.

3. Main Issues

- 3.1** The key messages contained in the report are:

Setting the scene

- Councils are increasingly using ALEOs as an alternative way of delivering services at a time of significant budget restrictions.
- Where appropriate, ALEOs can offer the potential for reduced costs, new sources of income and greater flexibility. However, there may also be increased risks.
- The 'following the public pound' principles continue to provide the basis for sound governance of ALEOs.

Getting it right from the start

- Any decisions to use an ALEO to deliver services should involve an appraisal of the options available and a sound business case, using expert advice when necessary.
- Governance for ALEOs can be complex; strong and effective governance is required from the outset.
- Councils should specify the business practices and standards they expect the ALEO to observe.
- Clarity about roles and responsibilities is vital.
- Monitoring of ALEOs should be risk-based and proportionate.

Keeping it right

- Councils need good-quality monitoring information of ALEOs so they are aware of their finances, risks and performance. Information should be current to allow prompt action to be taken.
- Councils should periodically review their ALEOs to ensure they remain the best option for service delivery, and to ensure effective governance is in place.
- Councils should decide the trigger points for reviewing or terminating the delivery agreement, and take prompt action where required.
- Ongoing training and guidance should be provided so that councillors and officers involved in any capacity with ALEOs have the skills they need to undertake their duties.

3.2 Throughout the report there are examples of Auditors' findings from audit work undertaken across all 32 authorities.

3.3 Part 4 of the report: Key points for action, includes toolkits for monitoring progress and improving governance. Audit Scotland recommend these are considered by all Councils and it is anticipated that this will form the basis of a Members' Business Day or similar event.

3.4 The issues raised in the report are timely in relation to WDC as members will be aware a decision was taken at June 2011 Council to nominate 3 Council Members to the Board of Trustees of West Dunbartonshire Leisure Trust. In anticipation of this and the future involvement of members in an ALEO associated with the securitisation project some member development will be designed and delivered as appropriate. In addition, the toolkit will be utilised as a framework to support activity in this area.

4. People Implications

4.1 There are no personnel issues.

5. Financial Implications

5.1 There are no financial implications.

6. Risk Analysis

6.1 If the governance arrangements are not sound at the outset, there is a risk that the ALEO will not deliver the service as intended. It is essential that the principles of the "following the public pound" code form the basis of any governance arrangements put in place.

7. Equalities, Health & Human Rights Impact Assessment (EIA)

7.1 No issues identified in screening for potential equality impact of this report.

8. Strategic Assessment

- 8.1** This report relates to establishing Fit for Purpose services by ensuring members have sufficient training, knowledge and information in order to make informed decisions.

9. Conclusions and Recommendations

- 9.1** Members are encouraged to read the report and consider their development needs in relation to understanding their role in any decisions to set up ALEOs or in the ongoing governance of any to which they are appointed.
- 9.2** Development sessions for members to assist with consideration of the issues raised in the report, in particular the toolkits at section 4, will be designed by Organisational Development and delivered to Members as appropriate.

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Date: 8 September 2011

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Appendix 1: Audit Scotland report: Arm's- Length External Organisations (ALEOs).

Background Papers: None

Wards Affected: All