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Press release

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Councils need to do more to ‘follow the public pound’

An Accounts Commission report published today shows that councils need better information about their funding of external organisations and what is obtained for the money provided.

The report ‘*Following the Public Pound*’ found that Scottish councils provided £220 million to 14,000 organisations - including companies, trusts and voluntary organisations - to deliver a wide range of council-related services such as support for people with disabilities and the management of leisure centres.

To ensure that funding is used properly and value for money is obtained, councils need to be able to ‘follow the public pound’ to the point at which funds are spent by external organisations. The report sets out the amounts involved and where the money is targeted.

The Commission found that no council fully complied with guidance which sets out best practice principles when councils fund external organisations. There was a high level of performance in nine councils, moderate performance in 18 councils and a low level of performance in five (see table overleaf). Councils in the ‘low’ category have some way to go to achieve full compliance with the guidance.

In particular, there is scope for councils to improve their financial and performance monitoring. Councils should apply a risk-based approach taking account of factors such as the amounts of money involved, the size of organisations funded and how they are managed.

Accounts Commission member, Keith Geddes, said:

“Councils are increasingly funding external organisations to provide services in important areas such as social work and leisure. There are examples of good practice but we are concerned that no council fully complied with the guidance.

“All councils need better information about their funding of external organisations, the intended benefits and what is obtained for the money provided. They need to tailor their approach to monitoring how the money is used and ensure they can ‘follow the public pound’.”

The report recommends that councils:

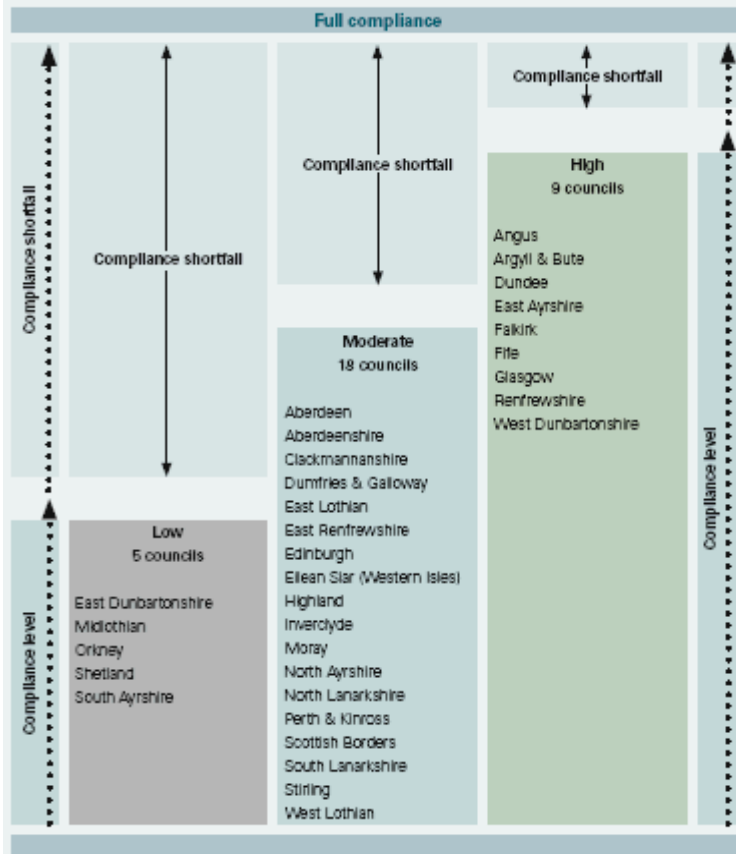
- put in place a register of their funding to external organisations
- develop a corporate policy on free or subsidised use of council properties, vehicles and facilities by the organisations they fund, as part of their overall approach to asset management
- take a risk-based approach to dealing with the organisations they fund, and focus their resources for scrutiny accordingly
- explore opportunities for joint working with other councils.

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Exhibit 7

Councils' compliance with the Code

No council fully complied with the Code overall. The compliance shortfall was greatest in the five councils that displayed a low level of compliance. However, all councils must improve their performance.



Source: Audit Scotland

Notes to editors

1. The external organisations referred to in the report include companies and trusts in which the council providing the funds may have a significant interest.
2. The 'Code of Guidance on Funding External Bodies and Following the Public Pound' sets out best practice principles when councils fund external organisations. It was produced by COSLA (Convention of Scottish Local Authorities) and the Accounts Commission in 1996.
3. Audit Scotland published an initial review of councils' position against the Code in March 2004. This follow-up report provides new information and, for the first time, details about each council's funding levels and performance.
4. Audit Scotland reports can be downloaded from www.audit-scotland.gov.uk/publications
5. The Accounts Commission is responsible for securing the audit of 32 Scottish councils and 34 joint boards, including police and fire services. The Commission investigates whether spending bodies achieve the best possible value for money and adhere to the highest standards of financial management. The Accounts Commission is independent and is not subject to the control of the Scottish Executive or the Scottish Parliament.
6. 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 Accounts Commission and the Auditor General for Scotland.

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