

Glasgow City Council Internal Audit Section

Committee Summary

Chief Executive's Department and Financial Services – Shared Prosperity Fund Project Compliance (Phase 2)

1 Introduction

- 1.1 As part of the agreed Internal Audit plan, we have conducted a review of compliance with the UK Shared Prosperity Fund (SPF) guidelines for projects administered by Glasgow City Council (the Council). We conducted the first phase of the review in 2023/24, and the findings were reported to the Finance and Audit Scrutiny Committee in May 2024.
- 1.2 Glasgow City Region (GCR) has adopted a regional approach to SPF, receiving approximately £73m over the 3-year period from 2022/23 to 2024/25. While GCR has overall programme responsibility as the lead authority, delivery will take place, in the main, at the member authority level. SPF funding was allocated to individual member authorities with the Council receiving £27.2m.
- 1.3 As part of the 2024 UK Autumn Budget Statement, the UK Government committed to a one-year extension to the SPF programme for 2025/26. Local Authority allocations were clarified in December 2024, confirming the Council's as £11.8m. A report was approved by the City Administration Committee in January 2025, which outlined how the budget will be split across projects which have the ability to continue delivery over 2025/26.
- 1.4 The Economic Development team, within the Chief Executive's Department (CED), is responsible for the management of all revenue projects which the Council has developed in order to meet the aims and objectives of the SPF. This includes awarding grants or contracts to service providers, monitoring expenditure and performance, and reporting on outputs and outcomes to the Council's UK Funds Governance Board and the UK Government. Budget monitoring of the SPF funding allocation is supported by officers within Financial Services (FS).
- 1.5 The purpose of the audit was to gain assurance that grant applications are approved in advance, and that there are effective governance arrangements in place to ensure compliance with the agreed terms and conditions. The scope of the audit included:
 - Documented procedures, roles and responsibilities.
 - A walk-through of SPF project objectives, terms and conditions and any associated processes.
 - Governance and operational management arrangements.
 - The application and approval process for grant funding.
 - Engagement with any other Council support teams.

- Monitoring activities to track the progress and delivery of grant funded objectives.
- The claim process.
- Record keeping arrangements to maintain an audit trail and ensure compliance with funders' retention requirements.

1.6 Three Council SPF funded projects were selected for further review, as detailed below:

Project Name	Project's Objective	SPF Award
Business Growth Framework Support	To help SME's in Glasgow to grow by providing them with access to a network of expert consultancy support, across a range of specialist business areas. The project is delivered internally by Economic Development.	£1.1m (with a further £0.55m committed for 2025/26).
Glasgow City Innovation Districts (GCID)	To support innovation activity and grow Glasgow's tech, digital, engineering and creative ecosystem. The project is delivered by our external partner, The University of Strathclyde, through the Venture Studio initiative.	£0.9m (with a further £0.34m committed for 2025/26).

Net Zero Communities	To pilot a new governance and finance model for street-by-street and place-based housing retrofit, through exploring different models of finance across housing tenure types in a selected neighbourhood in Glasgow. The project is delivered by our external partner 3Ci, in collaboration with the Sustainability Team within Neighbourhoods, Regeneration and Sustainability (NRS).	£0.125m (no extension as the project was only intended to run until end of 2024/25).
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2 Audit Opinion

- 2.1 Based on the audit work carried, a **satisfactory** level of assurance can be placed upon the control environment. The audit has identified some scope for improvement in the existing arrangements and **one** recommendation which management should address.

3 Main Findings

- 3.1 We are pleased to report that key controls are in place and are generally operating effectively. For the Business Growth Framework Support project, we found documented guidance for applicants and project staff is in place along with supporting process and template forms. As the GCID and Net Zero Communities projects are delivered by external partners, it is the partner's responsibility to develop any guidance and processes necessary for applicants and/or project staff. For all three projects we found that the Council project officers were highly knowledgeable of their own roles and responsibilities, as well as those of the external delivery partners, and all officers were fully aware of the outputs and outcomes required in accordance with SPF grant conditions.
- 3.2 For all projects, we observed that an appropriate segregation of duties between the different key elements of the grant process were operating as expected. For the Business Growth Framework Support project, applicants are allocated to a Business Advisor (BA) who carries out an appraisal, however the scoring of applications to determine the financial level of support offered is carried out independently by the Economic Development Manager (EDM) and Business Support Officer, using a Diagnostic tool developed by the GCR. BA's will also assist successful applicants in the creation of Project Plans, however these must be reviewed and approved by an EDM before the plans can progress and external consultants are engaged. Across all three projects, evidence was provided to confirm that invoices must be checked and approved by an appropriate officer within their approval limit, as per the Scheme of Delegation and that payments are passed to CBS for processing.
- 3.3 For a sample of 20 SME's awarded funding through the Business Growth Framework Support project, we found that in all cases the application, evaluation, approval and award processes had been handled in line with documented procedures and evidence to support this had been adequately retained. As both the GCID and Net Zero Communities projects are delivered by external delivery partners, we found satisfactory evidence for both projects that funding agreements had been put in place, and that these agreements adequately reflected the terms and conditions of the SPF funding being awarded.

- 3.4 For all three projects we found supporting documentation was in place to provide adequate audit trails for claims and payment processes. For the Business Growth Framework Support project, we assessed the claims process, and found that in all 20 sampled cases, that the checking and approval of invoices submitted by external consultants, was being adequately followed as per SPF guidance and evidence was retained in all instances. For both the GCID and Net Zero Communities projects we found satisfactory evidence to support that all payments had been made in accordance with the relevant funding agreement.
- 3.5 We confirmed that monitoring of the SPF outputs and outcomes applicable to the projects sampled were in place. Adequate reporting procedures were also found to be in place across all projects and the required information is reported to the Council's UK Funds Governance Board in line with governance requirements.
- 3.6 However, our audit testing identified that the document retention period for the Business Growth Framework Support project, was incorrect and referred to a minimum retention date of 31st December 2035. SPF guidance advises local authorities to follow their own internal corporate policies, therefore the Council's data retention policy of 7 years should be adhered to.
- 3.7 An action plan is provided at section four outlining our observations, risks and recommendations. We have made one recommendation for improvement. The priority of the recommendation is:

Priority	Definition	Total
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	0
Medium	Less critically important controls absent, not being operated as designed or could be improved.	0
Low	Lower level controls absent, not being operated as designed or could be improved.	1
Service Improvement	Opportunities for business improvement and/or efficiencies have been identified.	0

- 3.8 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.
- 3.9 We would like to thank officers involved in this audit for their cooperation and assistance.
- 3.10 It is recommended that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the attached Action Plan.

4 Action Plan

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Record keeping arrangements are compliant with the SPF guidance.				
1	<p>SPF guidance advises local authorities to comply with their own corporate data retention policies for SPF funded project documentation and supporting records.</p> <p>The Council's 'Records Retention and Disposal Schedule' policy requires grant funding records to be retained for 7 years, however we noted that for the Business Growth Framework Support project, the Privacy Notice section of the Project Plan document, referred to a minimum retention date of 31st December 2035.</p> <p>The current arrangements increase the risk that records could be held longer than required and of non-compliance to the SPF guidance.</p>	Economic Development management should review the records retention information for the Business Growth Framework Support Project, to ensure that it complies with the UK Government guidance and update project documentation accordingly.	Low	<p>Response: Accepted</p> <p>The Business Growth Framework Support Project plan document has been updated with the correct retention information by Graphics and is now in use.</p> <p>UKSPF Manager has emailed all Project Leads to confirm correct retention period.</p> <p>Officer Responsible for Implementation:</p> <p>Head of Economic Delivery</p> <p>Timescales for Implementation:</p> <p>30th April 2025</p>