

Glasgow City Council Internal Audit Section

Glasgow City Region Cabinet Report

Glasgow City Region City Deal – Fair Work First Compliance

1 Introduction

- 1.1 As part of the agreed Internal Audit plan, we have carried out a review of compliance with the Scottish Government's Fair Work First (FWF) policy across the City Deal Programme.
- 1.2 FWF is a Scottish Government policy for promoting fair work, and workforce diversity by applying a criteria to grants, other funding and public contracts being awarded across the public sector. The conditions came into effect for public sector grants awarded after 1st July 2023 and must be met by the Glasgow City Region Project Management Office (PMO) and the eight member authorities (MAs) when allocating City Deal funding.
- 1.3 For the PMO, FWF is applicable to their role as the distributors of the City Deal grant funding to the MAs. It is the PMO's responsibility to act in accordance with both the terms and conditions of the Scottish Government, as set out in the Grant Offer Letter and with the financial section of the GCR City Deal Assurance, Governance and Programme Management Framework (the Assurance Framework).
- 1.4 As grant recipients, the MAs are required to comply with the terms and conditions set out in the Scottish Government's Grant Offer letter, which requires them to pay at least the real living wage (RLW) and demonstrate that all workers, including agency staff, have access to appropriate channels for effective workers' voice channel(s), such as trade union recognition.
- 1.5 When MAs are awarding contracts related to City Deal projects or are passing the grant to a third-party organisation, they are required to follow the Scottish Government's guidance on FWF requirements in public sector procurement and grant awards.
- 1.6 The scope of the audit was to ensure there are sufficient and appropriate arrangements in place covering the PMO and MAs. The scope of the audit included:
- Awareness of the FWF requirements at both PMO and MA level.
 - Documented guidance and roles and responsibilities, developed by the PMO.
 - Internal documented procedures within member authorities, including arrangements and approval processes for all payments associated with the delivery of City Deal projects.
 - The reporting arrangements both internally within member authorities and to the Region PMO regarding compliance with the FWF requirements.

- Record keeping arrangements to maintain an audit trail and ensure compliance with Scottish Government requirements.

2 Audit Opinion

- 2.1 Based on the audit work carried out, a reasonable level of assurance can be placed on the control environment. The audit has identified some scope for improvement in the existing arrangements and two recommendations which management should address

3 Main Findings

- 3.1 Through discussion we found that officers within the PMO demonstrated awareness and understanding of the FWF policy and how it applies to their role as distributor of City Deal grant funding to MAs.
- 3.2 Furthermore, from discussion with Lead Officers across the eight MAs we found an awareness of FWF requirements and how it applies to the MA as both a grant recipient and as a contracting authority.
- 3.3 In accordance with the Assurance Framework, the PMO is supported by the GCR City Deal Procurement Support Group (PSG), whose membership includes a procurement officer from each MA. The PSG has developed a Buyer's Guide, to provide operational guidance to MAs on how to apply the FWF policy when carrying out procurement exercises relating to City Deal projects. From discussions with procurement officers from the MAs, we were advised that they are aware of the guide and that it is applied when carrying out procurement exercises.
- 3.4 As FWF should be considered in all public sector procurement exercises, we were advised that MAs will follow their own standing orders and corporate procedures, including the payment of contractors/suppliers, which will be made in accordance with the conditions of the contracts awarded. We confirmed via discussion and review of documents that FWF is considered at the tendering stage and as part of the ongoing contract management for City Deal projects at the MAs.
- 3.5 Sample testing was performed on 14 contracts awarded since the introduction of FWF in July 2023, across seven of the MAs, to ensure that FWF had been adequately considered when tendering for contracts relating to City Deal projects. The remaining MA had not awarded any contracts in the applicable timeframe. We found evidence that in all 14 cases that FWF had been suitably considered and applied at the tender and evaluation stage as expected. Where MAs have used an existing framework agreement, we noted that the FWF checks have already been carried out as part of the supplier selection when establishing the framework and MAs are not required to reperform these checks.

- 3.6 We found that there are no specific reporting requirements regarding compliance with FWF at either a PMO to Scottish Government level, or at an MA to PMO level, however the requirement for compliance is outlined in the grant offer letter issued to all MAs.
- 3.7 In addition, there are no specific FWF record keeping requirements for either the PMO or MAs. The PMO must retain adequate records of all grant monies received and distributed for the GCR City Deal programme overall, in accordance with the Scottish Government's Grant Offer. We were advised by procurement officers from each MA that City Deal procurement records are held in line with their own authority's Record Retention and Disposal policy.
- 3.8 However, we did identify some areas for improvement in existing arrangements. We were advised through discussion with officers from all eight MAs that they are all compliant with FWF and we were provided with public statements detailing their compliance. It was noted through discussion and review of the FWF statement for one MA that they are not currently an accredited RLW employer. We were advised that the MA pay the Scottish Local Government Living Wage which is currently higher than the current RLW and therefore meet the FWF Requirements. However, as the RLW is adjusted in the future there is a risk that the MA may not continue to meet this requirement. The MA noted in a committee report in August 2025 to continue to monitor the RLW and their compliance with this requirement.
- 3.9 Furthermore, from review of Scottish Government guidance we identified that if an MA uses a third-party organisation to deliver the grant funded activity the organisation must be a RLW employer in order to meet FWF requirements. Through examination of evidence and discussions with the eight MAs, we identified three instances where third-party agreements were established after the introduction of FWF requirements. In all three cases, the original grant agreements did not reference the FWF condition; however, each third-party organisation was already an accredited RLW employer and therefore met the required standard.
- 3.10 Furthermore, the Scottish Government guidance specifies that where a grant agreement was established prior to the introduction of Fair Work First (FWF) requirements and spans multiple years, the FWF condition should be incorporated at an appropriate break point in the agreement. Through our review of performance reports and discussion with Lead Officers, we identified one MA with such an arrangement which is progressing to stage two of the project. FWF requirements should therefore be considered before the project progresses to phase two; through discussion with the Lead Officer we were advised that this will be included in the agreement.
- 3.11 An action plan is provided at section four outlining our observations, risks and recommendations. We have made two recommendations for improvement. The priority of each is noted below:

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.	1
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

3.12 The audit has been undertaken in accordance with the Global Internal Audit Standards in the UK public sector.

3.13 We would like to thank officers involved in this audit for their cooperation and assistance.

3.14 It is recommended that the Head of Audit and Inspection submits a further report to Cabinet 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: Arrangements are in place across all Member Authorities to ensure compliance with all Fair Work First Requirements				
1	<p>From review of Scottish Government guidance documents, we confirmed that when a grant recipient uses a third-party organisation to carry out the grant funded activity, that organisation must pay at least the RLW to workers directly engaged in the delivery of the funded activity in order to comply with FWF requirements.</p> <p>it is the responsibility of the MA to seek confirmation that the third-party organisation pays at least the RLW by including this in the agreement between the two parties.</p> <p>We found three instances where an agreement had been in place between and MA and a third party and FWF was not included in the initial agreement. in one case a phase two agreement was put in place which did include FWF, the MA obtained evidence to support this. In the other two cases the third party is an</p>	<p>PMO Management should ensure that the requirement for third-party organisations to comply with FWF is included in the appraisal table which is used when assessing business cases.</p> <p>In addition, the PMO should remind MAs of the requirement to add FWF conditions to project agreements where a pause or future phase allows.</p>	Medium	<p>Response: Accepted</p> <p>Recommendation will be implemented.</p> <p>Reminder to Lead Officers to add FWF conditions where a pause/future phase allows – to be issued by end of April 2026</p> <p>Officer Responsible for Implementation:</p> <p>Head of Glasgow City Region Programme Management Office</p> <p>Timescales for Implementation:</p> <p>30 April 2026</p>

No.	Observation and Risk	Recommendation	Priority	Management Response
	<p>accredited RLW employer and therefore met FWF requirements.</p> <p>We also noted one MA had entered into a joint venture with a third-party organisation prior to the introduction of FWF. Scottish Government guidance states that where multi-year funding arrangements include a suitable review point, FWF conditionality should be incorporated into grant agreements for subsequent years. Through discussion the MA advised that this will now be included in the phase two agreement.</p> <p>Without the inclusion of FWF requirements for third party grant agreements there is an increased risk that Scottish Government conditions of funding are not being met.</p>			

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Arrangements are in place across all Member Authorities to ensure compliance with all Fair Work First Requirements				
2	<p>As grant recipients, MAs are required to comply with the terms and conditions set out in the Scottish Government's Grant Offer letter, which requires them to pay at least the real living wage (RLW).</p> <p>Through discussion and review of documents we were advised that seven of the MAs are accredited RLW employers and therefore reliance can be placed on the accreditation that this requirement is being met.</p> <p>One MA advised that they are not an accredited RLW employer which is recognised in their FWF statement. We were advised by Officers and provided with committee papers that state the authority currently pay the Scottish Local Government Living Wage which is higher than the RLW.</p> <p>Without the additional assurance of a grant recipient being an accredited RLW employer there is an increased risk that in the future FWF requirements are not met.</p>	<p>The PMO should obtain confirmation of compliance with the RLW requirement of FWF from the non-accredited member authority in the form of an anonymised pay band report. This should be provided on an annual basis while the MA is non-accredited before the pass down letter is agreed, to ensure alignment with the Grant Offer Letter conditions.</p>	Low	<p>Response: Accepted</p> <p>Recommendations accepted and to be implemented When issuing 2026/27 Pass Down Grant Letter (estimated July 2026)</p> <p>Officer Responsible for Implementation:</p> <p>Glasgow City Region Finance Manager</p> <p>Timescales for Implementation:</p> <p>30 July 2026</p>