

# Glasgow City Council Internal Audit Section

## Committee Summary

### Corporate Review- Preparedness for PPP Handback

Item 4(b)

25th March 2026

## 1 Introduction

- 1.1 As part of the agreed Internal Audit plan we have carried out a review of the controls in place for the planning, identification and management of risks related to the Public Private Partnership (PPP) handover process to ascertain if the Council is adequately prepared to manage the handover effectively.
- 1.2 On 29<sup>th</sup> June 2000, the Council entered into a PPP contract with the private sector partner - 3 ED Glasgow Ltd (3ED). The contract contained a mix of capital works and long-term property management services for 30 schools in Glasgow: 29 secondary schools and 1 primary school. The contract expires on 30<sup>th</sup> June 2030 and there is no option within the contract to extend the services beyond this date. It is therefore critical to manage the handover process effectively to mitigate risks to the Council which could include such risks as increased costs, unnecessary maintenance and contract disputes.
  - Documented policies, procedures and guidelines.
  - Roles and responsibilities of key officers and teams.
  - Record keeping arrangements.
  - Planning arrangements to include, timescales, milestones and preparation works.
  - Reporting and monitoring arrangements.
  - Contract management arrangements including mediation.
  - Decision making and approval processes.
- 1.3 The scope of the audit was to ensure there are sufficient and appropriate controls in place for the planning, identification and management of risks related to the PPP handover process and that the Council is adequately prepared to manage the handover effectively. The scope of the audit included a review of the key controls in the following areas:

## 2 Audit Opinion

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

## 3 Main Findings

- 3.1 We note that preparation for PPP Handback is in the very early stages and therefore not all aspects of project management have yet been implemented. We were advised that the Project Manager is applying guidance from the Council Project Management Toolkit to develop the project.
- 3.2 The key controls relevant to this stage in the project are in place and generally operating effectively. All key documentation required to initiate the project has been completed and is in place.
- 3.3 A Project Manager has been appointed and formal Governance groups have been established, with key officers identified and in place. These groups meet regularly to ensure a robust decision-making and approval process is maintained.
- 3.4 We found that suitable record keeping arrangements are in place and are readily accessible to the appropriate officers.
- 3.5 At this stage of the project, no formal contracts have been executed, as such, plans for mediation have not been implemented. These plans are contract specific and will be put in place once formal contracts and associated management frameworks are arranged.
- 3.6 However, we identified some areas where controls could be strengthened. The current format of progress reporting does not provide sufficient detail to ensure that all risks are adequately communicated to the Steering Groups. While these groups receive regular updates on planning arrangements during meetings, the information recorded and reported does not conform to the requirements outlined in the Project Management Toolkit. In addition, the reports do not incorporate a RAG (Red-Amber-Green) rating, which is good practice for enabling management to readily identify priorities and areas requiring immediate attention.
- 3.7 It was observed that some cost estimates have been prepared without incorporating contingency allowances, thereby increasing the risk of unforeseen cost overruns. Additionally, a Lessons Learned Log has not yet been established, which may restrict the ability to capture and apply valuable insights for this and future projects.

- 3.8 An action plan is provided at section four outlining our observations, risks and recommendations. We have made four recommendations for improvement. The priority of each recommendation is:

Priority	Definition	Total
<b>High</b>	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	0
<b>Medium</b>	Less critically important controls absent, not being operated as designed or could be improved.	1
<b>Low</b>	Lower level controls absent, not being operated as designed or could be improved.	3
<b>Service Improvement</b>	Opportunities for business improvement and/or efficiencies have been identified.	0

- 3.9 The audit has been undertaken in accordance with the Global Internal Audit Standards in the UK Public Sector.
- 3.10 We would like to thank officers involved in this audit for their cooperation and assistance.
- 3.11 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
<b>Key Control:</b> Reporting of risks complies with corporate risk management requirements				
1	<p>We confirmed that both the Handover Steering Group and Co-ordination Group are in place and meet regularly.</p> <p>A Risks, Assumptions, Issues and Dependencies (RAID) log is in place and Project Progress Reports are provided; however, these provide a general overview of the current position with only the top risks identified and risk tolerances for each risk category have yet to be established. In addition, the reports do not incorporate a RAG rating, which is essential for enabling management to readily identify priorities and areas requiring immediate attention</p> <p>Without appropriate reporting of risks and proposed mitigation actions throughout the project, there is an increased likelihood that stakeholders are not kept fully informed and risks crystalise as a result.</p>	<p>The Project Manager should ensure that all risks are formally reported, with clear actions identified for mitigation to ensure that stakeholders are fully informed at all stages of the project.</p> <p>The Steering Groups should be notified of the top five risks and appropriate tolerances should be established and documented to ensure effective oversight and escalation where required.</p> <p>The current progress reports should be supplemented by a formal highlight report using the GCC Highlight Report Template to detail key risks / issues, mitigation and effective RAG rating.</p>	<b>Medium</b>	<p><b>Response:</b> Accepted</p> <p>An improved approach to reporting risks in accordance with these findings and recommendations will be implemented for all PPP Handover Steering Group meetings from 2026.</p> <p><b>Officer Responsible for Implementation:</b></p> <p>Group Manager (PPP Handback)</p> <p><b>Timescales for Implementation:</b></p> <p>10<sup>th</sup> March 2026.</p>

No.	Observation and Risk	Recommendation	Priority	Management Response
<b>Key Control:</b> Adequate financial provision is made to ensure a prudent approach in the determination of budgets.				
2	<p>We examined the current costings that were available for the project. It was recognised that no budget has yet been allocated and at present the only costs are for employees and estimates for specialist works.</p> <p>Although employee costs had been calculated taking account of anticipated pay awards, no further contingencies were put in place to consider potential changes such as inflation.</p> <p>It was recognised that this is due to the early stage in the project, with limited information available and no budget set.</p> <p>Without planning for contingencies and building this into costings, there is an increased risk that the integrity of financial planning is undermined, resources could be strained, and outcomes compromised.</p>	<p>The Project Manager should ensure that contingencies are built into all costs.</p> <p>Estimates should be evidenced, and costs should be reviewed annually to ensure changes such as inflation are accounted for.</p>	<b>Low</b>	<p><b>Response:</b> Accepted</p> <p>Cost plan monitoring records will be revised in accordance with these findings and recommendations.</p> <p><b>Officer Responsible for Implementation:</b></p> <p>Group Manager (PPP Handback)</p> <p><b>Timescales for Implementation:</b></p> <p>10<sup>th</sup> March 2026.</p>

No.	Observation and Risk	Recommendation	Priority	Management Response
<b>Key Control:</b> Lessons Learned are captured throughout the duration of the project so that key learning points can be applied to current and future projects.				
3	<p>We identified that there is no Lessons Learned Log in place currently.</p> <p>This is due to the early stage in the process, and it is noted that consideration has been taken of lessons learned from other stakeholders who are further into the handover process.</p> <p>Failure to adequately document lessons learned and capture key insights from completed work increases the risk that mistakes may be repeated, and that continuous learning and improved future performance may be undermined.</p>	<p>A Lessons Learned Log should be developed and should include lessons learned throughout the project as well as lessons learned through the review of external stakeholders' information, such as other Local Authorities and Scottish Futures Trust.</p>	Low	<p><b>Response:</b> Accepted</p> <p>A lessons learned log will be developed in accordance with these findings and recommendations.</p> <p><b>Officer Responsible for Implementation:</b></p> <p>Group Manager (PPP Handback)</p> <p><b>Timescales for Implementation:</b></p> <p>10<sup>th</sup> March 2026.</p>

No.	Observation and Risk	Recommendation	Priority	Management Response
<b>Key Control:</b> Key project documents should be subject to a robust and effective approval process.				
4	<p>It is noted that whilst the Strategic Business Case (SBC) has been prepared, and meeting minutes show that it was presented to the Steering Group, there is no indication of formal approval.</p> <p>The Project Management Toolkit states that the purpose of the SBC is to confirm the strategic context of the proposal; to make a robust case for change and to provide stakeholders with an early indication of the proposed way forward.</p> <p>The SBC and each further iteration of the Business Case should be submitted to the relevant governance structure for approval, in this case the Steering Group. Approval of the SBC permits the development of the Outline Business Case.</p> <p>Failure to implement a formal process to ensure that key documents are approved by the appropriate Governance Group increases the risk that decisions are made without proper oversight and accountability.</p>	<p>The Project Manager should ensure that the SBC is approved as necessary and that a formal process is implemented to record the approval of key documents throughout the lifecycle of the project.</p>	<b>Low</b>	<p><b>Response:</b> Accepted</p> <p>This action has now been satisfied and the PPP Handover Steering Group have provided formal acceptance of the SBC.</p> <p>Moving forward, a formal process will be adopted for the emerging Outline Business Case which will succeed the SBC.</p> <p><b>Officer Responsible for Implementation:</b></p> <p>Group Manager (PPP Handback)</p> <p><b>Timescales for Implementation:</b></p> <p>10<sup>th</sup> March 2026.</p>