

Key messages

Commonwealth Games 2014

Progress report 2: Planning for the delivery of
the XXth Games



Prepared for the Auditor General for Scotland and the Accounts Commission
March 2012

Auditor General for Scotland

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- NHS bodies
- further education colleges
- Scottish Water
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Key messages

Background

1. Glasgow will host the Commonwealth Games 2014 (the Games) from 23 July to 3 August 2014. The Games are a major event for Scotland and affect its international profile and reputation. They are expected to provide significant benefits to the Scottish population, including contributing to economic growth and improved health outcomes. However, the Games also involve significant amounts of public money and the decision to bid and being awarded the right to host them happened before the economic recession and the resulting squeeze on public sector budgets. It is even more important in the current financial climate that the public money invested in the Games is being spent properly and delivers the intended benefits.

2. Four strategic partners are responsible for planning the Games: the Scottish Government, Glasgow City Council, Glasgow 2014 Ltd (the Organising Committee) and Commonwealth Games Scotland.¹ In November 2007, these partners signed a contract with the Commonwealth Games Federation to deliver the Games to an agreed standard. They also signed a Minute of Agreement in June 2008, which binds the partners to work together to deliver the Games and to fulfil their respective responsibilities.² The strategic partners have set up the Glasgow 2014 Strategic Group as the main mechanism for achieving this. Commonwealth Games Scotland is the host Commonwealth Games association for the Games, and the other three bodies are the main delivery partners. While not a strategic partner, the Commonwealth Games Federation has some specific responsibilities. Other organisations, such as Strathclyde Police, are also contributing to the delivery of the Games.

3. This report is the second in a planned series which comment on progress in planning for the Games. It provides a position statement as at November 2011 on whether the strategic partners were on track to deliver the Games on time and budget, including the separate infrastructure programme. It focuses on the main risks and comments on how well the partners are managing these risks. It aims to provide assurance where possible on the strategic partners' progress at a specific point in time. The report also includes an assessment of the Scottish Government's and Glasgow City Council's plans to achieve a lasting legacy from the Games.

4. This is a live audit of a programme where the position is constantly changing and there will have been developments since we completed the audit. For this reason, our opinion and any assurance given at this stage does not provide absolute assurance that the Games will be delivered successfully on budget.

Summary

At November 2011, progress in planning for the Games was on track. The partners are committed to delivering the Games to the required standard within the £524 million Games budget. There are currently four key risks which the partners are managing. The key risks are:

- Security budget – It is not clear whether the £27 million security budget is expected to cover all Games security costs. The experience of previous Games is that security is particularly at risk of cost increases.

- Athletes' Village – This development is due to be completed less than five months before the Games start. There are a number of risks that could potentially lead to delays, cost increases, and further public funding being required.
- Hampden Park – This development is due to be completed less than five months before the Games. It is a technically innovative project and therefore presents a higher risk of delays and cost increases which would need to be met from the Games budget.
- Staffing capacity – The Organising Committee needs to increase its staffing capacity to ensure progress remains on track. A review of the workforce plan is currently being carried out as a matter of priority.

Key messages

1 At November 2011, the various delivery and infrastructure programmes were on track. There are particular risks in delivering the Athletes' Village and Hampden Park developments which the partners continue to manage. However, the Organising Committee now needs to increase its staffing capacity to remain on schedule.

5. The Commonwealth Games Federation (CGF) provides host countries with a detailed project management manual for planning the Games. At November 2011, 33 months before the Games start, the Glasgow preparations were generally where they should be – they had moved on from strategic planning

¹ Glasgow 2014 Ltd, otherwise known as the Organising Committee, is a company limited by guarantee which was set up solely to plan and deliver the Games. The Organising Committee's board of directors is chaired by an independent board member. Other members of the board include representatives from the three strategic partners, an athletes' representative and four other independent members.

² Minute of Agreement among the Commonwealth Games Scotland, Scottish Government Ministers, Glasgow City Council and Glasgow 2014 Limited, 2008.

to detailed operational planning (Exhibit 1). However, the Organising Committee now needs to increase its staff capacity so that it is able to complete its operational planning and remain on track. This has become a priority and the Organising Committee is carrying out a detailed review of its workforce plan which should be completed early in 2012 (see paragraph 17 and paragraphs 20 to 23 in the main report).

6. A lot of the infrastructure is already in place for the Games and partners are using existing venues for events where possible.³ Six new venues and an Athletes' Village are being built and a further seven venues are being refurbished for the Games. At November 2011, three venues for the Games were complete.⁴ At that time, all other venues, the Athletes' Village and transport infrastructure projects were forecast to be ready in time for the Games (Exhibit 2). Planned

changes have been made to the construction timetable for most venues but there has been no delay to the planned dates for handing over venues to the Organising Committee for them to complete temporary works and testing (Exhibit 2 and see paragraphs 24 to 26 in the main report).

7. The Athletes' Village and National Stadium Hampden Park (Hampden Park) present a higher risk if there is any delay to their current planned timescales because these are due to be delivered less than five months before the Games. These developments also have specific financial and technical risks associated with them, increasing the risk that delays could lead to increased costs to be ready in time for the Games (see case studies 1 and 2 in the main report). The strategic partners are taking action to mitigate these risks and further work is under way.

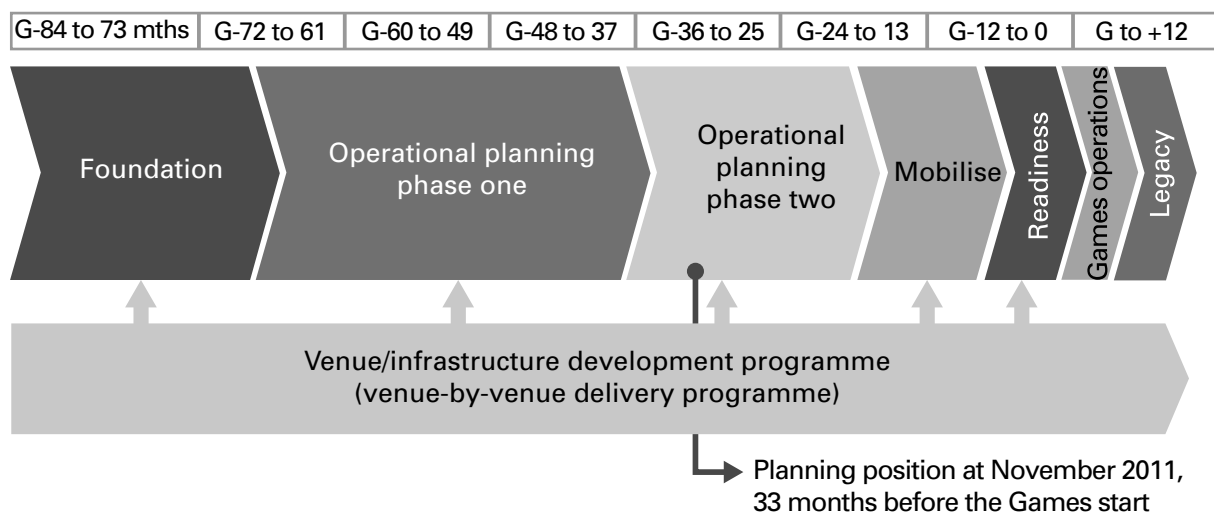
2 The strategic partners are committed to delivering the Games within the approved Games budget of £524 million. At September 2011, good progress had been made in securing income. But inherent uncertainty remains in the budget as would be expected at this stage. The experience of previous Games is that security is particularly at risk of cost increases.

8. The Scottish Government and Glasgow City Council are the main funding parties, contributing around 81 per cent of the overall Games delivery budget. The Organising Committee is responsible for raising the remaining 19 per cent of the budget through income from private sources, including broadcasting rights, ticketing, sponsorship and merchandising (see paragraph 39 in the main report).⁵

Exhibit 1

Commonwealth Games planning process summary

At November 2011, planning for the Glasgow Games was generally at phase two of operational planning as would be expected 33 months before the Games.



Note: The diagram provides a guide to the expected planning stages in the months leading up to and after the Games.
Source: Amended from *Commonwealth Games project management manual*, Audit Scotland, 2012

³ Existing venues being used for the Games include Ibrox Stadium, Celtic Park, SECC and Barry Buddon.

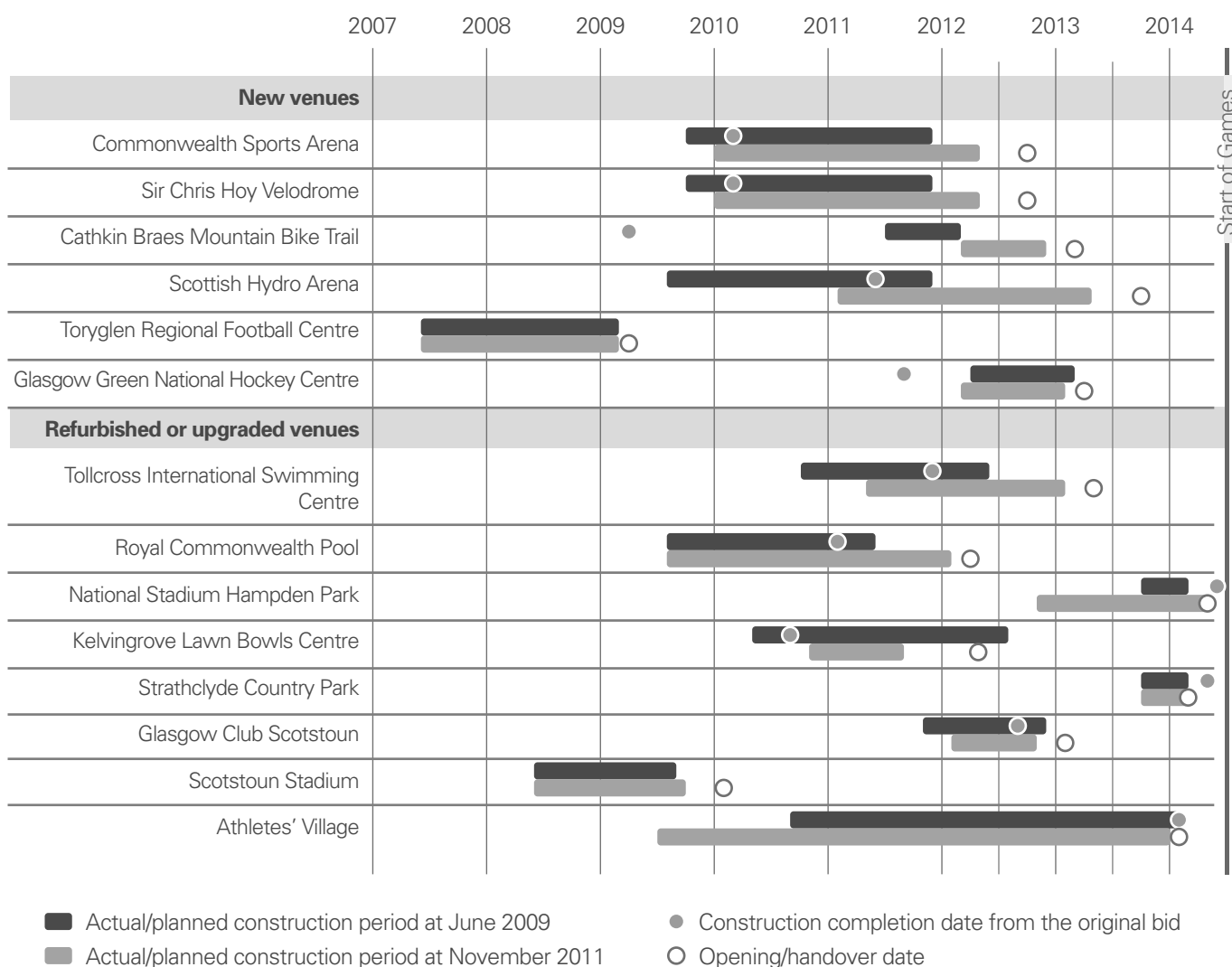
⁴ The three completed venues are Toryglen Regional Football Centre, Kelvingrove Lawn Bowls Centre and Scotstoun Stadium.

⁵ The Scottish Government's and Glasgow City Council's contributions to the Games delivery budget are £344 million and £80 million respectively. The Organising Committee is responsible for raising around £100 million from sponsorship, broadcasting, ticket sales and merchandising.

Exhibit 2

Games-related venues and the Athletes' Village

At November 2011, all venues and the Athletes' Village were forecast to be delivered in time for the Games.



Notes:

- The Organising Committee is currently reviewing the Strathclyde Country Park course with the International Triathlon Union and the scope of works is not finalised. The proposals are being developed in 2012 and the Organising Committee told us that the revised course will reduce the amount of work required. This means the dates may change.
 - The actual construction start date for the Athletes' Village of July 2009 relates to advanced works and the contractor started work on site in October 2010.
- Source: *Commonwealth Games 2014: Progress report on planning for the XXth Games*, Audit Scotland, November 2009; *Glasgow City Council infrastructure project highlight reports*, Glasgow City Council, October 2011; *Executive Committee report*, Glasgow City Council, October 2011; *Organising Committee programme plan*, Organising Committee, November 2011

9. In 2009, the Strategic Group approved an increase to the Games delivery budget of £81 million to £454 million at 2007 prices. The Organising Committee restated this to £524 million in 2010/11 to include inflation.⁶ The budget includes

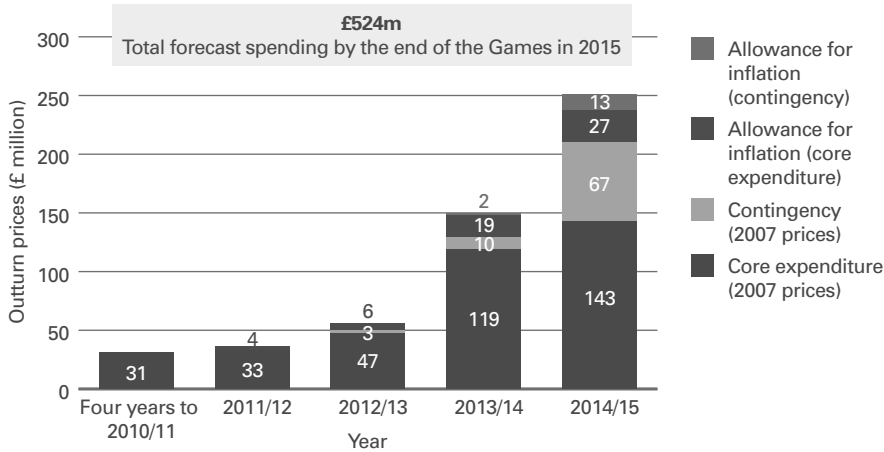
£95 million for contingency and controls are in place to manage this. The strategic partners are committed to delivering the Games within the £524 million Games budget (see paragraphs 42 to 47 of the main report).

10. There is inherent uncertainty in the budget as would be expected at this stage as only a small proportion of costs have been committed. At September 2011, around £44 million had been spent and a further £44 million contracted, 17 per cent of

Exhibit 3

Games budget forecast spending profile

The Organising Committee estimates that over 70 per cent of the budget will be spent in 2013/14 and 2014/15.



Source: Organising Committee, November 2011

the total Games budget (Exhibit 3 and see paragraphs 39 to 41 of the main report).

11. Based on the experience of previous Games, security is at particular risk of cost increases. The bid budget included £26 million for security costs, equal to seven per cent of the £373 million Games budget (at 2007 prices). An independent review of the bid budget identified that not all security costs had been included, for example security costs related to some transport activities.⁷ The £524 million Games budget now includes £27 million for security costs but it is unclear at this stage whether the budget is intended to cover all security costs related to the Games (see paragraphs 50 to 51 of the main report).

12. In October 2011, Her Majesty's Inspectorate of Constabulary for Scotland (HMICS) also highlighted that there was a real risk that some elements of security costs would be higher than budget.⁸ It recommended that the Games Security Committee, led by the Scottish Government, commission work to understand these risks more fully (see paragraph 52 in the main report).

13. Good progress has been made so far in securing income. By September 2011, the Organising Committee had already secured 33 per cent of its commercial income, exceeding its target for this stage. This compares favourably with previous Games' progress 33 months before the Games start (see paragraphs 54 to 62 of the main report).

14. At November 2011, Games venues were forecast to be delivered within approved budgets. However, the Athletes' Village and Hampden Park present a higher risk of increased costs. At the time of the bid to host the Games, the Athletes' Village was expected to cost £247 million (at 2007 prices).⁹ The Athletes' Village was originally expected to be funded mainly from private funding. However, due to the decline in the economy since the Games were awarded to Glasgow, the funding package has changed and the public sector contribution is significantly higher (see paragraphs 75 to 76 of the main report).

15. Other public bodies may incur costs related to the Games that are not all covered by the Games or infrastructure budgets but these have not yet been quantified. The other costs include the costs of planning certain emergency services. The reduction in public sector budgets is putting pressure on existing services and may increase the risk of these bodies being unable to contribute effectively to the Games (see paragraphs 77 to 80 of the main report).

3 There is no specific funding for legacy but the strategic partners have aligned their existing initiatives to support legacy plans and benefits are starting to be achieved. In the current economic climate other public and private organisations may find it difficult to invest to achieve a long-term legacy. More work is needed to evaluate the return on investment.

⁷ *Bid budget review for Glasgow 2014 Ltd*, Deloitte, January 2009.

⁸ *CG2014 Security Planning Review, update report*, HM Inspectorate of Constabulary for Scotland, October 2011.

⁹ The £247 million budget for the Athletes' Village excludes contingency. We restated it to £251 million to include the approved contingency allowance.

16. The Scottish Government and Glasgow City Council have developed legacy plans for Scotland as a whole and Glasgow City, which align with the National Performance Framework. Glasgow City Council's legacy plan also aligns with local Community Planning priorities as set out in the local Single Outcome Agreement (SOA) (see exhibits 8 and 9 in the main report).¹⁰

17. Both Scotland-wide and Glasgow City legacy frameworks give a clear indication of the people that are expected to benefit from the Games and the benefits they are expected to receive. Expected legacy benefits in the plans are both tangible (increased job opportunities; business opportunities; and new infrastructure investment) and less tangible (an enhanced image; civic pride; improved health; and improved community engagement). However, timescales for delivering these benefits have not always been identified and legacy plans do not identify the expected economic impact from the Games. Clear targets, baseline data and performance indicators are in place for some but not all projects. An evaluation framework is currently being developed to demonstrate the impact of investment in the Games.

18. Some economic and social legacy benefits have already been achieved, including over 2,000 young people starting apprenticeships and many Glasgow-based companies securing contracts to deliver Games construction projects (see exhibit 10 in the main report).

19. There is no specific funding for legacy but the strategic partners have aligned their existing initiatives to support legacy plans. They have made good progress in this area, as many public, private and voluntary organisations are involved in delivering the various legacy projects. Glasgow

City Council has aligned its existing initiatives and grants programmes towards delivering its legacy plans. However, in the current economic climate other public and private organisations may find it difficult to invest to achieve a long-term legacy.

4 The overarching governance structure is clear with defined accountabilities. However, joint working arrangements at operational level are more complex. For example, there are a large number of working groups but the responsibilities and accountabilities are not always defined and distinct from each other. This increases the risk of duplication and delays in decision-making.

20. At the time of our 2009 report, the strategic partners had established a clear high-level governance structure for the Games. There have been some changes to this structure since then. The revised high-level structure remains clear and allows the strategic partners to maintain strategic oversight across the Games (see exhibit 11 in the main report). The strategic partners' internal governance structures are clear and each has defined accountabilities.

21. However, joint working arrangements at an operational level have become increasingly complex. The strategic partners are confident that they are clear about the purpose, responsibilities and accountabilities of the large number of working groups and that there is no duplication. However, the distinct responsibilities and accountabilities of the various groups, including their delegated authority to make decisions on planning and budgets, are not always clearly defined in their terms of reference.

22. As the Organising Committee recruits more staff, and more partners

are engaged in planning or delivery, there is a risk that the complex joint working arrangements may be unclear to those involved, leading to duplication of effort and delays in decisions being taken. As the Games gets closer, it will be even more important to ensure planning structures and arrangements support efficient and effective planning and decision-making. Since our 2009 report, the strategic partners have developed a protocol to enable quick decisions to be made on urgent matters outside the standard process.

23. The strategic partners have continued to develop their individual and joint risk management arrangements. Each organisation has its own risk management policy, risk register and reporting arrangements. The Organising Committee also manages the strategic partners' joint risk register on a day-to-day basis on behalf of the partners. Mitigating actions have been identified for the majority of risks on all risk registers. However, further work needs to be done to ensure all risks, mitigation actions, due dates and costs related to these actions are clear, so that partners can effectively monitor, manage and report on these.

Summary of key recommendations

The strategic partners should:

- ensure the Organising Committee, and other partners as appropriate, have the staffing capacity to develop the detailed operational planning across all key functions
- complete a strategic assessment of the Games budget at least twice a year, as operational plans develop, looking at the cost pressures and uncertainties affecting the overall Games budget and how these can best be managed

¹⁰ Community Planning is the process by which councils and other public sector bodies work together with local communities, the business and voluntary sectors, to plan and deliver better services and to improve the lives of people who live in Scotland. All councils have set up a Community Planning Partnership (CPP) to lead and manage Community Planning in their area. Each CPP should prepare an annual Single Outcome Agreement (SOA) for their area, setting out their strategic priorities, expressed as local outcomes, and identifying how these will contribute to the National Performance Framework.

- ensure future budget reviews include a thorough assessment of the effect of inflation and market conditions in the light of tendering results
- continue to review contingency budgets as new risks emerge and the costs of mitigating actions are fully assessed
- review the terms of reference for joint governance and working groups, ensuring the specific responsibilities and accountabilities are clearly documented, including their delegated authority to make decisions on planning and budgets
- take any opportunities to reduce the number of groups by combining their responsibilities to support effective and efficient delivery of the overall programme plan
- continue to refine their individual and overall Games risk register to ensure all risks are described clearly, including cause and effect, and that specific mitigating actions are identified with clear due dates
- ensure all mitigating actions that have potentially significant financial implications are costed and included in relevant budgets.

The Scottish Government should:

- ensure that other public sector organisations have identified and allocated the resources they need to be involved in planning or delivering the Games, where these are not covered by the Games budget
- encourage Community Planning partners to adopt Glasgow City's Single Outcome Agreement (SOA) approach of aligning existing initiatives and funding to ensure legacy benefits from the Commonwealth Games throughout Scotland.

The Scottish Government and Glasgow City Council should:

- continue to develop their monitoring and evaluation frameworks and, in particular, gather baseline data and agree performance indicators, timescales and methods for assessing the return on investment, including economic, social, health, sport and environmental impacts
- continue to review the risks associated with achieving legacy targets in light of the pressures on public and private sector budgets and take mitigating action, including reprioritising their legacy objectives and revising targets if necessary.

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ISBN 978 1 907916 58 8 AGS/2012/3

Printed on Revive 100 Uncoated, a Forest Stewardship Council (FSC) certified recycled grade containing 100% post consumer waste and manufactured at a mill certified with ISO 14001 environmental management standard. The pulp used in this product is bleached using an Elemental Chlorine Free process (ECF).

