

Commonwealth Games 2014 Progress report 2: Planning for the delivery of the XXth Games

Impact report and update on progress

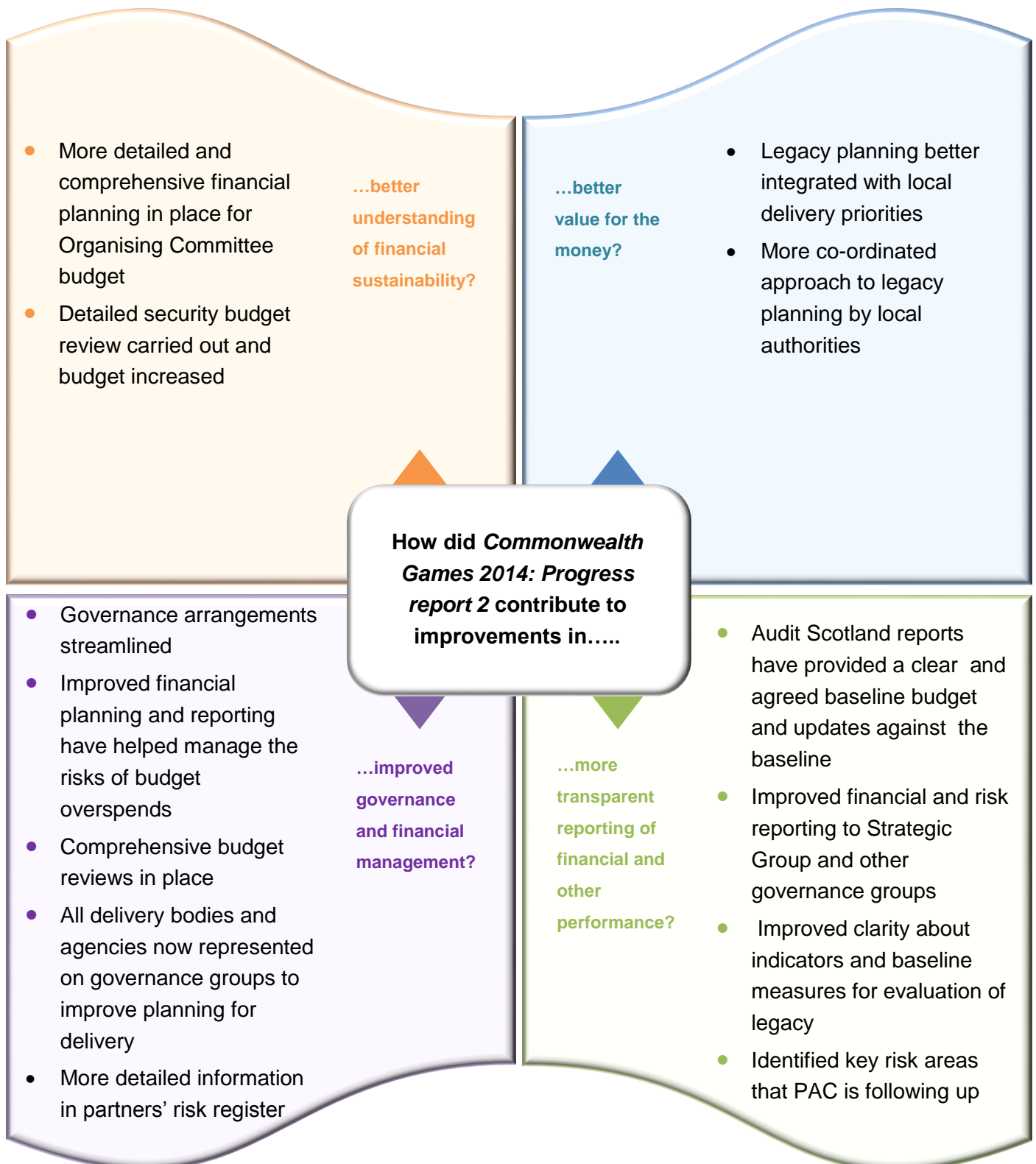
Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Summary of overall progress

Contribution to the four key aspects of public sector audit



Introduction

1. This report summarises the impact made by the joint Accounts Commission and Auditor General for Scotland performance audit *Commonwealth Games 2014 Progress report 2: Planning for the delivery of the XXth Games* published on 22 March 2012. We normally prepare impact reports around twelve months after publication. This report also provides an update on progress against the recommendations in the report and on the key risk areas identified, as requested by the Scottish Parliament's Public Audit Committee (PAC).
2. Glasgow will host the Commonwealth Games from 23 July to 3 August 2014. 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. The Scottish Government and Glasgow City Council are the main funders, contributing around 80 per cent of the overall Games delivery budget. The Organising Committee is responsible for raising the remaining 20 per cent of the budget through income from private sources, including broadcasting rights, ticketing, sponsorship and merchandising.
3. The report was the second in a series commenting on progress in planning for the Games. It provided 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. This was a live audit of a programme that is constantly changing. The audit opinion and any assurance given in the report relate to progress at that stage and cannot provide absolute assurance that the Games will be delivered successfully on budget.
4. The key messages from the report were:
 - 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.
 - 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, as would be expected at this stage, inherent uncertainty remains in the budget. The experience of previous Games is that security is particularly at risk of cost increases.
 - 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.
 - The over-arching 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.

5. The report concluded that, at November 2011, progress in planning for the Games was on track. It identified four key risks at that stage which the partners were managing:
 - there is a risk of cost increases in the security budget
 - the Athletes' Village is due to be completed less than five months before the Games start and there are a number of risks that could potentially lead to delays and cost increases
 - the technically innovative nature of developments at Hampden Park presents a higher risk of delays and cost increases
 - the Organising Committee needed to increase its staffing capacity to ensure progress stays on track.
6. The report included a number of recommendations, detailed in Appendix 1. These relate to managing the key risks, reviewing and assessing the budget, and reviewing governance arrangements. We have provided an update of progress against each of the recommendations in the appendix.
7. The report built on *Commonwealth Games 2014 – Progress report on planning for the delivery of the XXth Games*, published in 2009. That report provided assurance to the Scottish Parliament and other key stakeholders that, at that stage, the strategic partners had made progress against key areas. It also identified a number of risks and made recommendations for the strategic partners to strengthen their governance, financial management and programme management arrangements. Our twelve month impact report following the 2009 report showed that the partners were taking forward most of our recommendations.
8. We carried out the second audit to investigate whether planning for delivering the Games and their legacy was well organised, with good risk management processes, tight budgetary control and effective programme management. It was also intended to identify whether there were any high-level areas of concern at that stage and make recommendations, where appropriate, to help improve planning and management.

Progress on implementing recommendations

9. The strategic partners have signed a contract with the Commonwealth Games Federation to deliver the Games to an agreed standard. The Commonwealth Games Federation Coordination Commission (CoCom) carries out regular reviews of Glasgow's progress in planning for the Games. Since the Audit Scotland report, CoCom has carried out reviews in October 2012 and April 2013. The audit team received copies of the information presented to CoCom, had meetings with CoCom members after both reviews, and attended some parts of the April 2013 review in an observer capacity.
10. We have not carried out detailed audit work at this stage. Our comments on the strategic partners' progress are based on:

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- the evidence provided for the CoCom reviews and CoCom's conclusions
 - meetings with Scottish Government, Glasgow City Council and the Organising Committee in May 2013
 - written evidence provided by the partners
 - the partners' written updates to the PAC in November 2012 and January 2013.
11. Appendix 1 summarises progress against the recommendations, recognising that a number of issues were also raised by CoCom in their reviews.
 12. Overall, the strategic partners have made progress against all of the recommendations. They have improved management and review of the Games budget, reviewed and streamlined the governance arrangements, and improved overall risk management. Planning for evaluating the Games legacy has also moved on significantly, with improved clarity about the information needed and the outcomes that will be monitored to evaluate the Games legacy. There is also a more co-ordinated approach to legacy planning across local authorities. The Scottish Government regularly reports progress against its programme plan through the Scottish Government Commonwealth Games Group (COGG). Glasgow City Council continues to have a policy of not costing mitigating actions as part of its risk management. Partnership working across the partners remains strong and was highlighted by CoCom as a key strength.
 13. The CoCom review in April 2013 flagged up a number of areas for action over the next six months as the partners move into the delivery phase for the Games. This includes developing more streamlined, clearer and faster delegation and decision-making processes as part of the partners' joint and individual governance arrangements. The number of decisions required will increase significantly in the next phase, and new arrangements are needed to allow staff and contractors to make or get quick and clear decisions and avoid delays.

Update on key areas and risks

14. We have provided an update on progress on a number of key areas and risks at May 2013.

Security and overall Games budget

15. When we reported in March 2012, the Games budget was £524 million in cash prices.¹ This budget is managed by the Organising Committee. Our 2012 report raised concerns that the security budget may be insufficient. CoCom also raised further concerns about this following their April 2012 review. The strategic partners carried out a thorough review of the security budget over summer and autumn 2012, taking account of experience at the London Olympics.
16. In December 2012, the Scottish Government announced that the security budget would be increased from £27.2 million to £90 million and that the Police Service of Scotland (Police Scotland) would be responsible for managing this budget. With security funding moving to Police Scotland, the total Organising Committee budget has reduced to £473 million in cash

¹ Cash prices are based on the year that the expenditure is expected to be spent.

prices and the total security budget managed by Police Scotland is £90 million (exhibit 1). The revised overall budget for the Games is therefore £563 million, an increase of seven per cent.

Exhibit 1

Changes to the Games budget since March 2012

The Games budget has increased to £563 million made up of the OC budget of £473 million and the security budget of £90 million.

Organising Committee budget

Income and expenditure	Revised approved 2009 budget in cash prices, at March 2012 (£ million)	Updated budget in cash prices, at May 2013 (£ million)	Notes on changes
Expenditure			
Core budget	429	406	£27 million security budget transferred to Police Scotland; £4 million earmarked for GCC capital contingency transferred to GCC projects in core budget
General contingency	71	42	£25 million transferred to security budget; £4 million capital contingency transferred as above
Special reserve contingency	24	24	
Total budgeted expenditure	524	473	
Income			
Scottish Government	344	302	£42 million transferred to Police Scotland budget
Glasgow City Council	80	70	£10 million transferred to Police Scotland budget
Income sub-total: public funding	424	372	
Commercial income	100	101	Additional forecast cost recovery
Total income	524	473	

Security budget, managed by Police Scotland

£ million		
Transfer from OC security budget	27.2	
Transfer from OC contingency budget	25.1	
Additional funding from Scottish Government	37.7	From unallocated resources in the 2014/15 budget
Total	£90	

Source: Audit Scotland, 2012; Letter from Shona Robison to Public Audit Committee, 18 December 2012; Update from strategic partners, May 2013.

17. Police Scotland has a dedicated Deputy Chief Constable with responsibility for the Games. He is responsible for direct policing for the Games and wider security arrangements at venues. The Chief Constable is a member of the Strategic Group, chaired by the First Minister, and the Deputy Chief Constable may also attend. Governance arrangements for security include a Security Committee which reports to the Strategic Group and a Security Finance sub-group.
18. Following CoCom's recommendation, and learning from the experience of the London Olympics, the strategic partners have stated that they will be seeking to procure private contract security from more than one provider.

Budget management

19. At May 2013, 47 per cent (£222 million) of the Organising Committee's Games budget had been spent or committed and 39 per cent was uncommitted (£184 million). The remaining 14 per cent of the budget is contingency (£66 million - £42 million general contingency and £24 million special reserve contingency) and none of this has been spent. In early May 2013, the Strategic Group and the Organising Committee Board agreed that the Organising Committee could commit contingency funding of up to £5 million to enter into agreements with a number of venue owners to extend the length of time that they have access to the venues. The contingency funding will only be used if savings cannot be identified elsewhere in the budget.
20. At this time, approximately half of the Organising Committee's procurement of goods and services had been completed. Of the remaining projects, a quarter, representing £87 million worth of spend were ongoing, and the remaining quarter of procurement packages are scheduled to start later in 2013. The Organising Committee is on track to complete all key major procurement packages by the end of December 2013 and this will give greater certainty about the committed budget spend. At the end of December 2012, 75 per cent of the contracts awarded by the Organising Committee and Glasgow City Council had been awarded to Scottish businesses, worth £251 million.

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21. As at May 2013, the Organising Committee had identified pressures on a small number of individual lines in the budgets, with risks of overspends of around £32.5 million across those areas. The Organising Committee is continuing to manage these risks and reduce costs where possible. These budget pressures could be met within contingency funding levels, but the Organising Committee aims to identify cost savings elsewhere as the first option to meet any anticipated budget overspends before using any contingency.
 22. The Organising Committee is progressing well against its commercial income target.

Athletes' Village

23. Work on the Athletes' Village is progressing well and on track to be completed in January 2014 as planned. The site will then be handed over to the Organising Committee to prepare the accommodation to meet the Games requirements. At May 2013, the programme was 81 per cent complete and 486 of the 700 accommodation units had been built, with a further 192 in progress. Spending is in line with forecast and there has been no change in the public sector funding contribution.

Hampden Park

24. An update report for the Organising Committee Board in May 2013 reports that the Hampden Park development is currently on track to be delivered on time and on budget. Risks still remain given the innovative nature of the work, and these are being managed. No new risks have emerged and no specific concerns were raised by CoCom. In June and July 2012, a mock-up of a section of the suspended track that will be used to convert Hampden Park to a temporary athletics track was successfully built and tested. The Organising Committee started an OJEU procurement process for constructing the suspended track in October 2012 and the Organising Committee Board is due to consider a recommendation to appoint a principal contractor in May 2013.

Staffing

25. The Organising Committee published its first workforce projections report in December 2012. This estimates the number of paid, volunteer and contractor staff required across all activities. The total is currently higher than the target numbers that the Organising Committee is seeking to hire and it will review, refine and reduce the numbers as detailed planning develops further. The CoCom review team advised that it is not unusual for anticipated staffing levels to be higher at this stage of planning and reduced as planning progresses.
26. The Organising Committee had 374 paid staff in post in April 2013. The number of paid staff is planned to increase steadily up to January 2014, and then increase significantly. In May 2013, the staffing level was about 15 behind plan, but a number of people were going through recruitment processes.

Venues

27. All building works for the Glasgow City Council managed venues infrastructure programme are now complete apart from the Glasgow Green National Hockey Centre. This is on track, and construction is due to be completed by 31 May 2013. Plans for upgrading the Tollcross International Swimming Centre changed from including a temporary structure for the Games to a permanent development, as the Council assessed that this would provide better value for money and a greater legacy. Funding in the Organising Committee's budget for the temporary works has been transferred to the Council. The swimming centre opened after the upgrade on 24 May 2013.
28. The water quality at Strathclyde Park, the planned venue for the triathlon, is poor. This has been identified as a high risk by the partners and is a concern to CoCom. The Scottish Government and North Lanarkshire Council are tendering for work to implement a solution, and this will then need to be tested. Work should be carried out over summer 2013. The Scottish Government and North Lanarkshire Council are providing additional funding for this work. This is not part of the Games budget.

Conclusions from CoCom review in April 2013

29. The CoCom review in April 2013 concluded that overall progress is good. They also praised the strength of partnership working and legacy planning. Areas that CoCom wants to see significantly progressed by the next review in October 2013 include streamlined and quick decision-making processes, detailed transport planning and agreement on detailed levels of service for venues and the Athletes' Village. CoCom concluded that detailed transport planning is not as well progressed as it should be at this stage, and asked for detailed planning to be finalised before the next review in October 2013. This includes detailed requirements for public transport, procurement of buses and cars, and traffic and route management, including integration with Games events using transport routes. CoCom also identified the need to improve some of those areas of detailed planning in the October 2012 review and they recognised that significant progress had been made between the reviews.
30. The partners are now moving from the Games planning stage into the delivery phase, and there will be a significant increase in activity, staffing, contractors and bodies involved. CoCom stressed the need for the partners to ensure that governance arrangements; delegated and quick decision-making processes; and clear exception reporting arrangements are in place to enable them to deal with the high volume of activity and decisions that will be needed in the next phase. CoCom has advised the partners to develop these arrangements further over the next three months.

Recent developments

31. On 13 May 2013, the Organising Committee announced the prices for Games tickets. Two-thirds of tickets will be priced at £25 or less, and half price tickets will be available for people under 16 and over 60. At least 70 per cent of tickets to all sporting events will be available to the public. The first phase of ticket sales will run from 19 August to 16 September 2013.

Next steps

32. Audit Scotland will carry out the final planned audit on the Commonwealth Games after the Games have been held. This is likely to be reported in spring 2015 but will depend on when the final costs are known.

Appendix 1. Progress on implementing the recommendations in *Commonwealth Games 2014 Progress report 2: Planning for the delivery of the XXth Games*

	Progress
The strategic partners should:	
<ul style="list-style-type: none"> ensure the Organising Committee (OC), and other partners as appropriate, have the staffing capacity to develop detailed operational planning across all key functions 	<p>The OC published a Headcount Report in December 2012 which gives workforce projections. This will be reviewed and revised as more detailed planning progresses. The staffing level at May 2013 was around 15 behind the plan, with some recruitment ongoing.</p> <p>The CoCom review in April 2013 also identified some areas where more detailed operational planning was required, including transport planning. The OC has significantly increased its staffing in the areas identified.</p> <p>The Scottish Government has identified the staffing it needs to deliver the Games and this was agreed by the Scottish Government Resources Board. Staffing in the Commonwealth Games Team doubled in the three months up to May 2013. Many of the staffing needs identified in the resource plan are staff who already work in other functional areas that are involved in aspects of delivering the Games.</p> <p>Glasgow City Council has allocated staff across its 11 workstreams, mainly staff who already work at the Council in other areas. It is currently developing the detailed planning for the staff needed for Games times across all the areas of city operations, such as street cleaning and refuse collection.</p> <p>Transport Scotland now has a team of staff in place working on planning for the Games, as does Police Scotland.</p>

<ul style="list-style-type: none"> • 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 • 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 	<p>These recommendations are all in place, led by the OC, and the developments are improving management of the Games budget. The level of uncertainty in the budget is reducing as contracts are procured and sponsorship income is secured. Contingency funding is kept under review. As at May 2013, no contingency funding had been spent, but the OC had approval to enter into agreements to extend the use of some venues which may require up to £5 million from contingency funding. The OC has identified pressures on a small number of individual lines in the budget, with risks of overspends of around £32.5 million across those areas. These pressures should reduce as contracts are awarded over the next six months.</p>
<ul style="list-style-type: none"> • 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 	<p>The strategic partners have reviewed and clarified the terms of reference for the governance and working groups, and integrated and streamlined some of the groups. Groups' delegated authority is laid out in their terms of reference. The April 2013 CoCom review stressed the importance of a quick decision making process and clear exception reporting as the partners move from the planning phase into the delivery phase.</p> <p>A flatter structure has been in place since December 2012 and the work of some previous groups has now been integrated into other groups or is no longer required, as planning develops. The partners feel that the current arrangements are working well. They have said that the arrangements will be further revised as they move into the Games delivery phase.</p>
<ul style="list-style-type: none"> • continue to refine their individual and overall Games risk registers to ensure all risks are described clearly, including cause and effect, and that specific mitigating actions are identified with 	<p>This is in place for the partners' overall risk register which is comprehensive and actively managed.</p> <p>The Scottish Government's risk register is reviewed at each Scottish Government Commonwealth Games Group (COGG) meeting, and risk managers across Scottish</p>

clear due dates	<p>Government are expected to keep it up to date.</p> <p>A separate security risk register is now in place, managed by Police Scotland. We have not reviewed this. Glasgow City Council also has a separate legacy risk register. Scottish Government has identified legacy risks within its overall risk register and produces exception reports for the Games Legacy Evaluation Board which highlight any amber or red risks.</p>
<ul style="list-style-type: none"> ensure all mitigating actions that have potentially significant financial implications are costed and included in relevant budgets. 	<p>This is in place for the partners' overall risk register and the April 2013 CoCom review identified this as good practice.</p> <p>This is not in place for Glasgow City Council's risk register as this is not their policy. They have previously made it clear that they will not be implementing this recommendation.</p>
The Scottish Government should:	
<ul style="list-style-type: none"> further develop its system for recording, monitoring and reporting changes to the programme plan and ensure progress reports provide a complete and accurate picture of progress 	<p>COGG has drafted a high level programme plan for the Scottish Government. This sets out high level aims and objectives for Scottish Government and its agencies. Detailed planning below that is expected to take place within Scottish Government directorates and agencies. COGG is due to start getting progress reports from June 2013. We have not seen any progress reports so cannot comment on them. COGG currently gets updates at every meeting.</p>
<ul style="list-style-type: none"> 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 	<p>All relevant delivery bodies and Scottish Government agencies are represented on the Scottish Government or security governance structures. These bodies are all expected to make sure that their own planning is aligned and co-ordinated with the overall planning. This is expected to include resource planning.</p>
<ul style="list-style-type: none"> encourage Community Planning partners to adopt Glasgow City's Single Outcome Agreement 	<p>Each local authority now has a legacy lead at a senior and strategic level. SOLACE led the establishment of a National Local Authorities (LA) Legacy Leads Group</p>

<p>(SOA) approach of aligning existing initiatives and funding to ensure legacy benefits from the Commonwealth Games throughout Scotland.</p>	<p>which met for the first time in February 2013. The Scottish Government has seconded a Legacy 2014 Engagement Manager to work closely with the Legacy Leads. The LA Legacy Leads Group has endorsed Dumfries and Galloway Council's legacy planning as a good practice template for the others' planning. This links local legacy delivery activity to local priorities.</p>
<p>The Scottish Government and Glasgow City Council should:</p>	
<ul style="list-style-type: none"> 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 	<p>A Games Legacy Evaluation Working Group (GLEWG) has been set up, chaired by Scottish Government. GLEWG published a Games legacy evaluation framework in October 2012. This sets out the indicators that will be assessed, how they will be assessed, plus baseline data, where they are available, from 2008 onwards. Indicators will be tracked to 2019.</p> <p>The agreed outcome indicators are also being reported and updated on the Scottish Government website at:</p> <p>http://www.scotland.gov.uk/Topics/ArtsCultureSport/Sport/MajorEvents/Glasgow-2014/Commonwealth-games/Indicators</p> <p>Glasgow City Council has also developed its own legacy evaluation framework which has still to be formally approved. This follows a similar approach.</p>
<ul style="list-style-type: none"> 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. 	<p>This risk is identified in Glasgow City Council's legacy risk register, with mitigating actions. This specific risk is not included in the Scottish Government's risk register. However the Scottish Government is working with local authorities and other organisations on getting legacy planning better integrated with their own priorities.</p>

The Organising Committee should:	
<ul style="list-style-type: none"> • further develop and continue to monitor and review its sponsorship income targets, specifically identifying the split between cash and value-in-kind income based on a detailed assessment of what is needed and when, to support operational plans, budgets and cash flow. 	<p>This is in place and is supporting operational planning. The latest report to the OC Board was in March 2013. Sponsorship income targets are reviewed each time a deal is completed and the cash flow forecast is updated in the OC's budgeting system.</p>