

Key messages

Commonwealth Games 2014

Progress report on planning for the delivery of the XXth Games

Prepared for the Auditor General for Scotland and the Accounts Commission

November 2009

Auditor General for Scotland

The Auditor General for Scotland is the Parliament's watchdog for ensuring propriety and value for money in the spending of public funds.

He is responsible for investigating whether public spending bodies achieve the best possible value for money and adhere to the highest standards of financial management.

He is independent and not subject to the control of any member of the Scottish Government or the Parliament.

The Auditor General is responsible for securing the audit of the Scottish Government and most other public sector bodies except local authorities and fire and police boards.

The following bodies fall within the remit of the Auditor General:

- directorates of the Scottish Government
- government agencies, eg the Prison Service, Historic Scotland
- NHS bodies
- further education colleges
- Scottish Water
- NDPBs and others, eg Scottish Enterprise.

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.

The Accounts Commission

The Accounts Commission is a statutory, independent body which, through the audit process, assists local authorities in Scotland to achieve the highest standards of financial stewardship and the economic, efficient and effective use of their resources. The Commission has four main responsibilities:

- securing the external audit, including the audit of Best Value and Community Planning
- following up issues of concern identified through the audit, to ensure satisfactory resolutions
- carrying out national performance studies to improve economy, efficiency and effectiveness in local government
- issuing an annual direction to local authorities which sets out the range of performance information they are required to publish.

The Commission secures the audit of 32 councils and 44 joint boards and committees (including police and fire and rescue services).

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Background

1. Glasgow is due to host the XXth Commonwealth Games 2014 (the Games) from 23 July to 3 August 2014. The Scottish Government has stated that the Games are intended to have a lasting legacy for the people of Scotland.¹
2. The Commonwealth Games is a major event for Scotland and affects its international profile and reputation. The special nature of the Games means that they bring particular challenges in planning for delivery:
 - The deadline is immovable.
 - Many partners are involved, leading to complex delivery structures to manage responsibilities.
 - They are vulnerable to environmental conditions, including the risk of poor weather during the Games.²
3. Hosting the Games depends on significant amounts of public money as well as relying on private sector investment. However, since Glasgow won the right to host the Games, there has been a major decline in the global economy. Political conditions have also changed and public bodies are facing tighter funding regimes. Those involved in planning for the Games will need to take account of the risks associated with these changes and their potential impact on the Games budget.
4. Four strategic partners are responsible for planning the Games: the Scottish Government, Glasgow City Council, the Organising Committee and Commonwealth Games Scotland.³ These partners signed a contract with the Commonwealth Games Federation to deliver the Games to an agreed standard. Commonwealth Games Scotland is the host for the Games, and the other three bodies are the main delivery partners. Other organisations, such as Strathclyde Police, are also contributing to delivering the Games.
5. The Organising Committee's primary responsibility is to deliver the Games. The council's responsibility is to deliver the majority of the venues needed to support the Games, while bringing lasting benefits to Glasgow. The Scottish Government's role is to put in place the necessary legislation for the Games, coordinate national security and deliver the Scotland-wide legacy. Commonwealth Games Scotland will select and prepare the Scottish team for the Games.
6. The Organising Committee's budget for delivering the Games is £373 million. The Scottish Government and the council are the main funders, contributing £238 million and £60 million respectively, 80 per cent of the overall budgeted cost. The remaining £75 million is intended to come from broadcasting rights, licensing, ticket sales and sponsorship.
7. One key feature of the Glasgow bid was that 70 per cent of the infrastructure, including venues, was already in place. However, five new facilities are to be built in Glasgow and a further ten venues in Glasgow and Edinburgh need major refurbishment or upgrading. The estimated cost of these in 2007 prices was £332.7 million – £269 million of this is not considered as Games costs as these venue developments were planned prior to the Games bid.
8. Glasgow City Council is managing its venues and the development of an Athletes Village as part of its Games infrastructure programme. The Organising Committee is liaising with the other venue owners to ensure they are ready in time for the Games.
9. Private developers are expected to cover most of the construction costs for the Athletes Village and Glasgow City Council has contributed the land with no initial charge.⁴ Following the Games, the Athletes Village will be developed into housing and the council can then recover some of the land costs from the developer.
10. Access to the Games also depends to varying degrees on almost £1.6 billion of other infrastructure projects such as the M74 extension. These projects were planned prior to the Games bid and are separately funded. Glasgow City Council is managing or monitoring these as part of its Games infrastructure programme.
11. The Scottish Government, as guarantor, has underwritten any potential additional costs for:
 - the Organising Committee, above the approved Games budget, adjusted for inflation
 - certain security costs.⁵

The study

12. This report provides an early assessment of governance, risk management, financial management and programme management arrangements. It identifies progress since our sport overview report up to August 2009, and further action required at this stage, particularly in the changed economic climate.⁶
13. It is still relatively early days as partners have almost five years to continue their preparations to host the Games. This report, therefore, is the first in a planned series of reports which will monitor and report on progress. It does not cover legacy planning, as we intend to look at this in a later report. At this early stage, we have not carried out a detailed review of the budget.

Key messages

1 There is a clear high-level governance structure and the strategic partners understand their responsibilities. They have set up several joint working groups at operational level, although the status and lines of accountability of some of these are not clear.

14. All partners have signed up to the vision for the Games, and are currently working together to achieve this vision.

15. The high-level governance structure for the Games is complex but clear (Exhibit 1). This is set out in a Minute of Agreement which the strategic partners signed in June 2008.⁷ The partners have set up a Strategic Group, chaired by the First Minister, which provides a forum for resolving issues between the partners. In addition to this, partners are developing their own internal governance arrangements.

16. The strategic partners have set up a number of joint working groups at an operational level but it is not always clear how these fit within the high-level and partners' own internal governance structures. To ensure good governance, it is important that partners formalise these groups' purpose, membership, decision-making powers and lines of accountability.

2 The strategic partners are developing independent programme plans to manage their responsibilities for the Games and all are at different stages of completing their plans. There is not yet an overall Games programme plan across all of the partners which includes all of the key milestones and interdependencies, although the Scottish Government intends to do this once all of the individual plans are complete.

17. Partners are developing their own programme management arrangements independently. All partners are clear on their individual responsibilities and have a shared understanding of most areas of joint responsibility. However, formal arrangements for joint responsibilities are still developing.

18. Glasgow City Council has set up a Programme Management Office (PMO) to manage its infrastructure programme. The PMO is also responsible for overall coordination of areas of joint responsibility with other partners.

19. The council's PMO is using suitable methods for managing this scale of programme and range of projects, and has developed a draft programme plan. Although the council has identified budgets and interdependencies between projects, it has not yet incorporated these into its programme plan. This is needed to monitor overall progress against key milestones and costs. The council intends to have this in place by the end of 2009.

20. The Organising Committee has also established a PMO. A new programme manager started in June 2009 and is currently developing a programme plan for delivering the Games, which the Organising Committee expects to be ready by December 2009. The Commonwealth Games Federation is satisfied with this timescale.

21. There has been slippage on some venue and transport infrastructure projects, and others have been re-phased, but all are still expected to be ready in time for the Games (Exhibit 2, page 4). Two venues and the Athletes Village present the highest risk if there is any delay to their current planned timescales, because they are not due to be completed until a few months before the Games.⁸ The experience of previous transport infrastructure projects is that there is a high risk of slippage, therefore these should also be closely monitored.⁹

22. The Scottish Government has set up a Games Delivery Team and a Games Legacy Team to coordinate and deliver its responsibilities. The Delivery Team is developing a programme plan to manage the Scottish Government's responsibilities for the Games and expects to complete this by the end of 2009.

23. The Scottish Government is also developing an overall Games programme plan which will collate the key milestones of all the partners. It aims to use this to monitor and report on partners' progress to the Strategic Group and its own Strategic Board. The Scottish Government intends to finalise this overall Games programme plan once all partners complete their individual programme plans, and it intends to implement this by the end of March 2010.

3 The strategic partners are adopting a structured approach to risk management for delivering the Games. They have still to refine their overall Games risk register, cost their agreed actions to manage each risk, and fully implement their arrangements for managing the risks across the programme.

24. Glasgow City Council has adapted its council-wide risk management framework for its infrastructure programme. The framework is generally sound but further work needs to be carried out to estimate the cost of its plans to manage risks to ensure they are realistic and affordable. The council has advised us that it has started working on this.

25. The strategic partners agreed that the Organising Committee would lead on coordinating risk management across the partners. The Organising Committee Board and the Strategic Group have approved the risk management approach. This approach is aligned with Glasgow City Council's risk management framework for its infrastructure programme. This ensures

consistency with the council's framework, which was already in place and working well.

26. The Organising Committee is working with the other strategic partners to establish an overall risk register for the Games. A total of 247 risks are recorded on the risk register, 85 of which affect more than one partner.¹⁰ The strategic partners have assessed the likelihood of each risk occurring and the impact if it happens and allocated an overall risk score. However, the scores allocated to some similar or related risks are inconsistent, which means they may be prioritised differently. The strategic partners have agreed responsibilities and actions for managing 198 risks so far. However, they have still to complete this and cost the actions to assess their affordability.

27. The Scottish Government has not developed its own risk management plan and reporting arrangements specifically for the Games. It currently records a limited number of risks on its existing risk management systems. The Scottish Government has advised us that it intends to address this once the overall risk register has been completed to ensure its approach aligns with the strategic partners' joint risk management arrangements.

4 Strategic partners are learning from the experience built up in other Commonwealth and Olympic Games. A key lesson is that there is a high risk of staff changes and a subsequent loss of knowledge in the lead up to the Games. The strategic partners are at different stages of planning to manage this risk.

28. The Commonwealth Games Federation has contracted specialist consultants to share knowledge built up from other Games. Commonwealth Games Scotland staff and company directors also have direct experience of previous Games. In addition, staff from the strategic partners are liaising with their counterparts in the London Organising Committee for the 2012 Olympic Games and with staff involved in other Commonwealth Games. This is currently working well.

29. The experience of other Games is that there is a high risk of losing knowledge if key staff change. The strategic partners need to manage this risk during the remaining five-year planning timescale. Staff have already changed in the Organising Committee and the Scottish Government, with different staff involved in the bid team and the current delivery team. The Organising Committee is currently developing staff continuity plans. The Scottish Government has protocols for handover when staff change and is considering measures to prevent losing knowledge if key staff change, particularly in the final year leading up to the Games.

30. So far, Glasgow City Council has not been affected by changes in key staff. As its PMO team is small, any change to staff is likely to have an impact on the council's ability to manage its responsibilities for the Games. However, it has arrangements to manage the risk of losing knowledge if staff change.

31. The team of staff and company directors at Commonwealth Games Scotland is also small and at risk of losing knowledge if there are any changes, and it recognises this risk.

5 The estimated cost of delivering the Games is £373 million. A further £269 million had already been committed towards developing venues before the bid. These estimates have not been updated since 2007 and there is a risk they may not be sufficient to deliver the current plans.

32. The Organising Committee's budget of £373 million includes £306 million for revenue and £67 million for capital costs. The capital budget includes £48.7 million to make changes to venues that are needed specifically for the Games.

33. An additional £269 million of funding is being spent on developing venues that will also be used by future generations. The £269 million is made up of:

- Glasgow City Council's budget of £128 million to build or refurbish its venues for the Games
- other venue owners' combined budgets of £141 million to refurbish other existing venues.

34. The Scottish Parliament approved the Organising Committee's Games budget of £373 million following the successful bid to host the Games. The experience of other Commonwealth and Olympic Games is that the actual cost of these events is usually significantly higher than the original bid budget.¹¹

35. The strategic partners are confident that the Glasgow bid budget is more robust than previous Games. This is because the Commonwealth Games Federation introduced a more structured and rigorous bid and evaluation process for the 2014 Games. The Federation concluded that generally the level of detail in Glasgow's bid budget was of a high quality but it highlighted some risks. These included optimistic assumptions for office costs and the Athletes Village, a very modest budget for the opening ceremony and insufficient costs for security. It also identified that the level of contingency in the budget was insufficient. The budget was increased from £344 million to £373 million following the evaluation of the bid. However, it is not clear whether the increase in the budget is sufficient to take account of these risks.

36. The approved budget is based on 2007 prices, with a general contingency for both revenue and capital of around £40.5

million. The total contingency is held centrally in the revenue budget, and the capital contingency element includes an allowance for optimism bias.¹²

37. The Organising Committee commissioned consultants to carry out a high-level review of the £373 million approved budget to help it set more detailed operational budgets.¹³ The consultants' report indicates that the budget may be insufficient to deliver the current plans, particularly in the current economic climate. It did not include an estimate of the overall potential shortfall. The report recommends that the Organising Committee carries out a more detailed budget review and uses this to develop an operational budget.

38. The Organising Committee has since appointed another firm of consultants and a number of Games specialists to help set a new operational budget.¹⁴ This work should be completed by October 2009.

39. As at August 2009, the top risk identified in the overall risk register is a potential shortfall in the Organising Committee's £373 million budget. If the further review of the budget also identifies a funding shortfall, the strategic partners will have to consider their options, which may include increasing the Organising Committee's budget or scaling down the plans to deliver the Games within the £373 million budget. Achieving partners' consensus on this may be difficult as public bodies are facing significant challenges due to tighter funding and the need to deliver increased efficiency savings.

40. The private sector has a major role in delivering the Games, for example, developing the Athletes Village, constructing the venues and providing sponsorship. In the current economic climate, securing investment from the private sector will be a challenge.

41. The risk of insolvency among private construction companies is also higher, although there may be opportunities to achieve cheaper contract prices. This will require robust procurement and contract management arrangements. The strategic partners need to take full account of these risks and opportunities and their potential consequences for the budget, and ensure they put in place appropriate arrangements for managing them at this relatively early stage of planning.

42. The £332.7 million cost estimates for the venues included in the Games bid were mostly based on outline business cases.¹⁵ This is normal practice but it means that costs are only indicative until full business cases are developed and tender evaluations completed.

43. Toryglen Regional Indoor Training Centre is complete at a final cost of £15.7 million, which is in line with the council's final approved budget. This compared to the bid estimate (at 2007 prices) of £15 million. Scotstoun International Athletics and Rugby Stadium was completed by September 2009 at a cost of £17.9 million compared to £15.3 million (at 2007 prices) in the bid budget. The National Indoor Sports Arena and Velodrome project has reached contract stage and the agreed cost is £116.3 million, an increase of £16 million on the final approved bid budget (at 2007 prices).¹⁶

Key recommendations

Strategic partners should:

- document the purpose, responsibilities, membership, and lines of reporting for all cross-partner working groups to ensure all partners have a consistent understanding and that the accountability of the groups is clear
- review and update the overall Games risk register to ensure that scoring of similar and related risks is consistent
- fully assess the risks and potential consequences associated with the private sector contribution to, and investment in, the Games, including the potential impact on public sector funding
- estimate the cost of their plans to manage risks to ensure these are realistic and affordable
- develop and continue to review plans for managing staff continuity and ensuring that knowledge is retained in the organisation following any changes in key staff.

Delivery partners should:

- agree the required tasks to deliver on areas of joint responsibility and develop formal agreements to ensure these are allocated and managed appropriately.

The Scottish Government should:

- complete its programme plan to manage its responsibilities for the Games across its directorates by December 2009
- complete an overall Games programme plan that collates the key milestones from all partners' plans by March 2010
- coordinate its risk management approach, including aligning its risk registers and reporting systems for managing its own risks in relation to the Games across the Scottish Government.

Glasgow City Council should:

- estimate the cost of its plans to manage risks to its Games-related infrastructure programme to ensure these are realistic and affordable.

The Organising Committee should:

- review the underlying budget assumptions that are subject to uncertainty, at least annually, to determine whether these have changed materially, and make recommendations to the Strategic Group on the budget accordingly
- continue to explore opportunities for making savings and increasing income, while delivering the Games to a good standard and meeting its contract obligations with the Commonwealth Games Federation.

- 1 On your marks... Get set... Go: A games legacy for Scotland, Scottish Government, 2009.
- 2 We will consider contingency arrangements for managing adverse weather conditions such as rain in a future report on planning for the delivery of the Games.
- 3 Glasgow 2014 Limited, otherwise known as the Organising Committee, is a company limited by guarantee which the partners set up specifically to deliver the Games.
- 4 The Organising Committee is also contributing towards the cost of making temporary changes to the Athletes Village, which are needed specifically for the Games.
- 5 First Minister's guarantee in the bid document, 2007.
- 6 A performance overview of sport in Scotland, Audit Scotland, April 2008.
- 7 Minute of Agreement amongst the Commonwealth Games Council for Scotland, Scottish Government Ministers, Glasgow City Council and Glasgow 2014 Limited, 2008.
- 8 National Stadium Hampden Park, Strathclyde Country Park and the Athletes Village are due to be completed less than five months before the start of the Games.
- 9 Review of major capital projects in Scotland, Audit Scotland, June 2008.
- 10 Figures as at August 2009.
- 11 Manchester Commonwealth Games 2002 increased by 120 per cent, Delhi Commonwealth Games 2010 latest forecast increase of 280 per cent, Beijing Olympic Games operating costs increased by 75 per cent and London Olympics 2012 latest forecast increase of 300 per cent. These figures are approximate percentage increases between the baseline budget in the bid and the actual costs, or latest forecast costs for Games that have still to take place.
- 12 HM Treasury Supplementary Green Book Guidance – Optimism bias is a systematic tendency to underestimate the cost of a project by ignoring the likelihood of unforeseen costs. Early estimates should include an allowance for this.
- 13 Bid book budget review for Glasgow 2014 Limited, Deloitte, 2009.
- 14 The Organising Committee has appointed PricewaterhouseCoopers (PwC).
- 15 Venues that were already planned prior to the bid had outline business cases prepared, whereas venues being developed specifically for the Games did not necessarily have a business case separate from the bid.
- 16 The National Indoor Sports Arena and the Velodrome are adjacent to each other and are being managed as one project.