

# Progress report on planning for the delivery of the XX Commonwealth Games 2014

Study Brief, May 2009

*Audit Scotland is undertaking this study on behalf of the Auditor General for Scotland and the Accounts Commission through the powers of the Auditor General under section 23 of the Public Finance and Accountability (Scotland) Act 2000 to examine the efficiency and effectiveness and economy with which public bodies use their resources in discharging their functions and the powers of the Accounts Commission under section 97A of the Local Government (Scotland) Act 1973 to undertake studies to enable it to make recommendations for improving the efficiency or effectiveness in the provision of services by local authorities or other bodies.*

*Audit Scotland is a statutory body set up in April 2000. It provides services to the Accounts Commission and the Auditor General for Scotland. 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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## Introduction

1. Glasgow will host the ~~XX~~ Commonwealth Games 2014 (the Games) from 23 July to 3 August 2014. Glasgow City Council and the Scottish Government are the main parties responsible for funding the Games and are key partners in ensuring they are delivered successfully, along with Commonwealth Games Scotland.<sup>1</sup> The Games budget includes public funding of £298 million (at April 2007 prices) and they are intended to have a lasting legacy for the people of Scotland. Our 2008 report *A performance overview of sport in Scotland*, highlighted a number of risks to the successful staging of the Games. Since then, we have been monitoring progress in liaison with the local audit teams at Glasgow City Council and the Scottish Government. This study will provide an update on progress at this stage.
2. The Audit Scotland forward work programme commits us to monitoring progress for each of the three phases of preparation and delivery of the Games:
  - phase 1: 2007-2011 – planning moving into implementation
  - phase 2: 2011-2014 – implementation moving into delivery/staging the Games
  - phase 3: post 2014 – the legacy of the Games.
3. This will be the first in a series of studies looking at the Commonwealth Games. It will look at progress against the key elements required for the successful delivery of the Games. By the time we publish the report it will be two years since Glasgow was awarded the Games and more than a year since the Organising Committee chairman and chief executive were appointed.<sup>2</sup> This report will provide an early high level assessment of governance, risk management, financial management and programme management arrangements, identify progress since our sport overview report and identify any further action required at this stage, particularly in the changed economic climate. We will look at legacy plans in a report in 2010.

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<sup>1</sup> Commonwealth Games Scotland, formerly called Commonwealth Games Council for Scotland is the national sporting organisation charged with entering a Scottish Team in the Commonwealth Games.

<sup>2</sup> The Organising Committee, Glasgow 2014 Limited, is a company limited by guarantee which was set up by Scottish Government, Glasgow City Council and Commonwealth Games Scotland to manage the delivery of the Games.

## Cost of the Games

4. On 9 November 2007, the Commonwealth Games Federation selected Glasgow to host the Games. The high level budget for the Games is set out in Exhibit 1.
5. Scottish Government and Glasgow City Council will fund 80 per cent of the budgeted costs of the Games on an 80:20 cost sharing ratio, with the same ratio of risk sharing applying to agreed cost increases or if there is a shortfall in other income to meet the balance of costs. After appointing its chairman and chief executive in 2008, the Organising Committee asked Deloitte to review the budget for completeness. The output from this work should be reported to the Organising Committee and the Games partners during 2009.

### Exhibit 1

#### Agreed budget for the Games at 1 April 2007 prices

	£m	£m	%	%
<b>Expenditure</b>				
Capital Investment	67		18	
Running costs	306		82	
<b>Total</b>	<b>373</b>		<b>100</b>	
<b>Funded by</b>				
Scottish Government	238		64	
Glasgow City Council	60		16	
<b>Sub Total</b>		<b>298</b>		<b>80</b>
Commonwealth Games Federation	31		8	
Local sponsorship	23		6	
Ticket sales	19		5	
Licensing	2		1	
<b>Sub Total</b>		<b>75</b>		<b>20</b>
<b>Total</b>	<b>373</b>	<b>373</b>	<b>100</b>	<b>100</b>

Note: The total spend of £373 million includes a contingency provision of £40.5 million. The net contribution from public funds is £298 million direct funding from Scottish Government and Glasgow City Council.

Source: *The Scottish Parliament Finance Committee, January 2008.*

6. The main Games Village will be built in the East End of Glasgow. It is intended to be largely financed through a private developer and sold as private housing after the Games. Bidders are still in discussion with Glasgow City Council but it is still not clear what impact the difficult economic climate may have on any private sector deal, or if additional public finance will be required to deliver the Games to the fixed timescales that are in place.

## Delivering the infrastructure

7. One key feature of the Glasgow bid was that 70 per cent of infrastructure was already in place. Five new facilities are to be built in Glasgow and a further nine facilities in Glasgow

and Edinburgh need major refurbishment or upgrading (Exhibit 2). The capital investment of £552.8 million in these projects includes £67 million from the capital element of the Commonwealth Games budget. The remainder will be funded by Glasgow City Council and other venue owners. The success of the Games also depends to varying degrees on around £2 billion of other infrastructure developments such as the M74 extension (Exhibit 3). These were being planned prior to the Games bid and are not being funded from the Games budget.

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## Exhibit 2

### Games major public sector infrastructure provision

	Due completion date	Estimated cost £m
<b>New Venues</b>		
National Indoor Sports Arena	Mar 2010	76.1
National Indoor Velodrome	Mar 2010	22.0
Cathkin Braes Cycling Course (Mountain Biking)	Jun 2009	0.6
SECC new arena	Jun 2011	112.0
Toryglen Football Centre <sup>1</sup>		15.0
<b>Sub-total</b>		<b>225.7</b>
<b>Refurbished or upgraded venues</b>		
National Swimming Centre, Tollcross	Dec 2011	12.5
Royal Commonwealth Pool, Edinburgh	Jan 2011	28.8
National Stadium, Hampden Park	Jun 2014	21.5
Glasgow Green	Sep 2011	3.2
Kelvin Hall Sports Arena	Dec 2012	11.0
Kelvingrove bowls complex	Sep 2010	1.7
Strathclyde Country Park	May 2014	0.9
Strathclyde Police Training Centre	May 2014	1.7
Scotstoun Stadium	Sep 2012	17.1
<b>Sub-total</b>		<b>98.4</b>
Games Village(s) (ready by 23 February 2014)	Feb 2014	228.7
<b>Total</b>		<b>552.8</b>

*1: This project reached practical completion in February 2009*

*Source: Glasgow 2014 Commonwealth Games Candidate City File, 2007.*

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## Exhibit 3

### Games related major transport infrastructure plans

	Due completion date	Estimated cost £m
Glasgow Airport Rail link*	2012	300-400
M74 extension **	2011	692
East-End regeneration route	2011	68
M80 extension*	2011	100-500
M8 completion *	2011	100-500
Airdrie-Bathgate rail link*	2011	100-500
		<b>1360-2660</b>

\* Updated estimates from Scottish Government Infrastructure Investment Plan: April 2008.

\*\*Updated figures from Review of Major Capital Projects, Audit Scotland, June 2008.

Source: Glasgow 2014 Commonwealth Games Candidate City File, 2007.

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8. Glasgow City Council asked Ernst & Young to review its infrastructure plan for the Games. Ernst & Young reported in September 2008 that the plan has the potential to deliver great benefits to the Council and that this is the largest group of projects by value and complexity to be delivered by the Council. The report also identifies key action points the Council should address to ensure successful delivery and notes that some key venues, such as the Games Village, are at increased risk in the current economic climate due to a reliance on private sector funding.

## Governance arrangements

9. The governance structure for planning and delivering the Games is shown at Appendix 1. The delivery partners are the Scottish Government, Glasgow City Council and Commonwealth Games Scotland. The Organising Committee operates as a limited company. Its board includes representatives from each of the delivery partners plus the Commonwealth Games Federation, an athlete representative and up to four other members<sup>3</sup>. It appointed a chairman and chief executive in early 2008.
10. The Ernst & Young report highlights the need for Glasgow City Council to develop effective governance and reporting structures at both programme and project level.

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<sup>3</sup> The Commonwealth Games Federation is the organisation that is responsible for the direction and control of the Commonwealth Games

## **Why Audit Scotland is undertaking this study**

11. The Commonwealth Games is a major event for Scotland and affects its international profile and reputation. Hosting the Games involves significant amounts of public money. It is important that there is sound governance, good project management, effective risk assessment and management and strong budgetary control to deliver the Games on time and within budget. We will look at the arrangements put in place by the delivery partners, identify any key areas of concern at this early stage and comment on how the Games partners are mitigating the risks. This will be our first study in phase 1 of the preparation and delivery of the Games. Appendix 2 assesses this study against Audit Scotland's criteria for identifying national studies.
  
12. The sport overview report identified six critical issues and it identified actions to manage the associated risks (Exhibit 4). These issues parallel the National Audit Office's work on the 2012 Olympics preparations.

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## Exhibit 4

### Main risk areas for the delivery of the Games

Risks areas	Recommendations for action
1. Delivering the Games against an immovable deadline	Glasgow 2014 Ltd will need to ensure contract specifications are finalised in good time. Subsequent changes to the specifications should be minimised and there must be contractual incentives to ensure that costs are controlled, quality is delivered and deadlines are met.
2. The need for strong governance and delivery structures given the multiplicity of organisations and groups involved in the Games	<p>The Scottish Government should put in place an action plan describing what needs to be decided in the various parts of government, by when and by whom. The Scottish Government should periodically obtain assurance from the Glasgow 2014 Strategic Group and Glasgow 2014 Ltd on whether it is taking the decisions required at a pace which will allow them to make necessary progress.</p> <p>The Scottish Government, Glasgow 2014 Strategic Group and Glasgow 2014 Ltd should identify what positions are key to the successful delivery of the Games, specify the skills requirements for those positions and develop strategies for retaining individuals, knowledge and skills for the duration of the Games.</p>
3. The requirement for the budget to be clearly determined and effectively managed	<p>Budget planning should be rolled forward into clear operational budgets. These need to be effectively managed to identify the value and timing of expected costs and income.</p> <p>The Government should develop a plan for monitoring the cost and income risks.</p>
4. Applying effective procurement practices	<p>Glasgow 2014 Ltd should put in place a procurement strategy for the goods, services and works expected to be procured for the Games that sets out best practice.</p> <p>The Scottish Government should hold Glasgow 2014 Ltd accountable for developing clear operational procurement policies before its procurement programme begins in 2011.</p>
5. The installation of effective progress monitoring and risk management arrangements	The Scottish Government should develop a framework of timely progress and risk reporting.
6. Planning for a lasting legacy	The legacy plan should clearly set out who has ownership and responsibility for venue conversion and running costs; what benefits will be delivered and how they will be assessed; and how much it will cost.

*Source: A performance overview of sport in Scotland, Audit Scotland, April 2008, Exhibit 9. The risk areas were identified in the report Preparations for the London 2012 Olympic and Paralympic Games – Risk assessment and management, National Audit Office, April 2007.*

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13. We will be reviewing the first five issues through this study and looking at the legacy plans in a later study in phase 1.

## **Aims and objectives**

14. The overall aim is to review progress to date in establishing governance, risk management, programme management and financial management arrangements to ensure successful delivery of the Games, and to identify any areas of concern at this early stage.
15. The objectives of the study are to:
  - examine the governance structures and processes within and across the organisations responsible for delivering the Games and identify any risks
  - assess risk management processes within and across the organisations responsible for delivering the Games
  - review financial management arrangements and procurement practices – the study will identify changes to the budget since the Games were awarded to Glasgow; identify any risks to the Games being delivered within budget; and examine the arrangements in place to manage the potential consequences of the changing economic climate
  - review the programme management arrangements and identify any slippage at this stage and any threats to the programme being delivered on time.

## **Project scope, methodology and potential impact**

### **Project scope**

16. The study will involve the Scottish Government, Glasgow City Council and the Organising Committee. It will provide a high level progress report on planning for the Games. We are not planning to carry out a detailed examination of individual projects at this early stage in their development and the study will concentrate on progress in managing the programme against the planned time and cost. It will also look at how the delivery partners get assurance that reported information is accurate and complete. If we find evidence of delay or cost increase requiring comment we will look at the specific project in more detail. We will also look at whether project business cases make clear reference to sustainability. We will look at equalities and sustainability issues in more detail when we review legacy planning later in our series of reports.

## Methodology

17. We will:

- interview senior officers in the Scottish Government, Glasgow City Council and the Organising Committee
- review documents relating to governance arrangements, project and programme plans, gateway reviews, risk management processes, risk registers, risk management plans, action plans on infrastructure delivery, financial management and budget monitoring<sup>4</sup>
- interview a selection of project managers for infrastructure projects
- interview wider stakeholders and other informed parties, including Commonwealth Games Scotland, the National Audit Office, Sportscotland and Transport Scotland
- liaise with internal and external auditors and review reports and analysis prepared by them on delivery of the Games projects.

## Potential impact

18. Audit Scotland has identified four potential areas of impact for all its work. This study is expected to have an impact on two of these areas: assurance and accountability, and planning and management.

19. The study has the potential to provide assurance to the Parliament, elected members and wider stakeholders that the Games planning is well organised at this point, with strong governance, good risk management processes, tight budgetary control and effective programme management. It will also identify whether there are any high-level areas of concern and make recommendations at this stage, helping to improve planning and management. The impact may include:

- early warning on the governance, programme management and delivery structures so they receive timely attention and improvement

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<sup>4</sup> Gateway reviews are short, focused reviews of projects carried out at key decision points in their life cycle by a team of independent, experienced practitioners. They provide an independent stock-take at key points in projects, with an opportunity to identify and correct any deficiencies.

- early warning if the budget is not being properly managed and identifying any potential gaps in the overall costs for the Games that need to be addressed by increasing the budget or revising the specifications
- early warning on slippage on timescales and risks to the programme being delivered on time.

## Links to other work

20. Audit Scotland has published four reports related to the delivery of the Games:

- *A performance overview of sport in Scotland* (April 2008)  
[http://www.audit-scotland.gov.uk/docs/central/2008/nr\\_080429\\_sport\\_overview.pdf](http://www.audit-scotland.gov.uk/docs/central/2008/nr_080429_sport_overview.pdf)
- *Review of major capital projects* (June 2008), together with a web published supplement “good practice checklist for public bodies”  
[http://www.audit-scotland.gov.uk/docs/central/2008/nr\\_080624\\_major\\_capital\\_projects.pdf](http://www.audit-scotland.gov.uk/docs/central/2008/nr_080624_major_capital_projects.pdf)
- *Central government’s use of consultancy services* (January 2009).  
[http://www.audit-scotland.gov.uk/docs/central/2009/nr\\_090115\\_central\\_gov\\_consultancy.pdf](http://www.audit-scotland.gov.uk/docs/central/2009/nr_090115_central_gov_consultancy.pdf)
- A report on improving procurement in Scotland, due for publication in summer 2009.

21. The National Audit Office has published three reports on the delivery of the 2012 Olympic Games:

- *Preparations for the London 2012 Olympic and Paralympic Games – Risk assessment and management* (April 2007)  
[http://www.nao.org.uk/publications/0607/preparations\\_for\\_the\\_olympics.aspx](http://www.nao.org.uk/publications/0607/preparations_for_the_olympics.aspx)
- *The budget for the London 2012 Olympic and Paralympic Games* (July 2007)  
[http://www.nao.org.uk/publications/0607/the\\_budget\\_for\\_the\\_london\\_2012.aspx](http://www.nao.org.uk/publications/0607/the_budget_for_the_london_2012.aspx)
- *Preparations for the London 2012 Olympic and Paralympic Games: Progress Report* (June 2008)  
[http://www.nao.org.uk/publications/0708/preparations\\_for\\_london\\_2012.aspx](http://www.nao.org.uk/publications/0708/preparations_for_london_2012.aspx)

## **Project staffing and resources**

22. The project will be carried out by members of the Public Reporting Group Central Government and Health teams on behalf of the Auditor General and the Accounts Commission:
- Project Manager – 0.8 WTE for nine months for project planning, management, interviews, document review and report drafting
  - Additional Project Manager input – six to eight weeks spread over three months, for interviews and document review.
23. The study will be carried out under the general direction of Tricia Meldrum, Portfolio Manager.

## **Project output and target timescales**

24. The main output will be a national report on the delivery partners' progress in planning for the Games. Indicative timescales are:
- project brief April 2009
  - fieldwork May – July 2009
  - report drafting July - September 2009
  - publication November 2009
25. We will keep the timetable under review as we finalise the audit approach and carry out the fieldwork. We will also consider the need for any additional outputs as the study progresses.

## **Project advisory group**

26. We will establish a project advisory group to provide independent advice and feedback to the study team to ensure the work is relevant and meets the needs of stakeholders. Advisory group members sit in a personal capacity and do not necessarily represent their organisations.
27. The project advisory group is likely to have representatives from:
- Scottish Government Commonwealth Games Delivery Team

- Glasgow City Council
- Organising Committee (Glasgow 2014 Ltd)
- Sportscotland
- Risk management specialist
- Glasgow City Council and Scottish Government external auditors (Audit Services Group)
- National Audit Office

## **Stakeholders**

28. The Games have many stakeholders including:

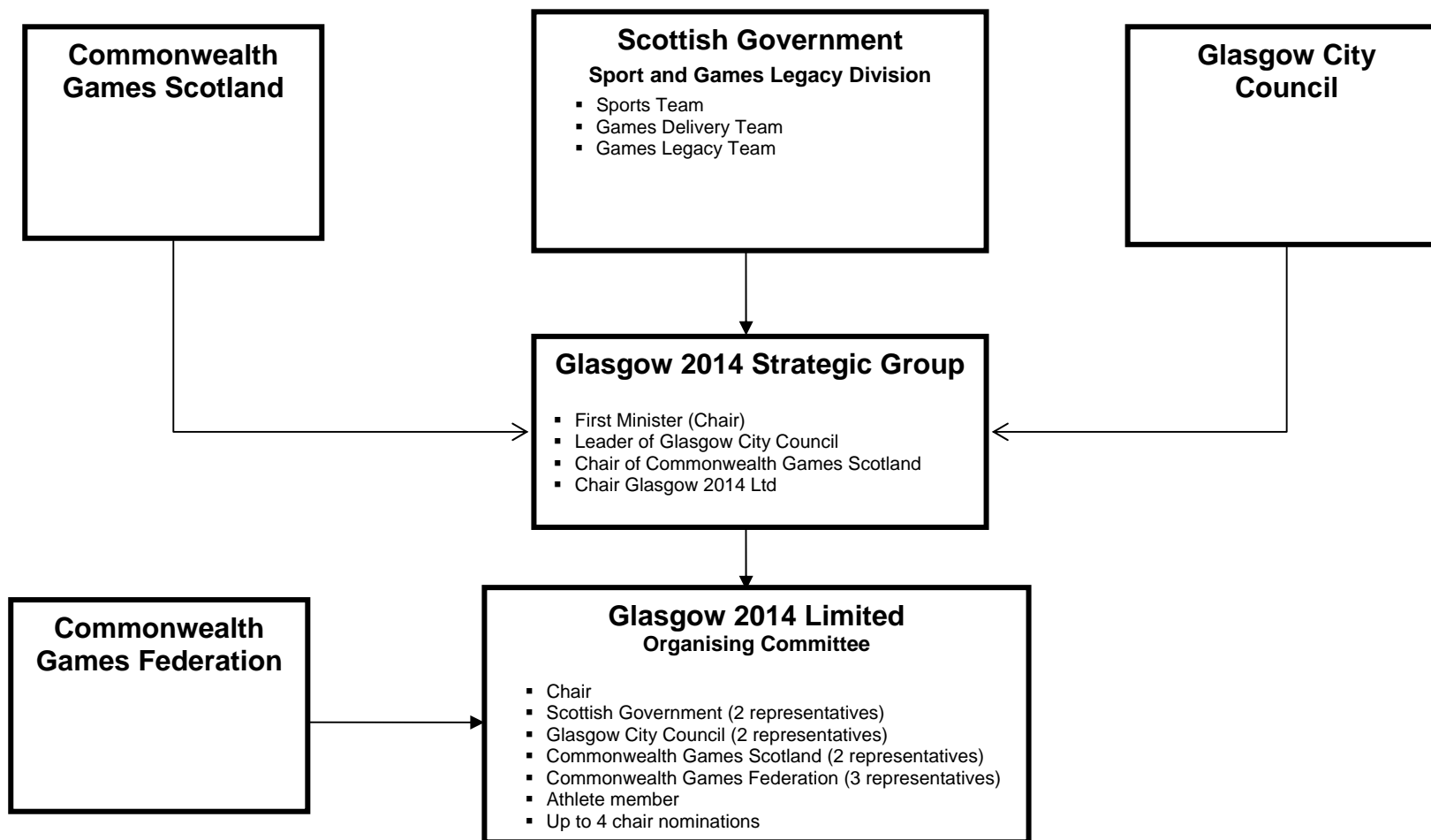
- Parliament Public Audit Committee
- Parliament Finance Committee
- Parliament Health and Sport Committee
- Scottish Government
- Glasgow City Council
- Glasgow 2014 Ltd
- Glasgow 2014 Strategic Group
- Commonwealth Games Federation
- Commonwealth Games Scotland
- Sportscotland
- UK Sport

## **Further information**

29. If you have any questions about this project brief please contact Tricia Meldrum at [tmeldrum@audit-scotland.gov.uk](mailto:tmeldrum@audit-scotland.gov.uk), on 0131 6251845 or in writing at the address below.

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## Appendix 1: Commonwealth Games 2014 high level governance structure at April 2009



**The Glasgow 2014 Strategic Group's role includes:** ensuring that the Games contribute to national strategies on issues such as health, education and sports development; ensuring the identified legacies of the Games are being carried forward by the appropriate range of national and local agencies; receiving and considering the Organising Committee's annual business plan; and monitoring budgets established for running the Games.

*Source: Glasgow 2014 Organising Committee - background paper*

## Appendix 2: Assessment against Audit Scotland study criteria

The Accounts Commission and the Auditor General have adopted ten criteria for prioritising performance audit work. The table below provides an assessment of this study against these criteria.

Criteria	Assessment
Importance	The Games is a major event that presents a high reputational risk for Scotland. The current estimated £298 million public spending on the Games is significant for the Scottish Government and Glasgow City Council. The current economic climate presents additional risks that delivery partners need to manage.
Service impact	The study has the potential to contribute to the effective delivery of the Games.
Variability	The Games are a one-off event but we can draw on lessons learned elsewhere and see how they compare with the Games.
Practicality	There is a realistic potential to influence improvement where deficiencies are found. The study is taking pace at a reasonably early stage in planning for the Games to allow for this.
Change	The study has the potential to contribute to the effective delivery of the Games by identifying any need for improvement at an early stage.
Data	The necessary data to support the study is expected to be available.
Coverage and balance	This is the first of a series of studies on a significant one-off event.
Cost effectiveness	This is a short, high-level review, providing an early progress report on a high-cost and high-risk project.
Added value	Audit Scotland is well placed to cover all Games delivery partners and to provide assurance and early indication of areas needing corrective action.
Monitoring	This study is the first of a series of reports on the Commonwealth Games. Any recommendations will be followed-up in subsequent studies.