

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
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Summary



Glasgow will host the XXth Commonwealth Games from 23 July to 3 August 2014.



Introduction

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. 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 so it is now even more important 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. In November 2009, we published our first report on the strategic partners' progress in planning for the Games.³ Our report found that the strategic partners had made progress in establishing their governance arrangements, although some areas needed more work. The report highlighted that, at that time, all venues, the Athletes' Village and Games-related transport infrastructure projects were forecast to be delivered on time. However, it identified that some capital projects presented a risk and needed to be closely monitored. The report included recommendations to enable the strategic and delivery partners to improve their governance, project and financial management arrangements to deliver the Games on time and within budget. The Scottish Parliament's Public Audit Committee (PAC) subsequently published its own report, including recommendations on planning for the Games, focusing on the costs and risk management.⁴ Our audit work has identified that 17 of the recommendations have been completed, seven are in progress and one was not accepted.

The Games budget was revised to £524 million in May 2010

4. The Scottish Parliament approved the Organising Committee's Games budget of £373 million (at 2007 prices) in January 2008.⁵ In our first

progress report, we highlighted a risk that the £373 million budget may not be sufficient to deliver the approved Games plans and it did not include an allowance for inflation. In November 2009, the same week that we published our 2009 progress report, the Organising Committee announced a budget increase of £81 million (at 2007 prices). The Organising Committee subsequently restated the budget to £524 million in its 2010/11 business plan, published in May 2010, to include an allowance for inflation ([Exhibit 1, overleaf](#)).^{6,7}

5. The Games budget remains at £524 million in cash terms.⁸ The core budget includes: £235 million for the cost of providing some venues and services for the Games; £129 million for supporting services such as technology, marketing and communications; £65 million for Games staff and volunteers; and a further £95 million is reserved for contingency. By November 2011, only 17 per cent of the budget had been spent or committed but spending is forecast to grow significantly over the three years 2012/13 to 2014/15.

6. The Scottish Government and Glasgow City Council are the main funding parties, contributing around 81 per cent of the overall Games 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. The Scottish Government and Glasgow City Council have agreed to cover any potential shortfall of income on an

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 athlete representative and four other independent members.

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

3 *Commonwealth Games 2014: Progress report on planning for the delivery of the XXth Games*, Audit Scotland, 2009.

4 *Progress on planning for the delivery of the Commonwealth Games 2014, 8th report, 2010 (session 3)*, Scottish Parliament Public Audit Committee, October 2010.

5 *Report on the Financial Memorandum of the Glasgow Commonwealth Games Bill*, Scottish Parliament Finance Committee, January 2008.

6 *Glasgow 2014 Annual Business Plan 2010/11*, Glasgow 2014 Ltd, 2011. The revised budget was approved by the Strategic Group. The revised budget comprises a core budget, an operational contingency and a special reserve contingency. The budget increase was mainly due to increases in broadcasting costs and contingency allowances.

7 Inflation was calculated using the GDP index in December 2009.

8 Cash terms reflect the estimated or actual current prices in the year that the money is being spent.

Exhibit 1

Analysis of the changes to the Games budget since 2007

The Games budget increased from £373 million to £454 million in 2007 prices and has since been restated to £524 million at cash prices.

Income and expenditure	Approved budget in 2008 (2007 prices)	Increase	Revised approved budget in November 2009 (2007 prices)	Revised approved 2009 budget restated (estimated cash prices)
	£ million	£ million	£ million	£ million
Expenditure				
Core budget	333	41	374	429
General contingency	40	20	60	71
Special reserve contingency	0	20	20	24
Total budgeted expenditure	373	81	454	524
Income				
Scottish Government	238	58	296	344
Glasgow City Council	60	9	69	80
Income sub-total: public funding	298	67	365	424
Commercial income	75	14	89	100
Total income	373	81	454	524

Note: 1. All figures have been rounded. The final column restates the 2009 budget at estimated cash prices based on the year that the expenditure is expected to be spent. This effectively includes an allowance in the budget to cover the estimated effects of inflation using the GDP inflation index at December 2009.

Source: *Bid budget review*, PricewaterhouseCoopers (PWC), 2009; and *2010/11 Business plan*, Organising Committee, 2010

80:20 cost-sharing ratio if cost savings cannot be made instead. The Scottish Government is the principal guarantor of the Games and has underwritten any potential additional costs outwith the approved Games budget. The Scottish Government has also provided other financial guarantees in relation to the Games, including certain security costs.⁹

7. Within the £524 million cash Games budget, £75 million is now allocated for permanent venue capital developments, increasing from £64 million (at 2007 prices) when we previously looked at this in June 2009.^{10,11} The budget also includes a further £30 million for temporary capital works, such as installing temporary walls or making other

changes necessary to ensure venues are suitable for hosting each event.¹²

8. In addition to the Organising Committee's Games budget, other investments are being made that will support the Games and contribute to the Scottish Government's and Glasgow City Council's legacy ambitions:

⁹ *Glasgow 2014 Commonwealth Games Candidate City File Guarantees*, May 2007.

¹⁰ *Games detailed budget*, Organising Committee, October 2011. The £75 million is made up of £35 million for non-Glasgow City Council venues and £40 million for Glasgow City Council owned venues including contingency allowances for these venues.

¹¹ *Commonwealth Games 2014: Progress report on planning for the delivery of the XXth Games*, Audit Scotland, 2009. The £64 million reported in 2009 includes both individual project and overall programme contingency allowances. Temporary capital works are referred to in the Organising Committee's plans as overlay but it is not clear whether the £64 million was intended to cover temporary capital works.

¹² There is no specific contingency allowance for temporary capital works as this is included within the core operational contingency budget.

- a further £307 million is being spent on developing venues that will be used during the Games¹³
 - nine transport infrastructure projects, such as the M74 extension and M80 extension, are expected to improve access to the Games¹⁴
 - an Athletes' Village is being built to provide accommodation and other facilities for 6,500 athletes and officials during the Games.
- 9.** There are wider public sector costs associated with the Games, which are not all included in the Organising Committee's Games budget, for example the cost of planning and delivering certain emergency services.

About the audit

10. This report is the second in a planned series of reports that comment on progress in planning for the Games. This second progress report provides a position statement on whether the strategic partners were on track, as at November 2011, to deliver the Games on time and budget, including the separate infrastructure programme. 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.

11. A large complex programme such as the Games will inevitably have significant risks. An essential part of good management is therefore for those responsible for the Games to have an awareness of these risks and have clear mitigating actions to manage these effectively. This report aims to provide assurance, where possible, on the strategic partners' current progress. It focuses on key risks and comments on how well the partners are managing these.

12. 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 on budget. We will continue to monitor progress in the lead-up to the Games.

13. As part of the audit, we reviewed detailed commercially sensitive information. We used this information to reach conclusions but are unable to disclose it. Our commentary on these areas is therefore limited.

14. The study involved:

- reviewing documents provided by the Scottish Government, Glasgow City Council, the Organising Committee, Commonwealth Games Federation and Her Majesty's Inspectorate of Constabulary for Scotland
- reviewing the Games and infrastructure budget and other financial information
- a literature review of reports on other Games and major sporting events
- conducting interviews with staff at the Scottish Government, Glasgow City Council, the Organising Committee, Commonwealth Games Scotland, the Commonwealth Games Federation and four other public sector bodies that have a key role in planning for the Games.

15. Appendix 1 lists the members of our project advisory group who gave advice and provided challenge and feedback at key stages of the audit. Appendix 2 of this report provides an update on the partners' progress in implementing our 2009 recommendations and the PAC's recommendations. Appendix 3

provides further information on our methodology.

16. This report is in four parts:

- Part 1. Progress in planning for the Games
- Part 2. Delivering the Games on budget
- Part 3. Progress in planning for a legacy
- Part 4. Governance.

Key messages

- At November 2011, the various delivery and infrastructure programmes were on track. The Organising Committee now needs to increase its staff capacity to remain on schedule. The partners recognise that there are particular risks in delivering the Athletes' Village and Hampden Park developments. These projects are due to be completed less than five months before the Games start, which increases the risk of cost overruns to ensure they are ready on time. The partners are managing these risks but are unable to eliminate them completely.
- The strategic partners are committed to delivering the Games within the Games budget of £524 million. So far, good progress has been made in securing income. As would be expected at this stage, there is inherent uncertainty in the budget as only a small proportion of costs is spent or committed. Based on the experience of previous Games, security is particularly at risk of cost increases. The partners are taking account of this risk in their operational planning for security.

¹³ Most of these venue developments were already planned before the bid and therefore the strategic partners do not consider these to be a direct cost of the Games.

¹⁴ Three of the transport projects are completed: M74 extension, M80 extension and the Airdrie to Bathgate rail upgrade.

- Legacy frameworks have been developed both for Glasgow and Scotland. 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 overarching governance structure is clear with defined accountabilities and the strategic partners continue to improve their risk-management arrangements. 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 delayed decision-making. As more staff and partners become involved in planning and delivery, the likelihood of these risks occurring increases.

Key recommendations

The strategic partners should:

- ensure the Organising Committee, and other partners as appropriate, have the staffing capacity to develop 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
- 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
- examine 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 registers 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.

Part 1. Progress in planning for the Games



Planning for the Games was on track at November 2011 but challenges lie ahead.



Key messages

- At November 2011, the various delivery and infrastructure programmes were on track, with some rescheduling of a small number of milestones.
- Police and other city-wide security planning is progressing well but more work is needed on venue security arrangements.
- A key priority for the Organising Committee is increasing its staff capacity so that it is able to remain on schedule.
- The partners are revising their overarching programme plan. This should enable them to manage risk, cost and delivery more effectively.

Planning for the Games was on track at November 2011

The Glasgow Games preparations were where they should be at this stage – phase two of operational planning

17. The Commonwealth Games Federation (CGF) provides host countries with a detailed project management manual for planning the Games. The manual identifies five planning stages in the lead-up to the Games (*Exhibit 2*). At November 2011, 33 months before the Games start, the Glasgow preparations were generally where they should be – phase two of operational planning as set out in the CGF’s manual. This means they had moved on from strategic planning to detailed operational planning for all functional areas, including sport, security, volunteering and transport.¹⁵

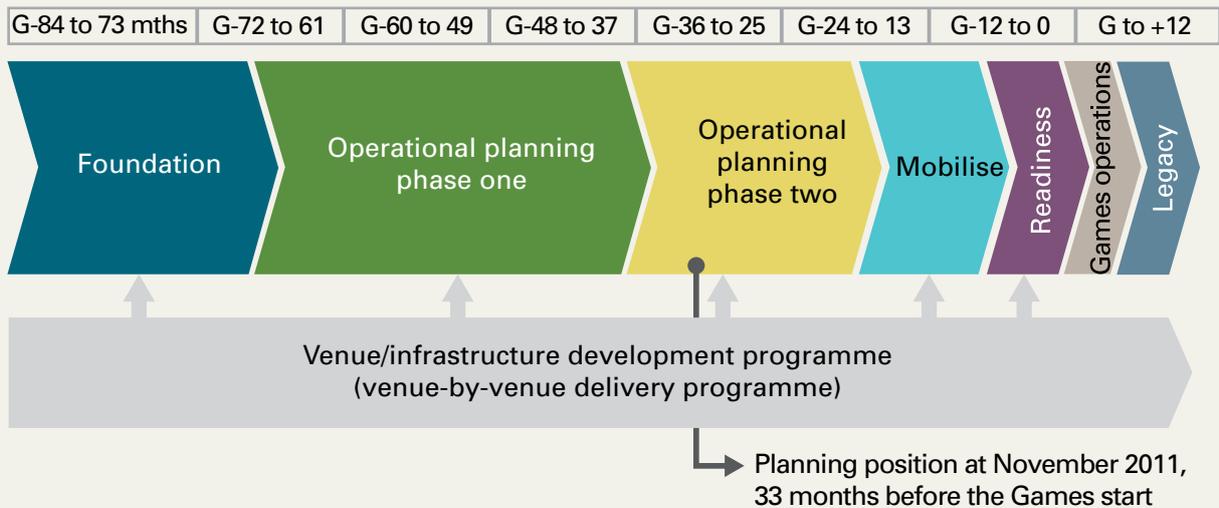
Police and other city-wide security planning is progressing well but more work is needed on venue security arrangements

18. Strathclyde Police is responsible for planning city-wide security for the Games. It also takes a lead role in coordinating security planning with other emergency services planning for the Games. The Organising Committee is responsible for planning security at Games venues, including the provision of security guards and security equipment. All emergency service organisations, such as the Scottish Ambulance Service (SAS), are responsible for their own service planning for the Games, liaising with each other through the Games Security Directorate hosted by Strathclyde Police. Strathclyde Police has pulled together the strategic partners’ key milestones for security into a single high-level security plan. However, this plan does not yet cover other emergency services, therefore

Exhibit 2

Commonwealth Games planning process summary

Planning for the Glasgow Games is 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

15 The Organising Committee has many functional areas: Chief Executive’s Office, Commercial, Communications and marketing, Ceremonies, Programme management, Corporate services, Human resources, Games family services, Games services, Sport, Volunteers, Village and venues, Technology, Broadcast and Contingency.

work is needed to further integrate planning for security and other emergency services.

19. At October 2011, the CGF reported that it was satisfied with Strathclyde Police's progress in planning for security across the city. However, it said that the Organising Committee needed to clarify the approach to security at venues. This is needed to take forward procurement of security guards and security equipment, and to inform decisions on temporary changes to the design and layout of venues. The CGF also found that the Organising Committee had still to identify the number of available security guards in the Glasgow region and highlighted that due to potential supply shortages, there would be a substantial challenge in recruiting the required number of security guards.¹⁶ Her Majesty's Inspectorate of Constabulary for Scotland (HMICS) highlighted a risk that venue security assessments may be delayed unless the Organising Committee's key security planning staff were in post soon.¹⁷ The Organising Committee has since appointed three additional staff within its security team, all of whom started in January 2012.

The Organising Committee now needs to increase its staff capacity to remain on track

20. In October 2011, the CGF produced a progress report on the Glasgow preparations, concluding it was satisfied with progress at that time.¹⁸ However, the report also highlighted that the Organising Committee needed to increase its staff capacity to remain on schedule.

21. Our audit work supports the CGF's findings. As at November 2011, we found that progress was generally in line with the planning phases set out in the CGF's project management manual. The Organising Committee had completed 285 of 310 (92 per cent) of the milestones due for completion, and where slippage had occurred this was mostly insignificant.

22. There is still significant work to do in relation to completing operational planning.¹⁹ The Organising Committee has prioritised scoping outline operational plans for transport and security functions, which it needs to inform more detailed operational plans by March 2012. It has also prioritised identifying service levels, workforce, budgets and procurement requirements across all functions by this date.²⁰ In our view, any significant delays in completing these will increase the risk of not being able to deliver the Games to the required standard without increasing the budget.

23. The Organising Committee has experienced delays recruiting a number of key staff. These include the Head of Venue Operations, the Head of Village Operations, Head of Sport Competition, Director of Ceremonies and functional area manager posts. Most of these posts have now been filled, although the Head of Venue Operations only took up post in February 2012. At its board meeting in November 2011, the Organising Committee agreed that Glasgow City Council would be responsible for fulfilling the role of Director of Ceremonies. The council has since subcontracted this role to Glasgow Life.²¹ The

Organising Committee is carrying out a comprehensive review of its workforce plan which is due to be updated early in 2012.

At November 2011, venues and other infrastructure were forecast to be ready in time for the Games

24. A key advantage of hosting the Games in Glasgow is that a lot of the infrastructure was already in place prior to Glasgow's bid to host the Games. Therefore, the additional investment in infrastructure developments and the risks associated with major projects such as these are less than for Manchester and Melbourne Commonwealth Games and the London 2012 Olympics.

25. At November 2011, three venues were complete.²² At that time, all other venue projects were on schedule to be delivered in time for the Games, with the majority of these venues forecast for completion by 2013 ([Exhibit 3, overleaf](#)).²³ Strathclyde Police Training Centre and Kelvin Hall Sports Arena were included as potential venues for training or sporting events as part of the bid. However, these venues are no longer needed and have been removed from the programme.

26. The refurbishment of the Royal Commonwealth Pool had experienced delays mainly due to complications arising when asbestos was found in the building. However, it was completed in February 2012. Planned changes have been made to the construction timescales for most other venues. The completion dates for National Stadium Hampden Park

¹⁶ *Coordination Commission report, Glasgow 2014 Commonwealth Games*, Commonwealth Games Federation, October 2011.

¹⁷ *CG2014 Security Planning Review, update report*, HM Inspectorate of Constabulary for Scotland, October 2011.

¹⁸ *Coordination Commission report, Glasgow 2014 Commonwealth Games*, Commonwealth Games Federation, October 2011. The CGF report was based on a series of technical reviews and monitoring visits with the key partners responsible for the Games to assess their compliance and progress against the host city contract obligations, and to provide advice to the partners to enable them to manage any potential delays and meet their obligations.

¹⁹ *Coordination Commission report, Glasgow 2014 Commonwealth Games*, Commonwealth Games Federation, October 2011.

²⁰ Written submission from Chief Executive, Organising Committee, 10 January 2012.

²¹ Glasgow Life is the operating name of Culture and Sport Glasgow. It is a registered charity and a company limited by guarantee which provides culture and sport activities for community benefit.

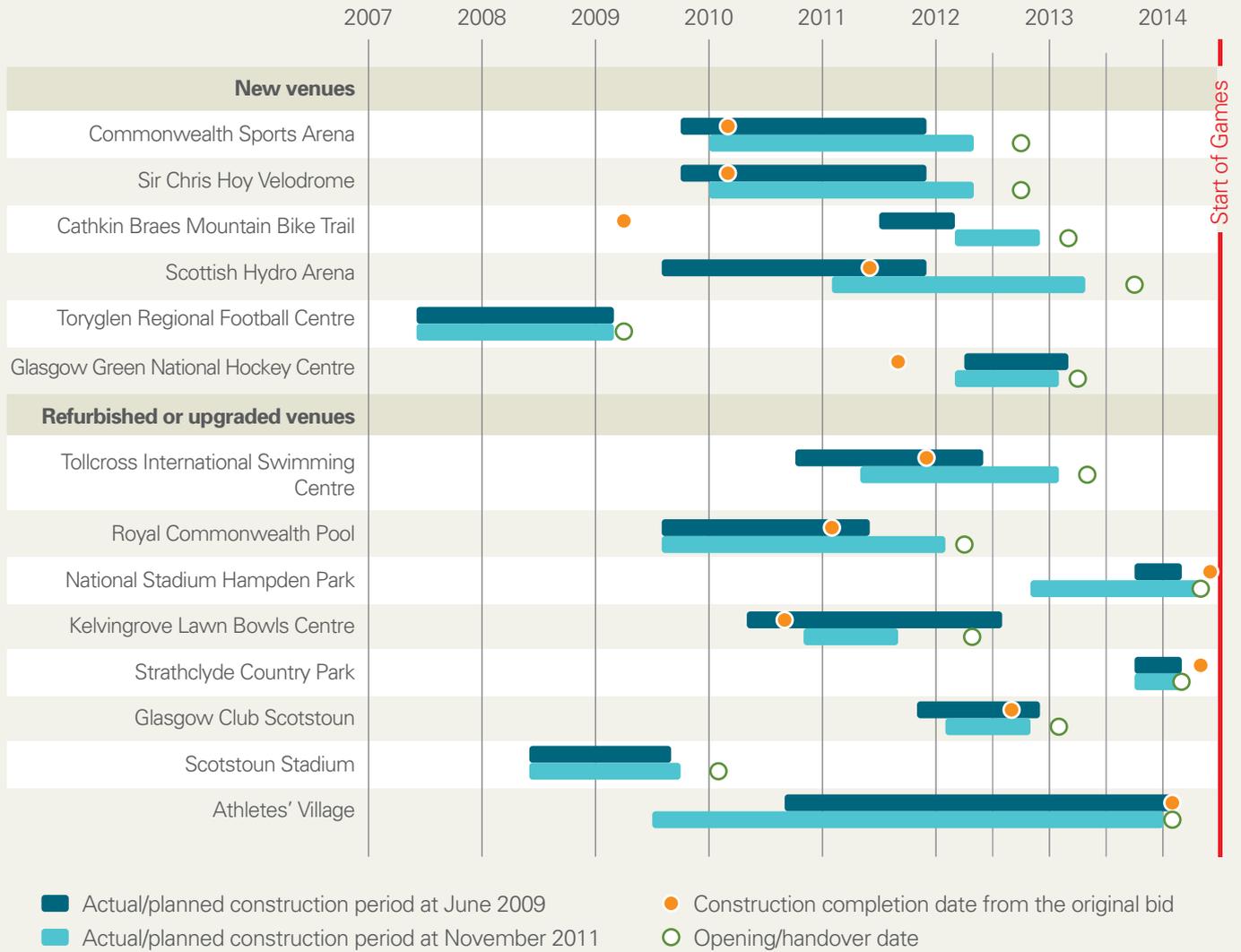
²² The three completed venues are Toryglen Regional Football Centre, Kelvingrove Lawn Bowls Centre and Scotstoun Stadium.

²³ Glasgow City Council is managing most of the major capital projects, including venues, the Athletes' Village and local transport developments as part of its infrastructure programme. There are four exceptions to this: City of Edinburgh Council is managing the major refurbishment of the Royal Commonwealth Pool which will host the diving; the Scottish Exhibition and Conference Centre (SECC) is managing the development of a new facility, which will be used for several events during the Games; and the Organising Committee is managing the development of National Stadium Hampden Park and Strathclyde Country Park. The Organising Committee is also responsible for making other temporary changes to venues and the Athletes' Village that are specifically required for the Games period.

Exhibit 3

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

and Strathclyde Country Park have been brought forward slightly. Seven other venues are now scheduled to be completed later than originally planned. However, there has been no delay to the planned dates for handing over these venues to the Organising Committee for completion

of temporary works and testing. The seven venues which are now planned to be completed later are:

- **Commonwealth Sports Arena (CSA) and Sir Chris Hoy Velodrome (SCHV)** construction works were rescheduled initially

to explore the possibility of Sportscotland relocating its headquarters to CSA and SCHV.²⁴ The completion date for these was subsequently rescheduled due to additional specialist work required.

24 Sportscotland relocated to alternative accommodation and the West of Scotland Institute of Sport is in discussion with Glasgow Life to relocate to CSA and SCHV.

- **Cathkin Braes Mountain Bike Trail** construction work was rescheduled to be completed as close as possible to the event, to ensure the course is in the best possible condition, while minimising operational costs.
 - **Scottish Hydro Arena** construction work was initially changed to allow further discussion on design prior to procurement. The main contractor was appointed later than planned following an extended procurement process and revised timescales were agreed at this time. The completion date was subsequently rescheduled to allow sufficient time to carry out additional construction of walls.
 - **Glasgow Green National Hockey Centre** construction work was rescheduled to enable a longer consultation period with Scottish Hockey to achieve a better legacy.
 - **Tollcross International Swimming Centre (TISC)** work was rescheduled to reduce the time this venue and the Royal Commonwealth Pool in Edinburgh were closed simultaneously, and to relocate Shettleston Halls facilities into TISC. The construction work for TISC was subsequently rescheduled to minimise the closure of the existing 50-metre pool.
 - **Glasgow Club Scotstoun** construction work was rescheduled to allow a gap between this project and the Scotstoun Stadium construction works to minimise disruption for local residents and users of the facility.
- 27.** In the current economic climate, the risk of insolvency among private sector contractors and subcontractors is likely to be higher than when the Games were awarded to Glasgow. This risk and appropriate mitigating actions are identified on the partners' Games risk register and partners' individual risk registers. Mitigating actions being carried out include due diligence checks, including a financial health assessment of contractors and subcontractors prior to appointing them, and monitoring any changes to the situation.
- The Athletes' Village and Hampden Park present a higher risk if they are delayed and the partners are closely monitoring these projects**
- 28.** 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 completed less than five months before the Games start. 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. In our 2009 report, we highlighted that many major capital projects experience slippage and recommended that the strategic partners closely monitor these two developments. We found evidence that they are doing this.²⁵ We report on the particular risks of these developments further in [Case studies 1 and 2 in Part 2](#).
- At November 2011, all transport infrastructure developments were on track to be delivered in time for the Games**
- 29.** Nine major transport infrastructure projects are expected to improve access to the Games.²⁶ At November
- 2011, three of these had been completed and the other six remained on schedule for completion in time for the Games.²⁷ The Scottish Government is responsible for ensuring the major transport infrastructure projects are completed in time for the Games and Transport Scotland is managing the majority of these.²⁸
- 30.** Glasgow City Council is also contributing to Games-related transport infrastructure developments. For example, it completed the M74 project on behalf of Transport Scotland and this was opened in June 2011. It is also managing the development of the East End Regeneration Route (EERR). The council has rescheduled the completion dates for phase two of the EERR and postponed phase three indefinitely. However, the strategic partners do not consider phase three essential for the Games because there are alternative access routes to venues.
- 31.** Glasgow City Council and the Organising Committee prepared a draft strategic transport plan for the Games in 2011, covering the Games route network, park and ride, transport depots and hubs, walking and cycling network and other public transport routes.²⁹ The final version of the transport plan is due to be published in March 2014. However, a lot of work is still required to develop operational plans by March 2012 and this is now a priority.
- 32.** Transport planning is a major undertaking as it involves planning all methods of transportation and access routes to and from venues and the Athletes' Village, while maintaining emergency routes and ensuring security across all of these areas. It also involves the Organising

25 *Commonwealth Games 2014: Progress report on planning for the delivery of the XXth Games*, Audit Scotland, 2009; *Games partners' risk register*, August 2011; Glasgow City Council infrastructure programme board report, August 2011; Minutes of the Organising Committee's Hampden Working Group, September 2011.

26 The nine transport projects are the M80 extension, M74 extension, M8 completion, Airdrie to Bathgate rail upgrade, Paisley Corridor improvements, Dalarnock Station redevelopment, Integrated ticket and payment system, Fastlink and the East End Regeneration Route. The bid document also included a proposal to establish a Glasgow Airport Rail Link (GARL) at an estimated cost of £300–£400 million; however, this project was cancelled in September 2009.

27 The three completed transport projects are: M74 extension, M80 extension and the Airdrie to Bathgate rail upgrade.

28 Transport Scotland is an executive agency of the Scottish Government.

29 The draft strategic transport plan version one is complete. *Glasgow City Council, Commonwealth Games 2014 infrastructure programme business case update 31 August 2011*, Glasgow City Council, September 2011.

Committee planning for the staff and volunteer drivers and other support staff it needs to meet the needs of athletes, officials and the public before, during and after the Games.

33. A key lesson from the Manchester 2002 Commonwealth Games was the need to invest time equally in planning the staffing requirements and the routes and methods to ensure transport operations run smoothly.³⁰ There is evidence that Glasgow City Council and the Organising Committee are considering staffing requirements at this stage.

The partners are developing an overall programme plan showing the links between the key milestones

34. Good programme management is essential to deliver a major programme such as the Games successfully. This is because the links and interdependencies between different activities mean delays in one area increase the risk of delays and potential cost increases in another area. For example, security and transport plans cannot be finalised until decisions have been taken on which venues will be used for each sporting event, the design and capacity of venues, and the expected number of athletes, officials and audience. Any delay in finalising venue plans could lead to delays or changes to security and transport plans, which could in turn have budget implications.

35. Since our 2009 report, the Organising Committee has prepared a draft programme plan, which includes all of its milestones and agreed key milestones for each partner.³¹ The strategic partners are now using this as the overall partners' programme plan. The Organising Committee has been leading work with the other partners to further develop the overall

programme plan. By December 2011, it had introduced specialist programme management software, which has the functionality needed to support effective programme management. At this point, it had transferred its own programme milestones to the new system, and was in the process of adding the other partners' key milestones to the system and mapping the links to show the interdependencies between these. This work was still in progress during the audit period and therefore we were unable to assess whether this had been successfully implemented. However, the Organising Committee's internal auditors plan to carry out a post-implementation review of the new system in early 2012.

36. Glasgow City Council has continued to make progress in developing and monitoring against its own infrastructure programme plan, which sets out its key milestones for venues, the Athletes' Village and other Games-related infrastructure it is managing. It has set out a clear critical path for its infrastructure programme and is effectively managing the dependencies between its key programme milestones.

37. Since our 2009 report, the Scottish Government has developed its own Games delivery and legacy programme plans covering its key responsibilities. The Games delivery programme plan includes key milestones related to transport, security, legislation, and the Games legacy programme plan includes key milestones for various legacy projects. The Scottish Government completed all of its 20 key milestones due for completion by November 2011 by the due date, although some dates were changed. The Scottish Government has rescheduled four of its 40 key delivery milestones, three of which relate to legislation, to take account of experiences from the London 2012

Olympics and other research. As at November 2011, there has been no critical impact on the overall Games programme as a result of changes to the dates for these milestones.

38. The Scottish Government provides periodic reports on progress against its key milestones for internal governance forums, including its Commonwealth and Olympic Games Group (COGG), Glasgow 2014 Cabinet Delivery Group and the Strategic Board.³² However, it needs to improve its system for recording, monitoring and reporting changes to the programme plan, for example changes to milestones or due dates. This would help ensure that progress reports provide a complete and accurate picture of progress.

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
- continue to review their overall workforce plans to ensure they have the staff they need to deliver the overall Games programme successfully
- further develop the overall programme plan, identifying the links and interdependencies between milestones.

The Scottish Government should:

- 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.

³⁰ *Post Games Report Volume 1, 2002 Manchester, The XVII Commonwealth Games*, Organising Committee, 2002.

³¹ The overall programme plan included one Scottish Government milestone and six Glasgow City Council milestones at September 2011.

³² *The Scottish Government Glasgow 2014 Commonwealth Games internal programme plan*, Scottish Government, September 2011.

Part 2. Delivering the Games on budget



At November 2011, the Games were forecast to be delivered within the £524 million approved budget but inherent risks remain as would be expected at this stage.



Key messages

- The strategic partners are committed to delivering the Games within the £524 million Games budget. This includes a core budget of £429 million and contingency budgets of £95 million.
- There are inherent risks to delivering the Games within approved budgets at this stage as only a small proportion of costs have been committed.
- It is not clear whether the £27 million security budget is intended to cover all security costs related to the Games. Based on the experience of previous Games, security is particularly at risk of cost increases.
- 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.
- There are particular risks in delivering the Athletes' Village and Hampden Park developments on budget and in time for the Games. They are due to be completed less than five months before the Games and there are specific financial and technical risks related to these developments. The partners are managing these risks but are unable to eliminate them completely.

- 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.

There is inherent uncertainty in the budget as would be expected at this stage

39. The Games budget of £524 million includes a core budget of £429 million, £71 million operational contingency allowance and a £24 million special reserve, which can only be used under exceptional circumstances. The Scottish Government and Glasgow City Council are funding £344 million and £80 million respectively and the Organising Committee is expected to raise the remaining £100 million from commercial sources (*Exhibit 4*).

40. The Games budget remains inherently uncertain as would be expected at this stage. By September 2011, only 17 per cent of costs were certain, with £44 million spent and a further £44 million contracted.³³

41. Approximately £142 million (39 per cent) of the budgeted operational costs are particularly uncertain as they are based on many unknown factors and early planning assumptions. In line with good practice, the majority of these were benchmarked against previous Games expenditure.³⁴ These early

budget assumptions will need to be kept under review because all Games are different, and prices are dependent on supplier market and other economic conditions including inflation rates. The experience of previous Commonwealth Games and the London 2012 Olympic budgets is that costs usually significantly exceed original budgets.³⁵ However, there is less of a risk of capital cost increases for the Glasgow 2014 Games in comparison to other Games because a lot of the venues are already in place. The National Audit Office's (NAO) 2008 report on the London 2012 Olympics budget also concluded that benchmarking costs for major sporting events, while useful, has limitations due to the differences between Games.³⁶

The approach used to calculate the £71 million operational contingency allowance is reasonable if budget assumptions hold

42. The Games budget of £524 million includes an operational contingency allowance of £71 million and a special reserve contingency of £24 million. The operational contingency is made up of £61 million general contingency allowances and just under £10 million specifically for capital. The £71 million represents an increase of £31 million in the operational contingency allowance since the bid budget (£20 million at 2007 prices). The special reserve contingency of £24 million can only be used under special circumstances and requires the First Minister's approval.

43. The £61 million general contingency element of the operational contingency allowance has been calculated for each budget line using a risk scale of one to six. Level one is used for budgets that are committed, such as agency

³³ *Board financial report*, Organising Committee, November 2011.

³⁴ At November 2011, costs which were based on limited information and were not benchmarked against other Games included £1 million for logistics, £1 million for control and accountability programme management, and £1 million for other smaller items. A further £55 million is included for employee relations, £27 million for security, £5 million for publications and image and look, £3 million for accommodation, £5 million for cleaning and waste, £13 million for venue operations, £29 million for making temporary changes to venues, and £2 million for other items. All of these costs have been benchmarked against previous Games costs.

³⁵ The costs for the Manchester Commonwealth Games 2002 increased by 120 per cent and the Beijing Olympics Games operating costs increased by 75 per cent. *Commonwealth Games 2014: Progress report on planning for the XXth Games*, Audit Scotland, 2009. The National Audit Office published reports on the London 2012 Olympics estimate overall security costs had risen from £600 million at the time of the bid to over £1 billion by December 2011. *The budget for the London 2012 Olympic and Paralympic Games*, National Audit Office, July 2007; and *London 2012 Olympic and Paralympic Games progress reports February 2011 and December 2011*, National Audit Office, 2011.

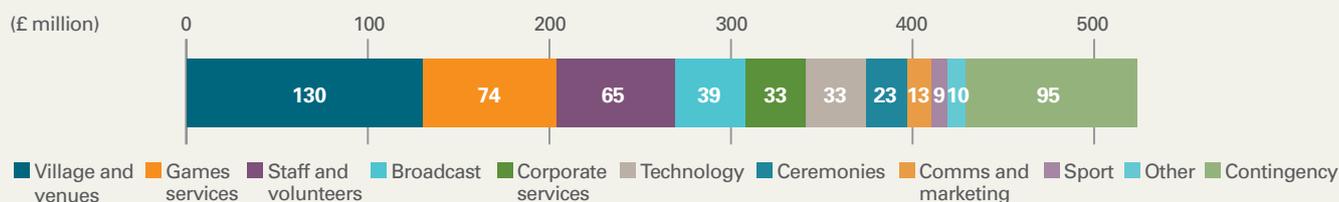
³⁶ http://www.nao.org.uk/publications/0708/preparations_for_london_2012.aspx

Exhibit 4

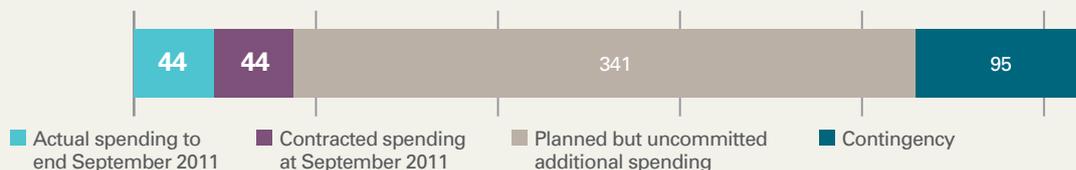
Games budget summary

The Games budget remains at £524 million, and the Scottish Government and Glasgow City Council will together contribute up to £424 million. By September 2011, £88 million had been spent or committed.

£524 million Overall Games budget



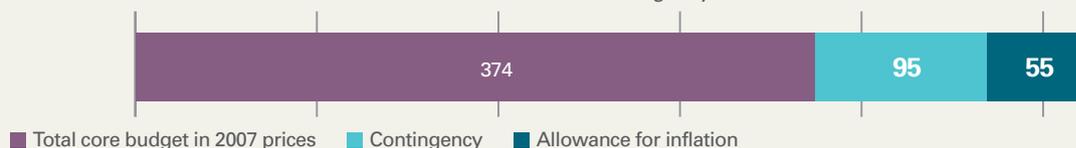
£88 million Spending to date



£424 million Publicly funded spending



£55 million Allowance for inflation and £95 million allowance for contingency



Note: The core budget is made up of £374 million and £55 million for inflation (figures have been rounded). In addition, the £95 million contingency shown separately in the chart includes an allowance of £15 million for inflation.

Source: Audit Scotland, 2012

commission costs for broadcasting deals that have been secured and represent no risk, therefore no contingency allowance has been included in the budget for this. Level six is used where budgets are based on limited information, such as the cost of logistics which has still to be scoped, and therefore present a higher risk.³⁷ As would be expected, a

higher level of contingency has been included for these budget lines.³⁸

44. The overall approach to calculating the general contingency budget is reasonable if budget assumptions hold and robust controls are in place to monitor and control budgets. It will, however, be important to take into account the risks relating to security

and the potential cost implications (see paragraphs 50–53). Since our 2009 report, the strategic partners have established clear procedures for monitoring and controlling the use of the three different elements of contingency.³⁹ At November 2011, these had still to be tested as there had been no requirement for contingency at that stage.⁴⁰

37 Logistics include managing the delivery and storage of equipment and other materials and supplies needed for the Games.

38 Budget lines assessed as a level two on the risk scale have a contingency allowance equal to five per cent of their budget. For risk levels three, four, five and six, contingency allowances are equal to 7.5 per cent, ten per cent, 15 per cent and 20 per cent of their respective budgets.

39 The Organising Committee is responsible for managing the core contingency although Glasgow City Council and the Scottish Government approve the draw-down of contingency funding. Where functional areas identify the need for contingency, a business case must be prepared and this requires approval by the Organising Committee Board and the Strategic Group. Glasgow City Council manages the capital contingency element of just under £10 million within its overall infrastructure programme arrangements. The Scottish Government manages the special reserve contingency of £24 million which can only be drawn down under exceptional circumstances. The special reserve is now fixed and will not be uplifted for inflation.

40 Board financial report, Organising Committee, November 2011.

The strategic partners are committed to delivering the Games within the £524 million budget including inflation

45. The Scottish Parliament approved the Organising Committee's Games budget of £373 million (at 2007 prices) in January 2008.⁴¹ In November 2009, immediately before our first progress report highlighting the risk that the budget would be insufficient and that it excluded inflation, the Organising Committee increased the budget by £81 million to £454 million (at 2007 prices).

46. In May 2010, the Organising Committee restated the budget to £524 million, to include an allowance of £70 million for inflation.⁴² The £70 million comprised £55 million to uplift the core budget for inflation; and £15 million, which was allocated to the contingency reserves. For this adjustment, the Organising Committee used the GDP deflator, which is a Treasury index used to forecast future general inflation in the UK economy. Since the £524 million budget was approved, the Treasury has changed its GDP deflator forecasts and now anticipates slightly higher inflation in the coming years.⁴³

47. It is appropriate to use the GDP deflator to assess the effect of future inflation. However, where prices are expected to increase at a significantly higher or lower rate than general inflation, specialist price indices should be considered.⁴⁴ In recent years, prices for commodities such as fuel, technology and construction materials

have risen significantly above the increase in the GDP deflator. For example, between 2006/07 and 2008/09, electricity prices rose by an average of 28 per cent and gas prices rose by an average of 30 per cent.⁴⁵ Therefore, specialist price indices for these items may provide a more accurate estimate of inflation and should be used where possible.

48. In light of the changed economic circumstances since the Games were awarded to Glasgow, the strategic partners aim to deliver the Games without further inflationary uplifts. At the start of 2011/12, the Organising Committee estimated that it would be able to absorb inflationary pressures of up to one and a half per cent of the Games budget (almost £8 million).⁴⁶ However, the partners have agreed to review inflation rates annually, and if inflation increases significantly, the Games budget could potentially increase but this would require the Strategic Group's approval.

49. The effect of inflation on the Games budget is particularly uncertain because only 17 per cent of costs were committed by September 2011. In addition, the Organising Committee's cash-flow projections estimate that over 70 per cent of the budget will be spent in 2013/14 and 2014/15 (**Exhibit 5**).⁴⁷ The Games partners identified increased budget pressures due to the effect of higher than expected inflation as a risk in November 2011 and are seeking to develop specific actions to mitigate this risk.⁴⁸

There is a risk that the Games security budget is insufficient

50. Security planning is at a relatively early stage and therefore costs are particularly uncertain. The cost of security will also be directly affected by the prevailing national and international security situation leading up to and during the Games, and developing cost estimates requires the involvement of multiple Government departments, associated agencies and the emergency services.⁴⁹

51. The Games budget includes around £27 million for security costs, which is equal to five per cent of the £524 million Games budget.⁵⁰ 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.⁵¹ There has been movement in the Games budget between police and security costs since the bid. However, the security budget has only increased by £1 million overall, therefore it is unlikely to cover the full effect of inflation and any items missing from the bid budget. It is unclear at this stage whether the budget is intended to cover all security costs related to the Games. It is important that all security costs are identified, monitored and reported accurately to inform planning for similar events in the future.

41 *Report on the Financial Memorandum of the Glasgow Commonwealth Games Bill*, Scottish Parliament Finance Committee, January 2008.

42 The revised budget was approved by the Strategic Group and included a core budget, an operational contingency and a special reserve contingency. *Glasgow 2014 Annual Business Plan 2010/11*, Glasgow 2014 Ltd, 2011. <http://www.glasgow2014.com/assets/e608992d-faa5-4de1-9144-ae437edb3eaa.pdf>.

43 The percentage increase from 2011/12 to 2014/15 is forecast at 7.9 per cent.

44 *The Green Book Appraisal and Evaluation in Central Government*, HM Treasury, July 2011.

45 *Improving energy efficiency: A follow-up report*, Audit Scotland, December 2010.

46 *Organising Committee 2011/12 business plan*, Glasgow 2014 Ltd, April 2011.

47 *Games budget*, Organising Committee, November 2011. The core Games budget in cash prices is £429 million, with an additional contingency of £95 million available. Of this core budget £31 million (7 per cent) was spent by 2010/11, £37 million (9 per cent) is forecast to be spent in 2011/12, £53 million (12 per cent) in 2012/13, £138 million (32 per cent) in 2013/14 and £170 million (40 per cent) in 2014/15. The contingency spending has been forecast as £3 million (3 per cent) in 2012/13, £12 million (13 per cent) in 2013/14 and £80 million (84 per cent) in 2014/15.

48 *Glasgow 2014 Board risk report*, Glasgow 2014 Ltd, November 2011.

49 Commonwealth Games Security Committee – Minutes of meeting, October 2011. The Games Security Committee identified that there could be cost implications should the current security threat level, which is substantial, increase further following the London 2012 Olympics.

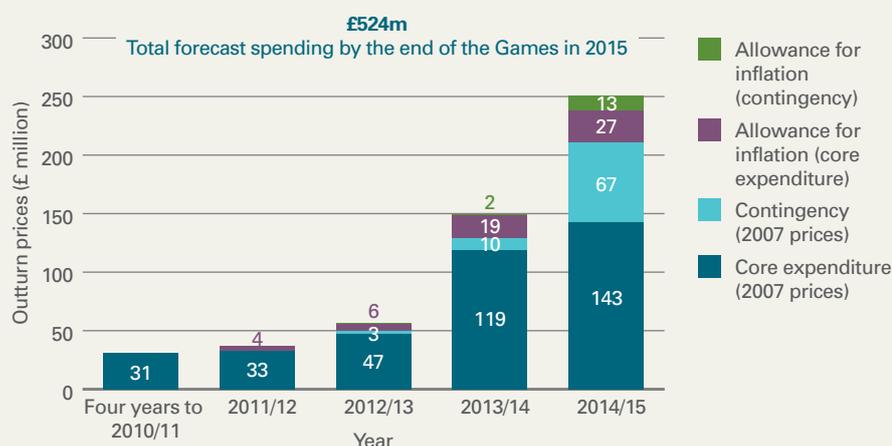
50 Around half of the £27 million is the police security budget and the other half is the Organising Committee's security budget.

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

Exhibit 5

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

52. In October 2011, HMICS highlighted that there is a real risk that some elements of security costs will be higher than budget. It recommended that the Games Security Committee, led by the Scottish Government, commission work to understand these risks more fully.⁵² As mentioned in paragraph 19, more work is needed to inform the procurement approach for security guards and equipment. The CGF reported concerns about one of three procurement options that the Organising Committee was considering as it believed it would not provide the most cost-effective security solution. The CGF requested that the Organising Committee provided a detailed business case justifying its recommended approach to the CGF for approval before it decided on its procurement solution.⁵³ The Organising Committee has since

agreed on a preferred option, which is a new fourth option. However, it has still to present the business case for this to the CGF for approval.

53. The strategic partners recorded a risk that the security budget may not be sufficient on the partners' Games risk register in November 2011 but at that stage mitigating actions had not yet been agreed to manage this risk.⁵⁴ The Scottish Government is ultimately responsible for meeting any additional security costs as it provided a guarantee that it would do this as part of the bid. The experience of Manchester and Melbourne Commonwealth Games and the 2012 Olympics Games is that original security budgets were unrealistic and had to be increased.⁵⁵ There is insufficient information to compare final costs of security against the original budgets for all of these

Games; however, there is evidence to show that security costs were higher than expected:

- Manchester's security budget increased by £3 million in May 2002. Security costs were identified as one of four areas accounting for the increase in the original Games budget.
- Melbourne's security budget increased by \$6.6 million above the original budget.
- London 2012 Olympics' estimated security costs had increased from £600 million at the time of the bid to over £1 billion by December 2011.

Income targets are challenging in the current economic climate but so far good progress has been made

54. The Organising Committee is expected to raise around £100 million income from commercial sources towards the cost of the Games.⁵⁶ The commercial income target is made up of individual targets for sponsorship, broadcasting, merchandising and ticket sales. The individual targets from these sources are commercially sensitive, therefore we are unable to report on them. However, we have examined income strategies, including targets and progress and we comment on these where appropriate.

55. By September 2011, the Organising Committee had secured income of £33 million (33 per cent of the £100 million).⁵⁷ Its overall progress to September 2011 is ahead of schedule and compares favourably with previous Games.⁵⁸

⁵² *CG2014 Security Planning Review, update report*, HM Inspectorate of Constabulary for Scotland, October 2011.

⁵³ *Coordination Commission report, Glasgow 2014 Commonwealth Games*, Commonwealth Games Federation, October 2011

⁵⁴ *Glasgow 2014 Board risk report*, November 2011.

⁵⁵ Melbourne 2006, Finance Committee Meeting Number 20, June 2006; *Select Committee on Media, Culture and Sport, Fifth report*, May 2002. A comparison of Manchester 2002 final security costs is not available but security costs were identified as one of four areas accounting for the additional increase in the original budget; *The budget for the London 2012 Olympic and Paralympic Games*, National Audit Office, July 2007; and *Preparations for the London 2012 Olympic and Paralympic Games: progress reports February 2011 and December 2011*, National Audit Office, 2011.

⁵⁶ *Organising Committee 2011/12 business plan*, Glasgow 2014 Ltd, April 2011.

⁵⁷ The income will be received in stages leading up to the Games.

⁵⁸ *Interviews and written comparative cost information provided on Melbourne 2006 Games*, Commonwealth Games Federation, November 2011.

56. The strategic partners have made progress in identifying risks relating to securing private sector investment. If these risks occur, the public sector contribution to the Games may need to increase. The partners have also identified actions to mitigate most of these risks but not all of these actions are clear or costed.

By September 2011, the Organising Committee had secured 33 per cent of its overall income target from three sponsorship and two broadcasting deals

57. The Organising Committee has set clear sponsorship targets with expected dates for securing this revenue.⁵⁹ However, it has not yet split the revenue targets between value-in-kind and cash because it can only do this once it has operational plans for each function, such as sport, volunteering and security. These plans are due to be prepared by March 2012.

58. The targets have been informed by benchmarking information from previous Games. The expected dates for securing revenue follow a similar pattern to Manchester 2002, although Melbourne 2006 Games' revenue targets from sponsorship were more heavily weighted to the 12 months prior to the Games. At this stage of planning, Manchester 2002 was slightly ahead of Glasgow in securing sponsorship deals, whereas Glasgow compares favourably with Melbourne 2006.

59. By September 2011, the Organising Committee had secured three value-in-kind deals for professional, legal and recruitment services. The Organising Committee has signed confidentiality agreements with sponsors, which means we are unable to report the value of these deals. However, we have reviewed these deals and are satisfied that the

value of deals reflects market rates for the services and the timescales for receiving the services support the organisation's needs. The Organising Committee is updating its sponsorship strategy, which was due to be completed by November 2011, but this has since been revised to December 2011.⁶⁰

60. By September 2011, the Organising Committee had signed a contract with the BBC to be the broadcast rights holder for the UK. It had also secured an international broadcast rights deal with Australia (Network Ten). The remaining broadcasting income is expected through other international broadcasting rights deals. The income from the Australian broadcasting rights has been hedged to protect against fluctuations in the foreign exchange rates, and the Organising Committee plans to do this with other international deals.⁶¹

Ticketing and merchandising targets are based on clear assumptions but ticketing income may be challenging in the current economic climate

61. The Organising Committee's board approved its merchandising strategy in August 2011 and its ticketing strategy in January 2012. The revenue targets from ticket sales and merchandising are based on clear assumptions at this early stage but need to be kept under review because of the current economic climate.⁶²

62. Ticket prices are only indicative at this stage and will not be set until detailed market research has been completed, which is due in the winter of 2012. However, the current estimates were informed by benchmarking information from previous Commonwealth and Olympic Games, other relevant sporting events

and local market research on the popularity of each sporting event in Scotland. The Organising Committee is in the process of tendering for a ticketing agent who will be responsible for facilitating the sale and distribution of tickets.

Games venues were forecast to be delivered within approved budgets at November 2011

63. The Games budget includes capital funding of £75 million at cash prices for venues. The Organising Committee's original cost estimate for these venues was £62 million at 2007 prices, increasing by £2 million (at 2007 prices) for Hampden Park as part of the 2009 budget review process. The combined cost estimates were then restated to £75 million to include inflation in 2010. At November 2011, the forecasted total cost of these venues remained at £75 million (Exhibit 6).⁶³

64. Glasgow City Council manages six of the Games budget-funded projects. The Organising Committee allocated an initial total programme budget of around £36 million at 2007 prices for the council to deliver these projects, including contingency allowances.⁶⁴ In May 2010, the Organising Committee restated the individual project cost estimates to include inflation, giving an overall programme budget for Glasgow City Council of around £40 million in cash prices.

65. Glasgow City Council has approved individual project budgets, including contingency allowances based on an assessment of the project risks. Glasgow City Council's programme contingency has reduced to around £4.5 million. This is to be expected at this stage as 90 per cent of projects are committed. Glasgow City Council receives £1.2 million to

59 *Joint Marketing Strategy*, Glasgow 2014 Ltd, 2009; and *Games budget*, Glasgow 2014 Ltd, 2011.

60 *Programme plan milestone monitoring report*, Organising Committee, November 2011.

61 Hedging is an action which manages the risk of potential losses of money, investments, goods or services due to changes in foreign exchange rates.

62 The assumptions are based on available seating capacity, ticket sale volumes and a range of indicative ticket prices (inclusive of VAT) which aim to ensure accessibility and maximum attendance. It also assumes the majority of ticket sales are expected to be made to a target population within a three-hour travelling distance to the venue.

63 The £75 million includes capital contingency allowances to cover project-specific risks, optimism bias and other unknown risks.

64 The £36 million included contingency allowances to cover project-specific risks, optimism bias and other unknown risks.

Exhibit 6

Analysis of the changes in the planned costs of venues funded from the Games budget

At November 2011, all venues were forecast to be delivered within their approved budgets.

	Approved OC core budget 2008 (project cost estimates at 2007 prices)	Approved OC contingency budget 2008 (project cost estimates at 2007 prices)	Total OC approved 2008 budget (A+B less PM adjustment as appropriate)	Total OC approved 2008 budget restated at outturn prices	Approved individual project budgets (at outturn prices)	Forecast/ actual cost at November 2011 (at outturn prices)
Glasgow City Council Venues (X)	A £000	B £000	C £000	D £000	E £000	F £000
Cathkin Braes Mountain Bike Trail	580	0	563	624	643	643
Glasgow Green National Hockey Centre	2,981	259	3,146	3,478	3,779	3,779
Sir Chris Hoy Velodrome	10,011	989	10,680	11,682	13,200	13,200
Kelvingrove Lawn Bowls Centre	1,080	0	1,049	1,152	1,181	1,181
Tollcross International Swimming Centre	11,582	918	12,135	13,525	13,587	13,587
Glasgow Club Scotstoun	1,615	135	1,699	1,907	2,093	2,093
Programme Contingency	0	6,030	5,854	6,608	4,493	4,493
Programme Management Fee	0	0	1,054	1,169	1,169	1,169
Subtotal (X)	27,849	8,331	36,180	40,145	40,145	40,145
Organising Committee managed projects (Y)						
Strathclyde Country Park	818	0	818	1,080	1,080	1,080
National Stadium Hampden Park	19,852	0	19,852	27,581	27,581	27,581
Capital Programme Contingency non-GCC projects	0	5,195	5,195	6,028	6,028	6,028
Subtotal (Y)	20,670	5,195	25,865	34,689	34,689	34,689
Total Games budget funded venues (Z = X+Y)	48,519	13,526	62,045	74,834	74,834	74,834

Notes:

- Column A shows original project cost estimates at the time of the bid without contingency allowances.
- Column B for GCC managed projects shows the original project cost estimates at the time of the bid including project specific contingency. Programme contingency is shown in a separate line of the exhibit. The Organising Committee (OC) managed projects do not include specific project contingency allowances, as contingency is held in a central capital programme contingency budget which is shown in a separate line of the exhibit.
- Column C for GCC managed projects shows an adjustment to cost estimates to separately identify the amount to be paid to GCC to cover its programme management costs for these projects.
- Column D shows the project cost estimates restated to include an allowance for inflation, based on HM Treasury GDP deflator indices as at 4 January 2010. The Organising Committee approved an overall programme budget of around £40 million (based on cost estimates) for Glasgow City Council to deliver six projects.
- Column E for Glasgow City Council venues shows the council approved project budgets including project specific contingency allowances, and council approved programme contingency and programme management budgets. The council approves project budgets for different phases of each project, based on market analysis from pre-tender exercises. Column E for Organising Committee managed projects is the same as Column D.

Source: *Commonwealth Games 2014: Progress report on planning for the XXth Games*, Audit Scotland, November, 2009; *Project highlight reports*, Glasgow City Council, November 2011; *Executive Committee finance reports*, Glasgow City Council (2007–11), and Organising Committee detailed budget, 2011

cover programme management costs, funded from the programme budget (Exhibit 6). At November 2011, all Glasgow City Council managed projects were forecast to be delivered within their approved budgets.

66. The Organising Committee is managing Hampden Park and Strathclyde Park developments. The 2008 approved Games budget included individual project budgets of around £20 million and £800,000 (at 2007 prices) respectively and an overall capital contingency allowance of £5 million for these projects. The Hampden Park project budget was increased by £2 million in November 2009 as part of the 2009 Games budget review. In May 2010, the Organising Committee restated Strathclyde Park and Hampden Park budgets to around £1 million and £27 million at cash prices. At November 2011, there had been no further change to the Organising Committee's forecasted costs for these venues (Exhibit 6).

67. The CGF approves the design of Games venues and athletes' representatives are also consulted on their requirements. There is a risk therefore that these bodies request changes to venue designs, which, if agreed, could potentially lead to cost increases above the approved budgets. While the Organising Committee and Glasgow City Council acknowledge that some design changes may be necessary to ensure venues are fit for purpose, they are managing expectations to avoid unnecessary changes and have agreed a process for design sign-off with the CGF.

The innovative technical design of Hampden Park carries more risks than other venues and the Organising Committee is taking action to manage these

68. Hampden Park presents a higher risk of cost increases. It is an innovative technical design and is due

for completion less than five months before the Games start. Final testing will be needed on completion which runs the risk of cost increases at this late stage if remedial work is required (Case study 1).

Case study 1

Hampden Park

Hampden Park is being used to stage the track and field athletics, and for the closing ceremony. This involves the installation of a temporary track and field facility by raising the level of the playing field by 1.5 metres. This is an innovative solution, which has not been tested anywhere before and therefore presents a risk of potential increased costs if unforeseen problems emerge. The risk of increased costs is greater if the development is delayed as it is not due to be ready until less than five months before the Games.

There are other components to the project which are interdependent, therefore the risks to each need to be assessed and managed collectively:

- the temporary conversion of Lesser Hampden ground as a warm-up facility
- extension of the North and West stands to improve facilities including disabled seating
- building a new clubhouse for Queen's Park Football Club (QPF) to relocate during the construction period
- reinstating the playing field and other temporary works.

QPF is building a new clubhouse where it will relocate prior to other construction work. The clubhouse is also being used during the Games and will be funded from the Games budget and QPF. There is a risk that the clubhouse construction work is not completed in sufficient time to relocate QPF during other construction work.

The strategic partners are aware of the risks to the Hampden Park development and have brought forward the completion date from June 2014 at the time of the bid to May 2014. They also commissioned a feasibility study in 2010. The study concluded that it was technically feasible to deliver the Hampden Park development on time and budget but identified significant risks. The report highlighted two feasible options and the risks and costs of these, and recommended governance arrangements. The Organising Committee accepted the recommendations and is working with Hampden Park Limited and QPF (the venue owners) to implement these governance arrangements.

In October 2011, the Organising Committee appointed its design team which suggested a third design option. It is carrying out feasibility studies to determine which option provides best value to inform the final design option and enable procurement to start on schedule. The Organising Committee has identified a risk that if the decision is not taken before the summer of 2012 this could lead to delays and cost increases. The Organising Committee plans to complete the feasibility studies and make this decision by May 2012.

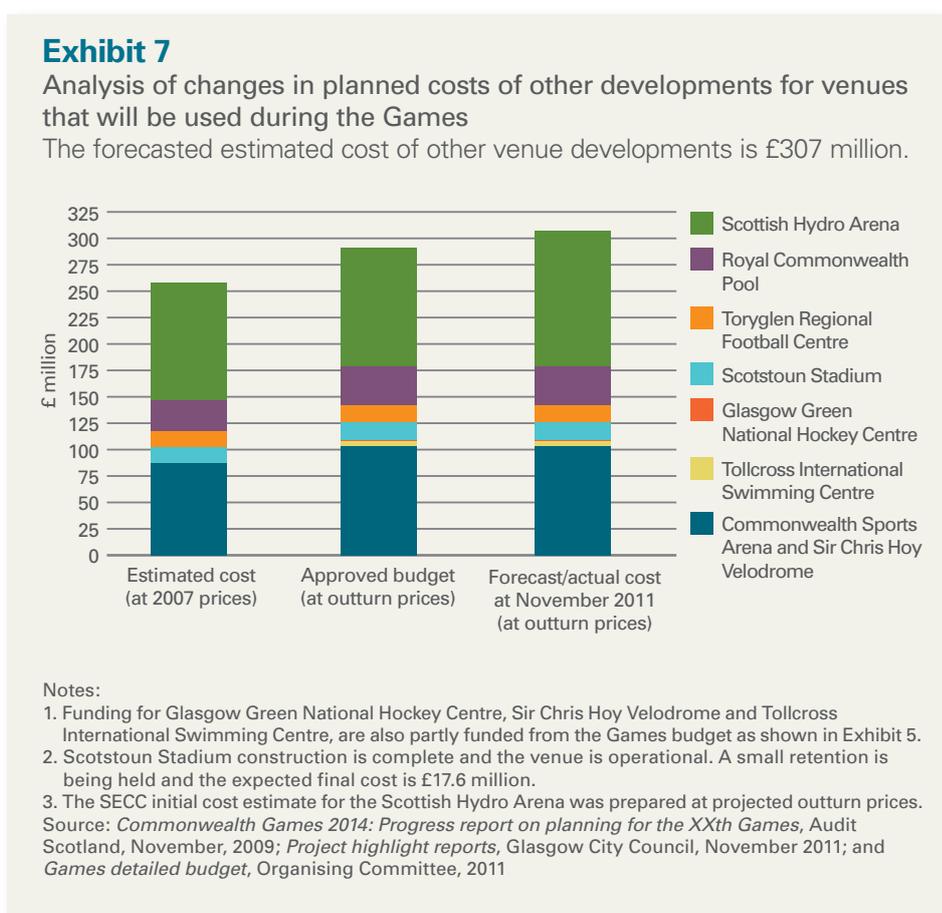
There is a risk of potential cost increases for the use of private venues

69. The Organising Committee has signed leases with seven venue owners to use their facilities for certain sporting events.⁶⁵ However, there is a risk that the lease terms expose it to potential liabilities and additional costs that are not covered by existing guarantees. For example, if the handover of venues does not go according to plan, then this could potentially lead to additional costs for the Organising Committee, including compensation payments to venue owners. If this happens, the Organising Committee may have to find additional savings, compromise its delivery plans or draw down contingency funds to cover this, if it is not able to renegotiate the agreements with venue owners.

70. In January 2011, the Organising Committee signed a Venue Use Agreement with Hampden Park Limited; therefore the risk of potential liabilities and additional costs for this venue has been mitigated. At this point it was also negotiating similar agreements with the other six venue owners.

An additional £307 million is being spent on venue developments that will be used during the Games

71. A further £269 million (at 2007 prices) was planned for venue developments prior to the Games and therefore the strategic partners do not consider these to be a direct cost of the Games (Exhibit 7). The £269 million included Glasgow City Council's estimated venue costs of £128 million for new and refurbished venues; and two other venue owners' combined estimated additional costs of £141 million to refurbish their existing venues.⁶⁶ Glasgow City Council's estimated costs for its venue developments were mainly based on outline business cases but not all of these projects had been



formally approved at the time of the bid. Its original combined cost estimates of £128 million included £11 million for Kelvin Hall Sports Arena which was included as a potential venue for boxing at the time of the bid. However, this venue is no longer required to hold the boxing event and it has been removed from the programme.

72. The estimated cost of additional investment in venues is currently £307 million. Since our 2009 report, the council has updated its project business cases, including cost estimates, and it has approved combined budgets of around £142 million (at cash prices) for venue developments. The approved budgets are not directly comparable with the original cost estimates as they are prepared on a different price basis. The £142 million includes

additional funding to cover the cost of design enhancements for two Games venues (Tollcross International Swimming Centre and Glasgow Green National Hockey Centre). These two venues were initially expected to be fully funded from the Games budget. The council committed the additional funding to achieve a better legacy as a result of the design enhancements. The council-approved project budgets for venues include a contingency allowance to cover specific risks related to the project. A further contingency allowance for optimism bias is included within the council's overall capital investment programme.

73. At November 2011, there had been no increase in the forecasted costs of Glasgow City Council venues above their approved budgets (Exhibit 7). At this time, the cost of

⁶⁵ SECC, Ibrox Stadium, Celtic Park, Hampden Park, Royal Commonwealth Pool, Strathclyde Country Park and Barry Buddon.

⁶⁶ Glasgow City Council and the other two venue owners are responsible for meeting any potential cost overruns for their own developments.

the SECC's new arena (Scottish Hydro Arena) was projected to increase by almost four per cent from £112 million to £116 million. The increase is mainly due to increased costs of the heliport and additional fees. The SECC also anticipates further costs for landscaping work and other additional items, which will enhance the development but these are not part of the contract.^{67, 68}

74. Scotstoun Stadium and Toryglen Regional Football Centre were completed within their approved budgets. The difference between their approved budgets and the original cost estimates is due to further development of the designs before the construction contracts were signed and construction inflation.

The public sector contribution to the Athletes' Village has increased

75. An Athletes' Village is being built which will provide accommodation for 6,500 athletes and officials during the Games. The contract for this development includes 300 social housing units, 100 mid-market houses and 300 private houses. The Athletes' Village was originally expected to be funded mainly from private sources. In 2010, Glasgow City Council signed a contract with City Legacy, a consortium of private developers, to construct the Athletes' Village. 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. However, the funding package has not changed since procurement started and the public sector contribution is fixed. We have reviewed the contract for the Athletes' Village but are

unable to report on specific financial contributions of each party and other aspects of the contract because this information is commercially sensitive.

76. At November 2011, the Athletes' Village was on schedule to be completed by February 2014. City Legacy has completed preparation work on the site and started construction work in June 2011. At November 2011, there were 37 recorded risks in the various Games partners' risk registers related to the Athletes' Village, some of which were significant. The Games delivery partners have agreed mitigating actions for these risks. However, risks remain in delivering the Athletes' Village to the required standard on budget to meet the fixed deadline. Ultimately, an increased public sector contribution may be required to ensure the Village is ready in time for the Games ([Case study 2](#)).

The Games will have additional costs to the wider public sector

77. The Games budget includes funding for security, fire and rescue and other emergency services. The security budget is at particular risk of cost increases and it is not clear whether this budget is intended to cover all costs associated with Games security. The budgets for fire and rescue and other emergency services are based on assumptions at the time of the bid to host the Games. These budgets do not cover the full cost of planning and delivering emergency services during the Games.

78. Since the Games budget was approved, the Scottish Government announced that the police forces in Scotland will be merged into a single

force. It will be important to review the budget assumptions regularly to ensure these remain valid in light of this change, as well as other factors such as the experience of London 2012 Olympics and the national security situation leading up to the Games.

79. The Games budget includes funding to cover the anticipated costs for the Scottish Ambulance Service (SAS) associated with providing additional services during the Games. It also includes funding towards the cost of providing other emergency services during the Games. But it is not clear at this stage whether the budget is expected to cover all additional costs of providing emergency services, such as fire and rescue and hospital services during the Games. The Games budget does not include an allowance for planning time required prior to the Games for the SAS or other emergency services.

80. The reduction in public sector budgets increases the risk of organisations being unable to contribute effectively, or puts pressure on existing services and budgets if they are expected to meet these costs from their own budgets. The Scottish Government confirmed that each organisation is responsible for ensuring it has the capacity to deliver and their contribution to the Games should be viewed as a priority. This risk has not been identified on the partners' Games risk register and at November 2011, the potential costs and risks had not been assessed.

67 Our 2009 report included projected costs at June 2009 of £128 million for the new arena. This included £12 million for landscaping and other additional work. We have agreed with the SECC to exclude these additional costs from Exhibit 7, page 21 in this report, as the developments are not part of the existing contract and are not required for the Games.

68 At November 2011, the estimated costs of the new arena including the additional work was £125 million, which is £3 million less than shown in our 2009 report. *Commonwealth Games 2014: Progress report on planning for the delivery of the XXth Games*, Audit Scotland, 2009.

Case study 2

The Athletes' Village

There are a number of risks to delivering the Athletes' Village on budget and to the required standard in time for the Games:

- A key risk arises from the fact that some of the Organising Committee's specific requirements for the temporary works were not built into the development agreement between Glasgow City Council and City Legacy. This was mainly due to the need to begin procurement in advance of the appointment of the Organising Committee's key staff responsible for developing the specification for the temporary works within the Village. If changes are required to the design, this could lead to delays and potential cost increases to be met from the Games budget. The Organising Committee has identified this risk and is taking appropriate action to mitigate it. For example, it has prepared a brief setting out its requirements which City Legacy has responded to. It has since completed a review to identify any unmet requirements which are being negotiated with City Legacy. The Organising Committee has also developed a protocol and sign-off process for the Athletes' Village setting out the responsibilities of all three parties for the delivery of the brief and meeting additional costs due to design changes.
- Public sector funding for the Athletes' Village is fixed as part of the contract. City Legacy has still to sign a loan finance agreement, which it needs to make its full agreed contribution. The strategic partners are working with City Legacy to examine alternative loan finance. However, these arrangements do not necessarily mitigate the risk of the need for additional public sector funding.
- The Village is also at risk of delay if the developer is unable to deliver the construction work on schedule. Glasgow City Council has included a term in the contract which allows it to end the contract if City Legacy fails to deliver its commitments. The council would then complete the construction itself and retain ownership of the Athletes' Village. This is an appropriate action but as the deadline is already tight, if this risk occurs, there is a greater risk of cost increases to be ready in time.

Source: Audit Scotland, 2012

Recommendations

The Scottish Government should:

- ensure that other public sector organisations have identified and allocated the resources they need to be involved in planning and delivery of the Games, where these are not covered by the Games budget.

The strategic partners should:

- 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.

The Organising Committee should:

- 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.

Part 3. Progress in planning for a legacy



The Scottish Government and Glasgow City Council have developed legacy plans and they are currently developing their approach to evaluate the return on investment from the Games.



Key messages

- 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.
- 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.
- 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 a return on investment in the Games.
- There is no specific funding for legacy but the strategic partners have aligned their existing initiatives to support 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.

The Scottish Government and Glasgow City Council have developed legacy plans for the Games

81. The Scottish Government and Glasgow City Council have said that the Games will leave a lasting legacy of benefits. The bid to host the Games stated that the Games would contribute to the economic, social, cultural and environmental development of the city and the country. Since then, the Scottish Government has developed a Scotland-wide legacy plan. Glasgow City Council has also developed a separate legacy plan for securing benefits for the city as a result of the Games.

82. The Scottish Government has set out a clear vision for legacy and its ambitions are identified around four themes: Active, Connected, Flourishing and Sustainable (Exhibit 8, overleaf). It is currently working with various organisations, which are delivering legacy projects and are expected to contribute to achieving the expected outcomes from the Games. The Scottish Government has a coordination role with these organisations to ensure that systems are established that enable the progress of individual projects and the overall legacy programme to be effectively monitored. The Scottish Government and Glasgow City Council have aligned their respective plans where possible, and also with the outcomes and targets set out in the National Performance Framework and Scotland Performs. Glasgow City Council's legacy plan also aligns with local Community Planning priorities as set out in the local Single Outcome Agreement (SOA).⁶⁹

83. Glasgow City Council's legacy framework also sets out a clear vision for the Games (Exhibit 9, page 27).⁷⁰ It has identified six legacy themes: prosperous, international, accessible, active, greener and inclusive. Forty legacy projects have already been developed around these themes, which aim to deliver the intended legacy outcomes from the Games.

Performance monitoring and evaluation need further work to demonstrate a return on investment

84. Both Scotland-wide and Glasgow City legacy plans give a clear indication of the population groups that are expected to benefit from the Games and the benefits they are expected to receive. The expected legacy benefits in each plan 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). The timescales for delivering the expected benefits have not always been identified, although it is clear that benefits are expected to be achieved before, during and after the Games. The plans do not identify the expected economic impact of the Games although this is difficult to do.

⁶⁹ 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.

⁷⁰ Glasgow 2014 Legacy Framework: A Games legacy for Glasgow, Glasgow City Council, 2010.

Exhibit 8

Summary of the Scottish Government's legacy framework

The Scottish Government has a clear vision for achieving a legacy from the Games.



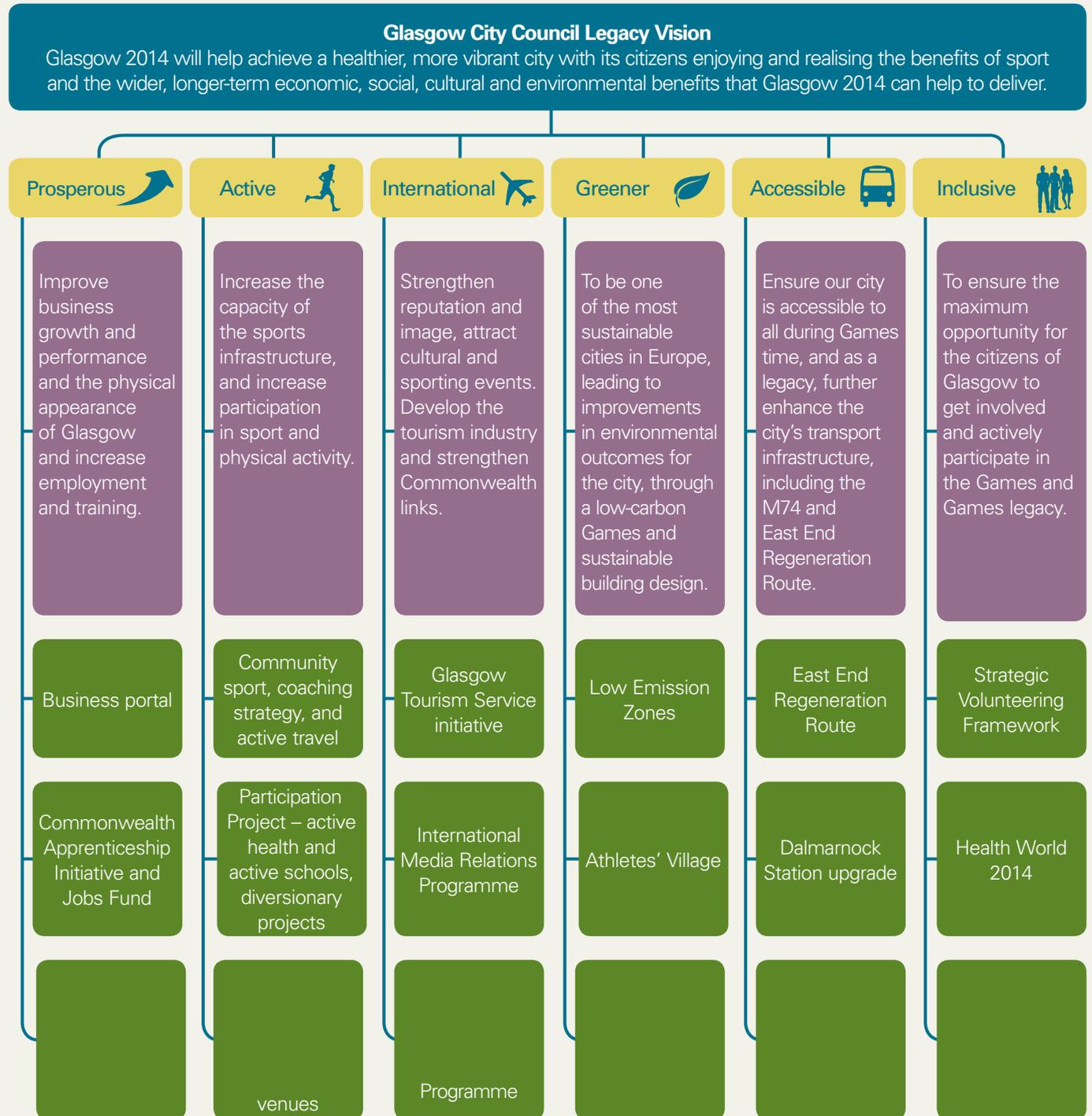
Notes: Blue box – Scottish Government legacy vision. Yellow boxes – Scottish Government legacy themes. Purple boxes – a summary of the overall outcomes and a summary of the intermediate outcomes the Scottish Government is hoping to achieve. Green boxes – examples of the projects in place to deliver the Commonwealth Games 2014 legacy.

Source: Audit Scotland, 2012

Exhibit 9

Summary of Glasgow City Council legacy framework

Glasgow City Council has a clear legacy framework for the Games.



Notes: Blue box – Glasgow City Council's vision. Yellow boxes – the themes Glasgow City Council has chosen for legacy. Purple boxes – summarised version of the outcomes Glasgow City Council is working towards. Green boxes – examples of the projects that have been or will be put in place to ensure a legacy from the Commonwealth Games 2014 for the people of Glasgow.

Source: Audit Scotland, 2012

85. At November 2011, the Scottish Government and Glasgow City Council reported that some benefits were already being achieved through a range of projects and initiatives (Exhibit 10). Glasgow City Council and the Scottish Government have set specific targets and performance indicators for some but not all projects. This is partly because baseline data are not available for many of the projects, although both partners are working towards addressing these issues where possible. Glasgow City Council has established systems to monitor progress in delivering the legacy benefits. The latest council legacy performance report shows that 89 per cent of projects that have specific performance targets were on track at November 2011.⁷¹

86. The Scottish Government is at an early stage of developing systems that will enable it to effectively monitor the contributions of other organisations to delivering a Scotland-wide legacy. However, as they are working with a wide range of organisations to deliver the legacy projects, their progress depends on the pace at which projects are developed.

87. Glasgow City Council has been able to demonstrate benefits to individuals as a result of community benefits clauses included in contracts for Games infrastructure (Case study 3).

88. The Scottish Government and Glasgow City Council are currently developing a joint evaluation framework for the Games which is due early in 2012. Work is at an early stage and the framework will aim to assess the expected benefits as a result of the Games, including economic, health and social benefits.

Case study 3

Unity Enterprise

Glasgow City Council included a community benefits clause in the contract with the private developer responsible for constructing the Commonwealth Sports Arena and Sir Chris Hoy Velodrome. The private developer then contracted with Unity Enterprise, a Glasgow-based social enterprise to provide on-site catering at the construction site.

An employee who works for Unity Enterprise and runs the workers canteen at the construction site said:

“Being unemployed for six years took away a lot of my confidence. But it’s great to be employed again, and working with and supporting some of my colleagues with learning difficulties is really rewarding. I feel like Unity Enterprise has helped me and now I feel I am giving something back”.

Source: Summarised from case studies, Glasgow City Council website

Glasgow City Council is working in partnership with Glasgow Life and three universities in Glasgow to coordinate research and consider the wider impact of the Games on the economic and social health and well-being of the city.⁷² It is expected that this research will contribute to the overall legacy evaluation of the Games.

Measuring economic impact of large sporting events is difficult

89. The economic impact of multi-sporting events such as the Games is difficult to assess. This is because different methodological approaches can be used, based on various assumptions, which are often subjective and can lead to different results.⁷³ Assessing and attributing other health and social benefits directly to the Games will also be difficult. There is currently a lack of rigorous evaluations or research that demonstrates the impact of major events on sports development or wider health and social benefits. An analysis of sports participation in

Australia between 1985 and 2002 provides some indicative data, which concluded that there is a mixed picture and it was difficult to attribute change directly to the 2000 Olympics.⁷⁴ UK Sport commissioned research on the 2002 Manchester Commonwealth Games indicates broadly similar results.⁷⁵

90. The House of Commons Culture Media and Sport Committee acknowledged that legacy planning for the 2012 Olympic Games had been better than previous Games. However, previous Games experience is that there has not always been a good legacy of using buildings and facilities developed for the Games and they are not always economically viable.⁷⁶ There is evidence that the strategic partners are learning from the experience in London. There is also evidence that the strategic partners are using existing venues and only building new facilities if necessary.⁷⁷

71 The council has 46 legacy projects and just over half of these have specific targets.

72 The three Glasgow-based universities are Glasgow Caledonian University, Strathclyde University and Glasgow University.

73 ‘A Review of Economic Impact Studies on Sporting Events’, *The Sports Journal*, ISSN: 1543-9518, 2001.

<http://www.thesportjournal.org/article/review-economic-impact-study-sport-events>.

74 This shows that in the year following the 2000 Olympic Games, seven Olympic sports experienced a small increase in participation, while nine declined. The pattern for non-Olympic sports was broadly similar. *London 2012: A sustainable sporting legacy?* Professor J Coulter, Stirling University, 2004.

75 *The sports development impact of the Commonwealth Games 2002: final report*, MORI, 2004. Research Conducted for UK Sport in Greater Manchester, Blackburn, Congleton and Liverpool. London: MORI.

76 *London 2012 Olympic Games and Paralympic Games: funding and legacy, Second report of session 2006–2007, Volume 1*, House of Commons Culture Media and Sport, 2007.

77 *Glasgow 2014 Commonwealth Games Candidate City File*, May 2007.

Exhibit 10**Examples of benefits being delivered through legacy projects**

A number of initiatives are already delivering benefits for the people of Glasgow and Scotland.

Project description	Expected outcomes/target	Outcomes achieved as at November 2011
The Commonwealth Apprentice Initiative aims to assist suitably qualified school leavers in Glasgow with routes into apprenticeships in the public and private sectors	Target to maintain the number of apprenticeships throughout the coming years with an aim of 700 new apprenticeships for 2011. Targets for future years have still to be determined.	2,026 school leavers had started apprenticeships in the period between the initiative's launch in 2009 and 30 September 2011.
A business portal has been set up which aims to support Glasgow and Scotland-based businesses to tender for Commonwealth Games contracts, thereby achieving community benefits through procurement opportunities. Community benefits count for ten per cent of the overall evaluation score on relevant Games-related tenders.	Expected outcome target is a general increase in the number of contracts awarded to Glasgow-based companies.	Glasgow-based companies were awarded 69 per cent (over £178 million) of the £259 million worth of tier one contracts advertised on the portal.
Business Club Scotland (BCS) has been set up in order to facilitate contract opportunities and business networking in Scotland, which are generated by major events leading up to and after the Games.	Expected number of businesses in Scotland to be registered with Business Club Scotland is 3,000 by 2011, 4,000 by 2011/12, 5,000 by 2012/13, 6,000 by 2013/14 and 8,000 by 2014/15.	At the mid-year point of 2011/12 (30 September): <ul style="list-style-type: none"> • 2,582 were registered with the BCS website • 18 through LinkedIn • 850 through Twitter • 95 through Facebook.
Glasgow City Council has committed to extending its provision of employment to long-term unemployed people aged 18-24 and unemployed people aged 50+.	Through the Commonwealth Jobs Fund, Glasgow City Council aims to provide at least 1,000 jobs by July 2012 for 18-24-year-olds that have been unemployed for more than six months and those who are unemployed aged 50+.	57 people had been employed between January 2011 and the end of September 2011.
There has been a growing focus on increasing the number of qualified sports coaches across Glasgow in order to promote an active Scotland and the related health benefits.	Target of people completing sport coaching qualifications has been set at 2,487 for the year 2010/11 and 3,955 in 2011/12.	By March 2011, there were 3,086 qualified sports coaches, which exceeded the target at this point.

Note: These figures do not include the details of any subcontracts.

Source: *Executive Committee report*, Glasgow City Council, October 2011

The current economic climate may affect wider investment in legacy

91. The partners aim to deliver the legacy benefits without additional funding to support this. Instead, they aim to align existing Scottish Government investment where possible to those programmes that support the legacy aims and they are relying heavily on public sector and private sector organisations engaging effectively to achieve this. The Scottish Government and Glasgow City Council have made good progress in this area, as many public, private and voluntary organisations are involved in delivering the various legacy projects.

92. Glasgow City Council has aligned its existing initiatives and grants programmes towards delivering its legacy plans. For example, community groups need to demonstrate they are helping to achieve the council's legacy benefits to access grant funding from the council. This is a good approach, particularly as no specific legacy budget is available.

93. In the current economic climate, there is a risk that other public and private sector investment in legacy is scaled down or withdrawn. However, the Scottish Government carried out an impact analysis of the 2010 budget settlement which identified that no legacy programmes were at risk at that stage. It repeated the exercise in November 2011 to examine the impact of the 2011 Spending Review. It concluded that there had been no slippage or negative effect on priority projects as a result of the Spending Review. However, a small number of projects reported resource constraints and are now focusing on areas that they believe will provide the greatest benefit. The Scottish Government is also raising awareness among funders about the Games legacy plans and is working with them to identify ways for them to contribute.

Recommendations

The Scottish Government should:

- 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.

Part 4. Governance



Governance arrangements have generally improved but joint working arrangements are becoming increasingly complex.

Key messages

- The overarching Games governance structure and strategic partners' high-level internal governance structures are clear and each have defined accountabilities.
- Joint working arrangements at operational level are more complex and difficult to understand. For example, there are a large number of working groups and the responsibilities and accountabilities are not always defined and distinct from each other.
- As the Organising Committee recruits more staff and more partners are engaged in planning or delivery, there is a risk that the complexity of joint working arrangements is not clear to those involved, leading to duplication in effort and delays in decisions being taken.
- The strategic partners continue to improve their individual and joint risk management arrangements. However, further work is needed to ensure all risks, mitigating actions, due dates and costs related to these actions are clear, so that partners can effectively monitor, manage and report on these.

The high-level governance structure is clear

94. Good governance provides a framework for joint planning and managing performance, cost and risks, and ensuring accountability for securing efficiency and effectiveness. It is critical to delivering a large multi-sporting event such as the Games, which is made up of a series of projects that are interdependent and rely on the contribution of many organisations. Governance and joint

working structures on a programme with multiple stakeholders need to be clear and as simple as possible, so that they are understood by all those involved, and focus on the need for timely decision-making.

95. 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 (Exhibit 11).

The strategic partners have established clear internal governance structures for the Games

96. The Organising Committee is governed by a board of directors, which includes the public sector strategic partners. Six sub-committees are in place below the board of directors, which also have representation from the strategic partners. Five of these committees were already in place when we published our 2009 report.⁷⁸ The Organising Committee established a new Games Delivery Committee (GDC) in January 2010, on which the other strategic partners are represented. The GDC is responsible for monitoring and reviewing the partners' progress against the overall programme plan, as well as reviewing the partners' joint Games risk register. The terms of reference and accountabilities for the six sub-committees are clear.

97. Following our 2009 report recommendations, the Scottish Government has implemented a clear high-level internal governance structure to manage its responsibilities for the Games. At this stage, the high-level structure appears to be appropriate to coordinate and maintain oversight of the

contributions of relevant Government directorates and agencies such as Transport Scotland and Visit Scotland. However, further work is needed to ensure all Government departments' and agencies' responsibilities for key milestones are included in its programme plan. The Scottish Government also needs to develop and implement a system for managing, monitoring and reporting changes to the programme plan and ensure progress reports provide a complete and accurate picture of progress.

98. When we reviewed the council's infrastructure programme governance arrangements in 2009, we found these to be robust. Since then, these have changed to include governance arrangements for the legacy programme and overall these are still clear.

Joint working arrangements are becoming increasingly complex and difficult to understand

99. Many joint working groups have been established to coordinate different workstreams. For example, the Organising Committee has set up 17 operational groups, covering functional areas such as venues, the Athletes' Village, and transport. Some of these are internal groups and others are joint working groups with partners. Glasgow City Council coordinates a further 46 working groups, some of which also cover planning venues, the Athletes' Village and transport.

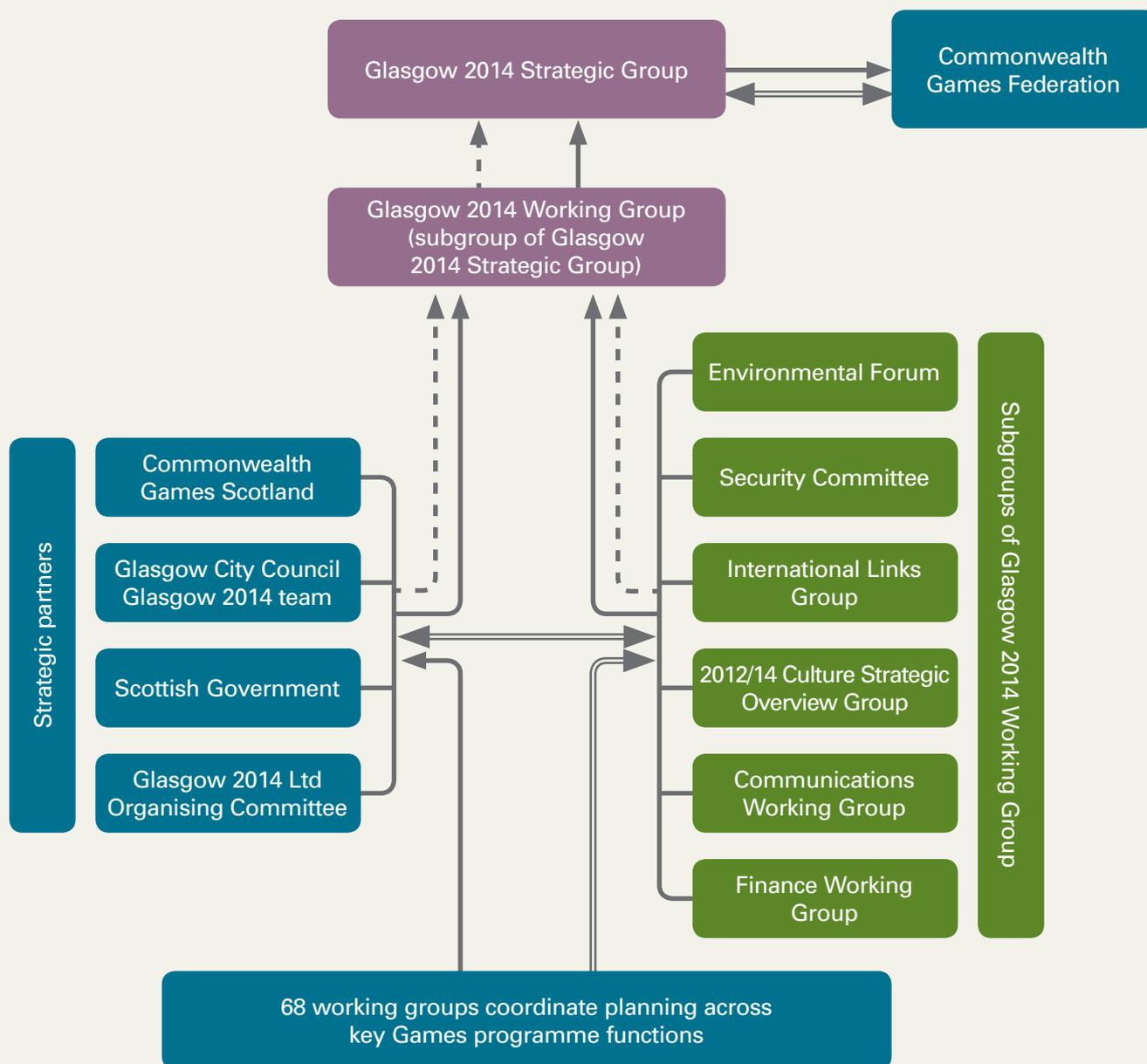
100. The partners are confident that they are clear about the purpose, responsibilities and accountabilities of all their working groups and that there is no duplication. However, terms of reference do not always include details of the specific responsibilities and accountabilities for all groups, including delegated authority to make decisions on planning and budgets. There is a risk

⁷⁸ Organising Committee Management Committee, Joint Marketing Committee, Audit and Risk Committee, Remuneration Committee and Athletes' Committee.

Exhibit 11

High-level joint governance structure for the Games

The high-level governance structure is clear but joint working arrangements are becoming increasingly complex.



— Accountability == Joint Working - - - Escalation

Notes:

1. The strategic partners are accountable to the Commonwealth Games Federation through the Strategic Group to deliver the Games to the required standard, as set out in the host city contract.
2. Each of the four partners has its own internal governance structures.
3. There are 68 working groups. Each of these is directly accountable to one or more strategic partners, and some may also be accountable to the subgroups which report to the Glasgow 2014 Working Group.
4. Glasgow City Council coordinates 46 working groups. Fourteen of these groups cover the development of individual venues and the Athletes' Village, and procurement related to venues. Seven are responsible for risk reviews of major projects, 11 cover legacy, 11 cover transport and environment and three cover utilities, communications and benefits.
5. The Organising Committee coordinates 17 working groups, some of which are internal working groups and others are joint working groups, focusing on venues and Athletes' Village development and temporary capital works, culture, legacy, sports and corporate service functions such as human resources and technology.
6. The Scottish Government coordinates two working groups focusing on legacy and Scottish Government responsibilities.
7. Three further working groups are in place covering security issues and the Athletes' Village. However, other organisations such as Strathclyde Police coordinate these.

Source: Audit Scotland, 2012

of duplication between some groups as they cover similar areas, such as venues and the Athletes' Village. It is therefore difficult to understand the distinct roles and responsibilities of each and how these interact. This is exacerbated by the sheer number of groups. In addition to this, staff capacity among partners is limited, therefore attending meetings of the various groups may not always be the best use of people's time. The partners should take any opportunities to reduce the number of groups by combining responsibilities which would help simplify joint working arrangements.

101. 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.

The strategic partners continue to improve their risk-management arrangements

102. Since our 2009 report, 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. All partners manage and monitor their own risks separately. 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, mitigating actions, due dates and costs related to these actions are clear, so that partners can effectively monitor, manage and report on these.

103. The Scottish Government has made changes to its internal risk management arrangements, which have supported a more cohesive approach to managing joint risks across Government. This includes introducing a new cross-Government policy for managing and reporting risks. Under the new policy, the approach to categorising and scoring risks aligns more closely to the overall Games and other strategic partners' risk registers. The policy was approved in October 2011 and the Games Delivery and Legacy Teams are currently working towards implementing the new approach.

104. Since our 2009 report, the council has completed a review of individual project risk registers and updated them to ensure they are consistent with the overall programme approach. A quality assurance process has also been introduced to ensure consistency is maintained between project and programme risk registers. In our 2009 report, we recommended that the council should assess the cost of its mitigating actions to ensure these were realistic and affordable. However, the council has decided not to cost its mitigating actions as it believes these are adequately covered within the overall programme contingency budget.

105. The Organising Committee maintains its own risk register in addition to managing the strategic partners' joint risk register on a day-to-day basis on behalf of the partners. All strategic risks and those which score 15 or above are monitored through the Games Delivery Committee and reported to the Organising Committee Board, Glasgow 2014 Working Group and Strategic Group. The Organising Committee appointed MARSH, a company with expertise in risk management of major sporting events similar to the Games, to carry out a review and update its own risk policy and register and the partners' joint risk register in 2011. Since the review, the Organising

Committee has appointed a dedicated risk manager to further improve risk management arrangements both within the organisation and across the partners, including embedding a culture of effective risk management into everyday working practices.

Recommendations

The strategic partners should:

- 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 registers to ensure all risks are described clearly, including cause and effect, and that specific mitigating actions are identified with clear due dates
- ensure that all mitigating actions that have potentially significant financial implications are costed and included in relevant budgets.

Appendix 1.

Project advisory group members

Audit Scotland would like to thank members of the advisory group for their input and advice throughout the audit.

Member	Organisation
Mary Allison	Head of Strategic Planning, Sportscotland
Derek Bearhop	Head of Games Delivery Team, Scottish Government
Jon Doig	Chief Executive, Commonwealth Games Scotland
Carole Forrest	Head of Council 2014 Team, Glasgow City Council
Keith Hawkswell	Director Culture Media & Sports VFM, National Audit Office
David McCracken	Chief Superintendent, Her Majesty's Inspectorate of Constabulary for Scotland
Ian Reid	Director of Finance, Glasgow 2014 Ltd

Note: Members of the project advisory group sat in an advisory capacity only. The content and conclusions of this report are the sole responsibility of Audit Scotland.

Appendix 2.

Partners' progress against previous recommendations

The following table shows the strategic partners' progress against our 2009 report and the Scottish Parliament Public Audit Committee's recommendations.

We have used a traffic light system to show the status of progress:

 Fully implemented
  In progress
  Not accepted

Recommendations	Status of progress
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.	
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.	
Review and update the overall Games risk register to ensure similar and related risks are scored consistently.	
Fully assess the potential consequences associated with the private sector contribution to, and investment in, the Games, including the potential impact on public sector funding.	
Agree actions to manage all of the risks that they are individually or jointly responsible for, and estimate the cost of their agreed plans to manage each risk to ensure these are realistic and affordable.	
Develop formal arrangements or agreements for managing joint responsibilities between partners.	
Develop protocols for dealing with urgent issues or decisions across the partners, at both strategic and operational levels.	
Approve the budget monitoring arrangements and ensure these are formalised in appropriate joint groups' terms of reference, and include financial reports as a standing agenda item at Strategic Group meetings.	
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.	
Collate the key milestones from all partners' plans into an overall Games programme plan to ensure it has appropriate oversight as the principal guarantor for the Games 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.	
Develop an action plan that describes what needs to be decided by the various parts of Government, when and by whom, by December 2009.	
Review and update the business planning tool to ensure it is complete and consistent with its programme plan and the overall Games programme plan that it is developing.	

Recommendations	Status of progress
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.	
Update its infrastructure programme plan to include the project budgets and interdependencies between projects, and complete this by December 2009.	
Complete its review of its infrastructure programme report template and revise this to improve the presentation of information by December 2009.	
Closely monitor the progress of the Athletes' Village and agree actions to manage the risk of slippage on this to ensure it is ready in time for the Games.	
Complete its review of individual project risk registers and update these to ensure that risks are recorded, assessed and prioritised using the agreed programme approach to ensure consistency.	
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 fulfilling its obligations in the host contract with the Commonwealth Games Federation.	
Complete its programme plan to manage its responsibilities for the Games by the end of December 2009.	
Closely monitor the progress of the National Stadium Hampden Park and Strathclyde Country Park and agree actions to manage the risk of slippage on these to ensure they are ready in time for the Games.	
Complete its budget review and develop detailed operational budgets by the end of March 2010.	
Develop and implement procurement policies and strategies that are compliant with European Union regulations.	

Appendix 3.

Methodology

The focus of our work was examining the strategic partners' progress in planning for the delivery of the Commonwealth Games 2014, including an assessment of how partners were managing the risks to delivering the Games successfully on budget at November 2011.

Our audit had four main components:

- Interviews with representatives of all the strategic partners.
- Analysis of existing data including activity and performance against targets.
- Financial analysis of the costs involved in the planning and delivery of the Games.
- Desk-based research of existing information provided by the strategic partners relating to the delivery and legacy planning of the Games as well as internet-based research.

Audit work was completed between August 2011 and January 2012.

Interviews

We conducted interviews with a number of senior and strategic staff involved with the Commonwealth Games 2014:

- Scottish Government
- Glasgow 2014 Ltd (the Organising Committee)
- Glasgow City Council
- Commonwealth Games Scotland
- Commonwealth Games Federation
- Her Majesty's Inspectorate of Constabulary for Scotland

- Association of Chief Police Officers in Scotland
- Strathclyde Police
- Scottish Ambulance Service
- Strathclyde Fire and Rescue.

We held a combination of group and individual interviews and undertook some telephone interviews with staff from these public bodies.

Data analysis

We reviewed documents, reports and other performance, risk and cost data supplied to us by the strategic partners to examine progress in establishing governance and joint working arrangements and progress against key milestones for the Games delivery and infrastructure. We analysed benchmarking information from previous Commonwealth Games, including Manchester 2002 and Melbourne 2006. This included comparing actual income from sponsorship and other income streams and costs compared to plans.

Financial analysis

We carried out a high-level review of the methodology and assumptions underpinning the Games budget, including an examination of contingency and inflation calculations. We reviewed in more detail the various income strategies and targets for sponsorship, merchandising, broadcasting and ticketing and assessed progress against these plans as at November 2011. Where possible we benchmarked progress against previous Commonwealth Games. We also compared the estimated costs of the venues and the Athletes' Village at the time of the bid against the projected final cost as at November 2011. Our main focus of this work was to highlight the risks to delivering the Games within the

approved budgets and report on how well risks are being managed. We attempted to quantify the wider cost of the Games to other public sector organisations, such as the Scottish Ambulance Service; however, due to limited information, this was not possible.

Desk-based research

Desk-based research was carried out via internet searches of existing information. Our research included reports on previous Commonwealth Games such as those held in Manchester, Delhi and Melbourne and previously held Olympics as well as published material relating to work ongoing for the London 2012 Olympics and the Commonwealth Games 2014.

Commonwealth Games 2014

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