

# Commonwealth Games 2014

Progress report on planning for the delivery  
of the XX<sup>th</sup> Games



Prepared for the Auditor General for Scotland and the Accounts Commission  
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# Summary



Planning for the Games is progressing but challenges lie ahead.



## Introduction

**1.** On 9 November 2007, the Commonwealth Games Federation selected Glasgow to host the XX<sup>th</sup> Commonwealth Games 2014 (the Games). The Games will run from 23 July to 3 August 2014 and the Scottish Government has said that the Games will have a lasting legacy for the people of Scotland.<sup>1</sup>

**2.** The Commonwealth Games is a major event for Scotland and affects its international profile and reputation. The special nature of the Games means that they bring particular challenges in planning for delivery:

- The deadline is immovable.
- Many partners are involved, leading to complex delivery structures to manage responsibilities.
- They are vulnerable to environmental conditions, including the risk of poor weather during the Games.<sup>2</sup>

**3.** Hosting the Games involves significant amounts of public money as well as a reliance on private sector investment. However, since Glasgow won the right to host the Games, there has been a major decline in the global economy. Political conditions have also changed and public bodies are facing tighter funding regimes. Those responsible for planning the Games will need to take account of the risks associated with these changes and their potential impact on the Games budget.

**4.** There are four strategic partners involved in planning for the Games and three delivery partners.

Commonwealth Games Scotland, the Scottish Government, Glasgow City Council (the council) and Glasgow 2014 Ltd (known as the Organising Committee) are the strategic partners, and the last three bodies are also the delivery partners.<sup>3</sup> Other organisations are also contributing to the Games delivery, for example Strathclyde Police. As part of its selection criteria to host the Games, the Commonwealth Games Federation required:

- the bid to be submitted and Games to be hosted by the national Commonwealth Games sporting organisation – this is Commonwealth Games Scotland
- the support and financial guarantees of the national government and the local authority in which the Games will be held – the Scottish Government and Glasgow City Council
- an independent company to be set up to coordinate planning and delivery of the Games – the Organising Committee.<sup>4</sup>

**5.** The four strategic partners signed a joint host city contract (the 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.<sup>5</sup> The strategic partners have set up the Glasgow 2014 Strategic Group as the main mechanism for achieving this. The partners' responsibilities are also set out in the bid document and in the Organising Committee's Business Plan 2009/10 ([Exhibit 1, overleaf](#)).

## The current Games budget is £373 million

**6.** The Scottish Parliament approved the Organising Committee's Games budget of £373 million in January 2008.<sup>6</sup> The Scottish Government and Glasgow City Council are the main funding partners, contributing £238 million and £60 million respectively (80 per cent and 20 per cent respectively of the publicly funded element of the budget). The Organising Committee is responsible for raising the balance of the funding (£75 million) from broadcasting rights, licensing, ticket sales and sponsorship. However, the Scottish Government and Glasgow City Council have agreed to cover any potential shortfall of the £75 million, using the same percentage split as before unless the partners agree to make savings instead. The Scottish Government is the principal guarantor of the Games and it has underwritten any potential additional costs incurred by the Organising Committee above the approved Games budget, adjusted for inflation. The Scottish Government has also provided other financial guarantees in relation to the Games, including certain security costs.<sup>7</sup>

## The budget for Games-related venues is £333 million

**7.** One key feature of the Glasgow bid was that 70 per cent of the infrastructure, including venues, was already in place. However, five new facilities are to be built in Glasgow and a further ten facilities in Glasgow and Edinburgh need major refurbishment or upgrading for the Games. The estimated total cost of building and developing these venues at 2007 prices was £332.7 million. The Organising Committee's £373 million budget includes £48.7 million towards the cost of

1 *On your marks... Get set... Go: A games legacy for Scotland*, Scottish Government, 2009.

2 We will consider contingency arrangements for managing adverse weather conditions such as rain in a future report on planning for the delivery of the Games.

3 Commonwealth Games Scotland was previously called Commonwealth Games Council for Scotland.

4 The Organising Committee was set up by the other strategic partners as a company limited by guarantee. It will operate during the planning and delivery of the Games and be dissolved shortly after the Games finish.

5 *Minute of Agreement amongst the Commonwealth Games Council for Scotland, Scottish Government Ministers, Glasgow City Council and Glasgow 2014 Limited*, 2008.

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

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

## Exhibit 1

### Key responsibilities of the strategic partners

Organisation	Key responsibilities
Scottish Government	<ul style="list-style-type: none"> <li>Ensuring delivery of major infrastructure projects already planned in areas such as transport</li> <li>Introducing legislation to the Scottish Parliament to ensure compliance with all aspects of the requirements set out by the Commonwealth Games Federation</li> <li>Overall responsibility for the security of the Games</li> <li>Planning for Scotland-wide legacy benefits</li> </ul>
Glasgow City Council	<ul style="list-style-type: none"> <li>Ensuring the delivery of major infrastructure projects including transport</li> <li>Responsibility for the public facilities (public buildings, public spaces and public services) within the City of Glasgow</li> <li>Designing and constructing an Athletes Village</li> <li>Providing a programme of related cultural events taking place during the lead up to but mainly during the period of the Games</li> <li>Additional cleaning of the city</li> </ul>
Commonwealth Games Scotland	<ul style="list-style-type: none"> <li>Selecting and preparing a Scottish team in the Commonwealth Games and the Commonwealth Youth Games</li> </ul>
Organising Committee	<ul style="list-style-type: none"> <li>Developing and implementing a city transport plan<sup>1</sup></li> <li>Doing everything else required to plan and deliver the Games which is not reserved to the Strategic Group or Glasgow City Council</li> </ul>

**Note:**

1 The Organising Committee is responsible for developing and implementing a city transport plan, however, this will be carried out by Glasgow City Council.

Source: *Glasgow 2014 Commonwealth Games Candidate City File*, May 2007; *Organising Committee Business Plan 2009/10*; *Minute of Agreement amongst the Commonwealth Games Council for Scotland, Scottish Government Ministers, Glasgow City Council and Glasgow 2014 Limited*, 2008

these venues (£63.5 million when adjusted to include an allowance for contingency). The Organising Committee is contributing to the construction of some new venues and adapting existing venues to meet the specific requirements for the Games.<sup>8,9</sup> An additional £269 million is being spent on developing venues for the Games. The £269 million is for projects that were planned prior to the Games bid; therefore partners do not consider these to be additional costs of hosting the Games. This £269 million is being funded from:

- Glasgow City Council – £128.4 million<sup>10</sup>
  - The City of Edinburgh Council – £28.8 million<sup>11</sup>
  - The Scottish Exhibition and Conference Centre (SECC) – £112 million.<sup>12</sup>
8. Glasgow City Council is responsible for ensuring that the venues it owns are in place in time for the Games and it is managing these as part of its Games infrastructure programme. The Organising Committee is liaising with

other venue owners to ensure these are ready in time for the Games.

### The Games also depends on other infrastructure developments

9. The contract also requires an Athletes Games Village (Athletes Village) to be developed to provide accommodation and other facilities for athletes and officials during the Games. The estimated cost of the Athletes Village at the time of the bid was £247.1 million (£250.8 million when the cost is adjusted to include contingency). Private developers are expected to contribute most of the

8 *Detailed Commonwealth Games Budget (OC Budget): Post evaluation budget as agreed by the First Minister's Steering Group*, 31 October 2007.

9 The £48.7 million will contribute towards the cost of Cathkin Braes; National Indoor Velodrome; Glasgow Green Hockey Complex; The National Stadium Hampden Park; Strathclyde Police Training Centre; Kelvingrove Bowls Complex; National Swimming Centre, Tollcross Park; Scotstoun International Athletics and Rugby Stadium; and Strathclyde Country Park. It will also pay for sports equipment.

10 Glasgow City Council's £128.4 million venue budget is for the National Indoor Sports Arena and Velodrome, Scotstoun Leisure Centre, Toryglen Regional Indoor Training Centre and the Kelvin Hall International Sports Arena.

11 The City of Edinburgh Council will refurbish the Royal Commonwealth Pool at a cost of £28.8 million.

12 The Scottish Exhibition and Conference Centre is building a new arena at a cost of £112 million.

funding to cover the construction costs and the Organising Committee will fund the cost of adapting the Athletes Village for a short period for the Games from its capital budget. Glasgow City Council is making no initial charge to the developers for the land. The council owns most of the land but still has to secure some areas of land and it is likely to need to use compulsory purchase orders to achieve this. Therefore the total value of the land will not be known until it has all been secured. Following the Games, the Athletes Village will be developed into housing and at this stage the council can recover some of the land costs from the developer. Glasgow City Council has selected a consortium of private developers as its preferred bidder for constructing the Athletes Village but it has still to finalise the contract with the consortium. The Athletes Village budget and funding contributions from each party will be agreed during negotiations and included in the terms of the contract. Glasgow City Council is managing the development of the Athletes Village as part of its Games infrastructure programme.

**10.** Access to the Games also depends to varying degrees on almost £1.6 billion of other transport infrastructure projects such as the M74 extension and M80 extension.<sup>13</sup> These projects were planned prior to the Games bid and are also separately funded because the costs are not related to the Games. Glasgow City Council is managing the M74 extension as part of its Games infrastructure programme. Transport Scotland is responsible for managing and delivering the M80 extension and the other major transport infrastructure projects.<sup>14</sup>

### About the study

**11.** This report provides an early assessment of governance, risk management, financial management and programme management arrangements. It identifies progress since our sport overview report, up to August 2009, and any further action required at this stage, particularly in the changed economic climate.<sup>15</sup> It is still relatively early days as partners have almost five years to continue their preparations to host the Games. This report is the first in a planned series as we continue to monitor and report progress. It does not cover legacy planning, as we intend to look at this in a later report. At this early stage, we have not carried out a detailed review of the budget.

**12.** The study involved:

- reviewing documents provided by Scottish Government, Glasgow City Council and the Organising Committee
- conducting interviews with staff at the Scottish Government, Glasgow City Council, the Organising Committee, Commonwealth Games Scotland and the Commonwealth Games Federation.

### Key messages

- There is a clear high-level governance structure and the strategic partners understand their responsibilities and they are working together to deliver the Games. The strategic partners have set up several joint working groups at operational level, although the status and lines of accountability of these are not always clear.

- Strategic partners are learning from the experience built up in other Commonwealth and Olympic Games. A key lesson is that there is a high risk of staff changes and a subsequent loss of knowledge in the lead up to the Games. The strategic partners are at different stages of planning to manage this risk.
- The strategic partners are developing independent programme plans to manage their responsibilities for the Games and all are at different stages of completing their plans. There is not yet an overall Games programme plan across all of the partners which includes all of the key milestones and interdependencies, although the Scottish Government intends to do this once all of the individual plans are complete.
- The strategic partners are adopting a structured approach to risk management for delivering the Games. They have still to refine their overall Games risk register, cost their agreed actions to manage each risk and fully implement their arrangements for managing the risks across the programme.
- The estimated cost of delivering the Games is £373 million. A further £269 million had already been committed towards developing venues before the bid. These estimates have not been updated since 2007 and may not be sufficient to deliver the current plans.

<sup>13</sup> The bid document included a proposal for a project to establish a Glasgow Airport Rail Link at an estimated cost of £300-£400 million. However, the Cabinet Secretary for Finance and Sustainable Growth announced that this project will be cut in his budget statement on 17 September 2009.

<sup>14</sup> Transport Scotland is a Scottish Government agency. It has overall responsibility for the M74 extension, however, it has appointed Glasgow City Council as its agent for this project. This means Transport Scotland will retain overall responsibility for the delivery and risks associated with the M74 extension but Glasgow City Council will manage this on its behalf.

<sup>15</sup> *A performance overview of sport in Scotland*, Audit Scotland, April 2008.

## Key recommendations

### Strategic partners should:

- document the purpose, responsibilities, membership, and lines of reporting for all cross-partner working groups to ensure all partners have a consistent understanding and that the accountability of the groups is clear
- 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
- estimate the cost of their plans to manage risks to ensure these are realistic and affordable.

### 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.

### **Glasgow City Council** should:

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

### The **Organising Committee** should:

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



# Part 1. Governance arrangements



The strategic partners have a clear high-level governance structure for the Games.



## Key messages

- The strategic partners are working together to deliver the Games successfully. The high-level governance structure, processes and arrangements for decision-making are clear and recognised by the four strategic partners.
- The strategic partners have set up several joint working groups at operational level, although the status and lines of accountability of some groups have not been formalised and are not consistently understood by the partners.
- The individual areas of responsibility of the strategic partners are clear and areas of joint responsibility are generally understood, but formal agreements are still developing for some joint responsibilities.
- Glasgow City Council and the Organising Committee's internal governance structures and arrangements are developing well. The Scottish Government is developing its governance arrangements to ensure that it coordinates and monitors its responsibilities for the Games effectively across its directorates.
- Strategic partners are learning from the experience built up in other Commonwealth and Olympic Games. But they are at risk of losing knowledge if key staff change and are at different stages of planning to manage this risk.

## The strategic partners are working together to deliver the Games

**13.** The strategic partners are committed to making sure the Games are a success and are taking a partnership approach to achieve this. They have put significant effort into setting up joint governance and operational arrangements and have regular contact on all aspects of planning for the Games.

**14.** The vision for the Games set out in the original bid document is: 'We want our Games to be a celebration of sport and personal achievement.'<sup>16</sup> All strategic partners have signed up to this vision. Glasgow City Council also has a separate vision for its infrastructure projects that is aligned to the overall vision but sets out the council's intended legacy from its significant investment in infrastructure.<sup>17</sup>

## There is a clear high-level governance structure and all partners understand their own responsibilities

**15.** The high-level governance structure for the Games is clear (Exhibit 2). The strategic partners set up the Glasgow 2014 Strategic Group to provide overall direction on planning for the delivery of the Games. The strategic partners are required to report to the Strategic Group at critical stages in their preparations or where significant issues arise. The First Minister chairs the Strategic Group and the other strategic partners are represented on this group. Its remit is clearly documented and understood by the strategic partners and it is responsible for:

- providing guidance on strategic issues
- ensuring the Games benefit from, and contribute to, national and local strategies and objectives

- promoting the Games legacies
- ensuring that any legal requirements are met and their impact is monitored
- approving and monitoring the Organising Committee's budget and business plans
- providing a forum for the resolution of issues between partners.

**16.** Below the Strategic Group, the governance structure includes the Glasgow 2014 Working Group. The Strategic Group set up the Working Group to coordinate planning for the Games across all the strategic partners and to monitor progress. The Working Group is the forum where the strategic partners decide on the content and timescales of progress reports from each of the partners to the Strategic Group, and on which matters should be escalated to the Strategic Group for decision. The Scottish Government chairs the Working Group and provides the secretariat. All other strategic partners have senior manager representation on this group, although different individuals may attend depending on the agenda. The Working Group's membership and remit are clear, documented and understood by the strategic partners. Its objectives are:

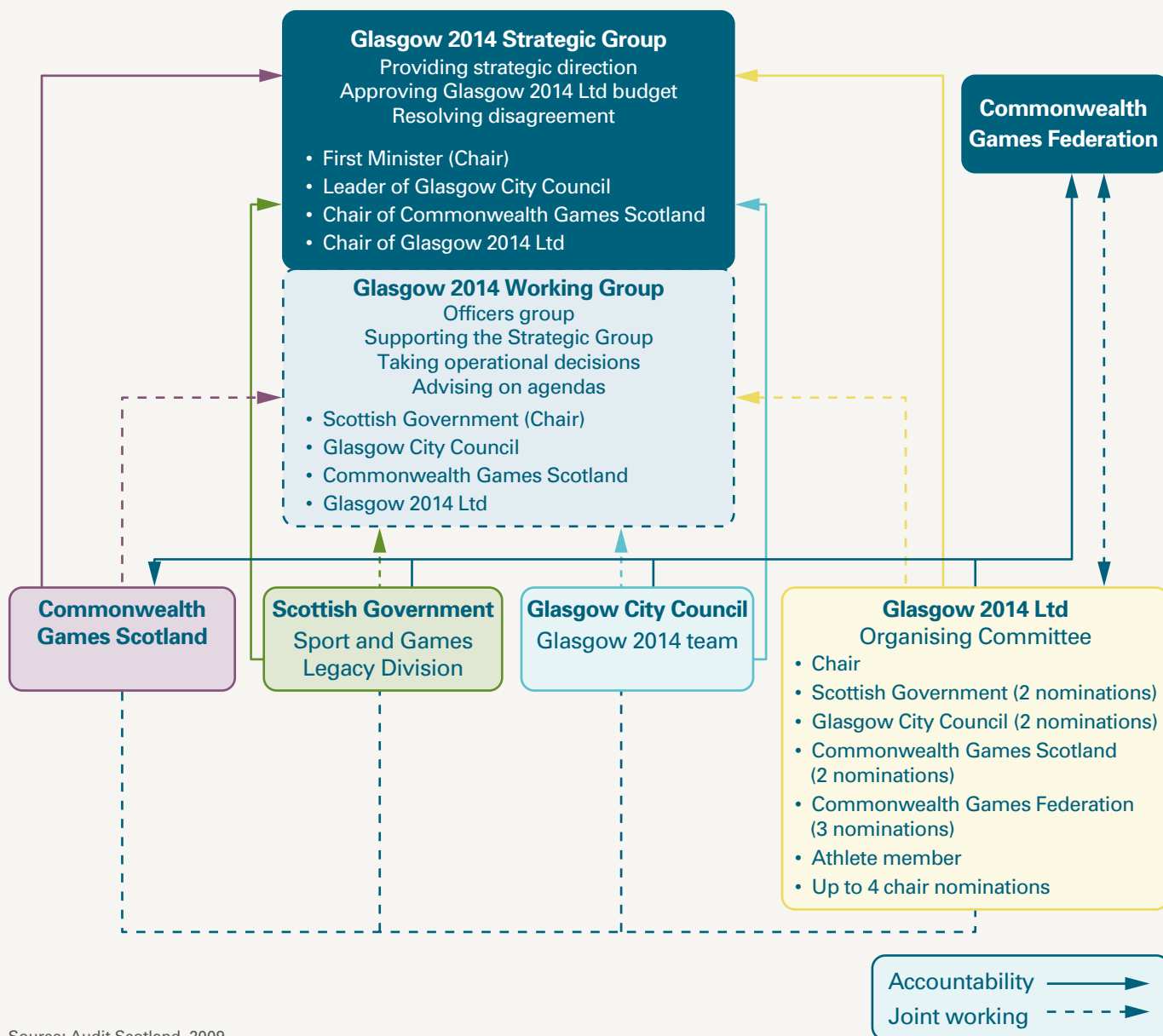
- to act as a forum for officer communication and decision-making between the partner organisations at an operational level
- to consider financial, operational and contractual matters and pass them to the Glasgow 2014 Strategic Group as appropriate
- to recommend agenda items for the Strategic Group.

<sup>16</sup> Glasgow 2014 Commonwealth Games Candidate City File, May 2007.

<sup>17</sup> Games infrastructure programme governance, Glasgow City Council, 2008.

**Exhibit 2**

Commonwealth Games 2014 high-level governance structure at June 2009



Source: Audit Scotland, 2009

**The strategic partners have not yet developed formal arrangements to manage all joint responsibilities**

**17.** The strategic partners appear to be clear on areas of joint responsibility but formal arrangements or agreements for managing some of these are still developing. For example, Glasgow City Council and the Organising Committee are jointly responsible for developing some venues in time for the Games. However, they have still to agree and define which aspects of developing the venues each of them

will be responsible for and establish formal arrangements for managing these. Until they do this, there is a risk of gaps emerging or dispute between partners at a later date.

**Delivery partners are developing their internal governance arrangements**

**18.** Delivery partners have put in place or are in the process of developing their own internal governance structures and arrangements in relation

to their specific responsibilities for the Games ([Exhibit 3, overleaf](#)).

**19.** The Organising Committee is a company limited by guarantee. This type of organisation is common to charities and other non-profit organisations, because it gives protection to company directors if the company fails. Company directors are required to carry out their responsibilities in the best interests of the limited company.

This can be challenging, as they are often nominated by stakeholder organisations, which have their own objectives to meet, and there is a risk of a conflict of interest arising for company directors due to their obligations to both organisations.

**20.** All strategic partners have nominated individuals to serve as company directors on the Organising Committee's Board and this supports close joint working. The contract with the Commonwealth Games Federation allows the Organising

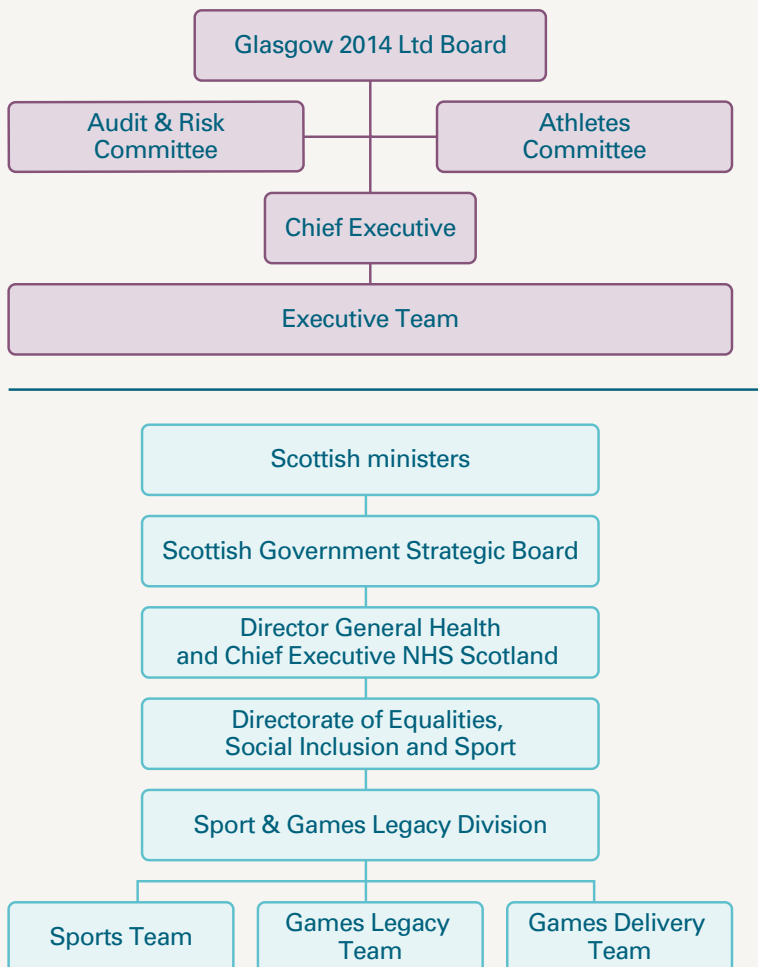
Committee to appoint a number of independent company directors, including a chairperson, and this has happened. All company directors have participated in training on their role, which heavily emphasised that they are required to provide leadership to, and governance of, the Organising Committee, as opposed to representing their own individual organisations' interests. This may be difficult in the future particularly for the company directors whom the Scottish Government and Glasgow City Council nominated. For example, if budget

pressures arise and the partners need to make difficult decisions about the budget, particularly in the current economic climate.

**21.** The Organising Committee's internal governance structure is still developing and it expects this to evolve over time.<sup>18</sup> At this stage, the board has set up two committees to deal with specific matters: the Audit and Risk Committee and the Athletes Committee. The chief executive started in August 2008 and the Organising Committee has

**Exhibit 3**

Summary of each delivery partner's internal governance structure



Source: Audit Scotland, 2009

appointed a number of other key staff since then. During this time it has made good progress in establishing organisational policies and procedures with support from the Scottish Government and Glasgow City Council, and this work is ongoing.

**22.** Glasgow City Council's internal governance arrangements for delivering the Games are clearly documented and transparent, although some of these have still to be fully implemented. In support of joint working, the chief executive of the Organising Committee is an observer on the council's Commonwealth Games Programme Board. At individual project level, governance structures are still developing. We will comment on this in future reports.

**23.** The Scottish Government's governance structure is clear within the Health Directorates, with overall responsibility sitting with Scottish ministers (Exhibit 3). Operationally, the Strategic Board is the highest level of governance across all Scottish Government directorates. A Sports and Games Legacy Division has been set up within the Directorate of Equalities, Social Inclusion and Sport which is part of the Scottish Government Health Directorates (SGHD). A Games Delivery Team and a Games Legacy Team have been established within the Sports and Games Legacy Division to coordinate the Scottish Government's responsibilities and activities across directorates, such as the Justice, Environment and Transport Directorates, which will contribute to planning for the Games. It is not clear how other directorates are involved in the planning and the Scottish Government has not yet taken forward a recommendation from our 2008 sport overview report to 'develop an action plan that describes what needs to be decided by the various parts of Government,

when and by whom'. Therefore it is not clear whether the Scottish Government has appropriate oversight of its cross-directorate responsibilities in relation to the Games. The Scottish Government has advised us that it intends to develop a programme plan to manage its responsibilities for the Games across its directorates by December 2009. In developing its programme plan, it will therefore need to identify what needs to be decided by the various parts of government, when, and by whom.

### **The status and lines of accountability of joint groups are not always clear**

**24.** The strategic partners have set up three functional subgroups. These are Finance, Communications and the Joint Marketing Committee.<sup>19</sup> However, the purpose, responsibilities, status, decision-making powers and lines of accountability of these groups have not been formalised and partners do not have a clear or consistent understanding of all these issues. For example, partners were unable to demonstrate the links and connections between these functional subgroups and how these fit within the high-level and wider governance structure.

**25.** In addition to the functional subgroups, the strategic partners have set up or are in the process of setting up a number of other joint working groups covering:

- the Athletes Village, venues, transport and the environment – these groups are coordinated by Glasgow City Council and all have a clear purpose and links to the wider governance structure
- Games security – the Scottish Government is currently setting up the security

governance structure and will be responsible for coordinating the security arrangements.

**26.** There is no formal protocol in place for dealing with urgent issues or decisions across the partners, at either strategic or operational level. So far, this has not provided any cause for concern, as all decisions have been taken or issues resolved on a timely basis. However, as work progresses, there is a risk of issues emerging which need an urgent decision; therefore partners should agree a protocol for dealing with these.

### **Delivery partners are learning from the experience of other Commonwealth and Olympic Games**

**27.** The Commonwealth Games Federation has contracted and paid for an international firm of consultants to share knowledge that they have built up from other Games with the strategic partners. This consultancy firm specialises in providing advice and guidance on managing major sporting events, including the Olympic Games, Commonwealth Games and the Rugby World Cup.<sup>20</sup>

**28.** Commonwealth Games Scotland staff and company directors also have direct experience of previous Games. Their involvement in strategic planning and sharing their knowledge with the other partners is therefore crucial. The contract with the Commonwealth Games Federation requires the Organising Committee to appoint an individual who is dedicated to managing knowledge. This individual is responsible for accessing information, developing opportunities for staff to learn from previous Games, and developing arrangements so that any learning can be passed on to future Games.<sup>21</sup>

<sup>19</sup> The Commonwealth Games Federation is also represented on the Joint Marketing Committee.

<sup>20</sup> The consultancy firm which the Commonwealth Games Federation appointed is Events Knowledge Management.

<sup>21</sup> The Organising Committee appointed a dedicated knowledge management individual who was in post between October 2008 and March 2009. The Organising Committee is in the process of recruiting for this post.

**29.** Organising Committee staff are liaising with their counterparts in the London Organising Committee for the 2012 Olympic Games (LOCOG) and with staff involved in the Melbourne and Manchester Commonwealth Games and the Beijing Olympic Games. Glasgow City Council and Scottish Government staff have also been in contact with colleagues involved in other Commonwealth and Olympic Games. This is currently working well and the partners are learning from others' experience. For example, the Organising Committee is:

- rescheduling some programme activities, including delaying some until later in the planning stages, as the experience of previous Games was that these would need to be re-done later
- starting to review its workforce plans to ensure it will have the staff it needs at the right time, particularly as it gets closer to the Games
- developing a formal agreement with the LOCOG to transfer knowledge and potentially resources, such as staff and specialised equipment.

#### **Delivery partners are at risk of losing knowledge if key staff change**

**30.** The experience of other Commonwealth and Olympic Games is that a high number of organising committee staff leave in the final two years leading up to the Games. This is mostly due to staff being appointed on fixed-term contracts. There is a significant risk of losing knowledge if key staff change during the remaining planning timescale and particularly in the last two years before the Games. Staff have already changed in the Organising Committee and it is currently developing staff continuity plans to manage this risk in the future. The team of staff and company directors at Commonwealth Games Scotland is small and at risk of losing knowledge if there are any changes. Commonwealth Games Scotland recognises this risk.

**31.** This risk also affects the other strategic partners, as losing key staff will affect their ability to deliver on their responsibilities for the Games. There has already been a change in staff within the Scottish Government, with different staff involved in the bid team and the current delivery team. The Delivery Team was set up in April 2008 and individuals are expected to remain in post for a minimum of three years, unless they are promoted. The Scottish Government has protocols for handover when staff change and it is considering measures to prevent losing knowledge if key staff change, particularly in the final year leading up to the Games. However, it has not yet identified which staff it considers to be crucial in the lead up to the Games, or identified the specific measures it will take to manage the risk of losing their knowledge if they leave.

**32.** Glasgow City Council has not been affected by changes in key staff so far. It has set up a Programme Management Office (PMO) to manage its responsibilities for the Games. The PMO has six staff, all of whom the council considers crucial to the success of the Games, and the team has a good mix of relevant skills and experience to deliver the programme. Two of these staff were involved in preparing the bid for the Games, which has helped ensure continuity and sharing of knowledge across the wider team. Glasgow City Council has introduced measures to retain knowledge in the event of staff changing within the PMO. This includes overlapping the responsibilities and tasks of individuals so that all activities can be covered by someone else.

**33.** A number of other council services also provide support to the PMO team. For example, the council's financial services team is responsible for financial planning and control of the infrastructure programme budget, and assessing the Organising Committee's financial plans and monitoring its expenditure. The council's project management

and design team also provides support to the PMO and individual projects in relation to designing and managing capital projects. However, as the PMO team is small, any change to the core team is likely to have an impact on its ability to effectively manage its responsibilities for the Games.

#### **Recommendations**

##### **Strategic partners should:**

- document the purpose, responsibilities, membership, and lines of reporting for all cross-partner working groups to ensure all partners have a consistent understanding and that the accountability of the groups is clear
- 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
- 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.

##### **The Scottish Government should:**

- develop an action plan that describes what needs to be decided by the various parts of government, when and by whom, by December 2009.

# Part 2. Programme management



Partners' individual plans are progressing but these still need to be pulled together into an overall programme plan.



## Key messages

- The Organising Committee is developing its programme management arrangements and it expects to have completed its programme plan for delivering the Games by the end of 2009.
- Glasgow City Council has developed a programme plan for the Games infrastructure. There has been slippage and re-phasing of some infrastructure projects but all are still expected to be delivered in time for the Games.
- The Scottish Government is developing its own programme plan to manage its responsibilities for the Games across its directorates and aims to complete this by the end of 2009.
- The strategic partners have not yet developed an overall programme plan which includes all of the key milestones and interdependencies for the Games. The Scottish Government needs a framework like this to ensure it has appropriate oversight as the principal guarantor and funder for the Games, and it intends to develop an overall programme plan once all of the partners' individual plans are complete.

### Delivery partners are developing their own arrangements for managing their responsibilities for the Games

**34.** Delivery partners are developing separate programme plans to manage their responsibilities for the Games and are liaising with each other to ensure their individual plans take account of the phasing of activities that may affect the timescales of

other partners' activities. For example, Glasgow City Council is responsible for refurbishing some venues which need to be complete in time for the Organising Committee to make any temporary changes to meet the specific requirements of the Games.

**35.** Delivery partners are clear on their individual responsibilities and they have a shared understanding of most areas where they are jointly responsible. However, formal arrangements for joint responsibilities are still developing. The partners need to agree which actions are needed for areas of joint responsibilities and who is responsible for these tasks. They then need to allocate and manage these tasks appropriately within the partners' programme plans.

### The Organising Committee is developing a programme plan for delivering the Games

**36.** The contract between the strategic partners and the Commonwealth Games Federation provides guidance for the Organising Committee on 26 aspects of delivering the Games and identifies over 800 activity milestones, with indicative dates for when they should be started, based on the experience of previous Games. Some of the activity milestones also have indicative dates for when they should be completed. One of the key activity milestones for the Organising Committee is developing a programme plan to manage its responsibilities for the Games. The indicative date for completing the programme plan was one year after the Games were awarded, which means it should have been completed by November 2008. However, the Organising Committee is currently developing its programme plan and intends to complete this by the end of 2009.

**37.** The main reason for the delay in completing the plan is the late recruitment of a programme manager, who started in October 2008 and left the organisation after four months. A new programme manager started in June 2009 and is working towards completing the plan by the end of 2009. The Commonwealth Games Federation is satisfied with the Organising Committee's progress towards developing a plan and the timescale for completing this. It advised us that the revised timescale is in line with the experience of previous Games.

### Glasgow City Council has a programme plan for delivering the Games infrastructure and longer-term benefits

**38.** Glasgow City Council's PMO manages or monitors most of the Games-related infrastructure projects under a single programme. The PMO is also responsible for overall coordination on areas of joint responsibility with other partners, such as preparing the transport plan for the Games. Glasgow City Council's infrastructure programme for the Games includes four types of capital projects:

- Building or refurbishing ten venues it owns.
- Managing the contract with the private developer for the Athletes Village.
- Managing the East-End Regeneration Route and M74 extension.<sup>22</sup>
- Monitoring the progress of other major transport projects that are planned to be complete in time to support the Games, including the M8 completion and M80 extension.<sup>23</sup>

<sup>22</sup> Glasgow City Council is responsible for managing and delivering the East-End Regeneration Route because it owns this road. Transport Scotland is responsible for the M74 extension but it has appointed Glasgow City Council as its agent for this project. This means Transport Scotland will retain overall responsibility for the delivery of, and risks associated with, the M74 extension but Glasgow City Council will manage these on its behalf.

<sup>23</sup> Transport Scotland is responsible for managing and delivering the remaining Games-related transport infrastructure projects. However, the council is liaising with Transport Scotland on these projects and is monitoring their progress. The council will report any concerns about the projects not being delivered on time for the Games to the Strategic Group.



**39.** The council's PMO is using accredited programme and project methodologies which are suitable for managing this scale, complexity and range of projects.<sup>24</sup> The PMO has developed a draft programme plan and separately identified project budgets and interdependencies between projects. This is needed to ensure the programme plan takes account of the phasing of projects, as some rely on others being completed first. The PMO is now working towards incorporating the budget and interdependencies into its programme plan, which will allow it to monitor overall progress against key milestones and costs. The council intends to complete its programme plan by the end of 2009.

**40.** The PMO has developed a reporting template for individual projects to report on their progress against key milestones, budget, risk and other issues. Project managers for individual projects complete the report template on a fortnightly basis and send it to the PMO. However, the quality and consistency of the individual project reports varies, which makes it more difficult for the PMO to manage and monitor the progress of the overall programme. The PMO introduced a new standard template for the project reports in August 2009, but it is too early to comment on whether this has improved the quality and consistency of project reports.

**41.** The PMO uses the information from the individual project reports to produce an overall monthly programme report which it presents to the council's Commonwealth Games Programme Board, chaired by the chief executive. Although the content of the programme reports is appropriate, some information, such as financial information, is not summarised. This makes it more difficult for the Programme Board to

get a clear picture or understanding of whether the individual projects and overall programme are on budget and this is needed for good governance. The PMO is currently reviewing the format and content of its programme reports to improve the presentation of the information.

#### **All Games-related infrastructure projects are currently forecast to be delivered on time**

**42.** Glasgow City Council reviewed the key timescales for all of the Games-related infrastructure projects when it incorporated these into a single programme. It used this opportunity to re-phase the start and completion dates for some of these projects to manage some of the risks associated with delivering the overall programme. For example, there is a risk of traffic congestion if a number of large construction projects are taking place in the East-End of Glasgow at the same time.

**43.** There has been slippage in a small number of projects, such as the Athletes Village and the National Indoor Sports Arena, but all of the infrastructure Games projects are still forecast to be ready in time for the Games ([Exhibit 4, overleaf](#)). However, National Stadium Hampden Park, Strathclyde Country Park and the Athletes Village present a higher risk if there is any delay to their current planned timescales because they are not due to be completed until a few months before the Games.<sup>25</sup> The experience of previous major capital projects is that there is a high risk of slippage, therefore these should also be closely monitored.<sup>26</sup>

#### **The Scottish Government is further developing arrangements to manage its responsibilities for the Games**

**44.** The Scottish Government has set up a Games Delivery Team and a Games Legacy Team to coordinate and deliver on its responsibilities. The Games Delivery Team is developing a programme plan to manage the Scottish Government's responsibilities for the Games across its directorates. It has advised us that this programme plan will be ready by the end of 2009.

**45.** The Scottish Government is developing an overall Games programme plan which will collate the key milestones of all the partners. It will use this to report to the Strategic Group and its own Strategic Board ([Exhibit 3, page 10](#)). The Scottish Government will finalise the overall programme plan once all partners complete their individual programme plans, and it intends to complete this by the end of March 2010. The Scottish Government needs a framework like this to ensure it has appropriate oversight as the guarantor and principal funder for the Games.

**46.** The Delivery and Legacy Teams are currently using the Scottish Government's business planning tool to record and report internally on nine milestones. All directorates use this tool to report to their director general. This will duplicate parts of the programme plan and the monitoring system, but it does not provide the level of detail needed and records information in a different way, potentially leading to confusion among those who are using this information.

**47.** The Scottish Government's internal auditors completed an audit of its governance, risk, programme and financial management arrangements for the Games in February 2009 and

24 Glasgow City Council is using the Managing Successful Programmes methodology for the overall programme and the Prince 2 project management framework for individual projects.

25 The Organising Committee is responsible for ensuring National Stadium Hampden Park and Strathclyde Country Park are delivered on time. Glasgow City Council is responsible for ensuring the Athletes Village construction is completed on time.

26 *Review of major capital projects in Scotland*, Audit Scotland, June 2008.

## Exhibit 4

### Games-related venues, Athletes Village and major public sector transport infrastructure

	Due construction completion date from the bid document	Actual/planned construction start at June 2009	Actual/planned construction completion at June 2009
<b>New venues</b>			
National Indoor Sports Arena	Mar 2010	Oct 2009	Dec 2011
National Indoor Velodrome	Mar 2010	Oct 2009	Dec 2011
Cathkin Braes Cycling Course (Mountain Biking)	Apr 2009	Jul 2011	Mar 2012
SECC new arena	Jun 2011	Aug 2009	Dec 2011
Toryglen Regional Indoor Training Centre	-	-	Completed
<b>Refurbished or upgraded venues</b>			
National Swimming Centre, Tollcross	Dec 2011	Oct 2010	Jun 2012
Royal Commonwealth Pool, Edinburgh	Jan 2011	Aug 2009	Jun 2011
National Stadium, Hampden Park	Jun 2014	Oct 2013	Mar 2014
Glasgow Green Hockey Complex	Sep 2011	Apr 2012	Mar 2013
Kelvin Hall Sports Arena	Dec 2012	Apr 2011	Mar 2013
Kelvingrove Bowls Complex	Sep 2010	May 2010	Aug 2012
Strathclyde Country Park	May 2014	Oct 2013	Mar 2014
Strathclyde Police Training Centre	May 2014	Aug 2013	Mar 2014
Scotstoun Leisure Centre	Sep 2012	Oct 2011	Dec 2012
Scotstoun International Athletics and Rugby Stadium	Not included in bid	Jun 2008	Sep 2009
Athletes Village	Feb 2014	Sep 2010	Feb 2014
<b>Games-related major transport infrastructure</b>			
M74 extension	2011	May 2008	2011
East-End Regeneration Route	2009	Apr 2010	Aug 2012
M80 extension	2010	Jan 2009	2011/12
M8 completion	2011	2010/11	2013/14
Airdrie-Bathgate rail link	2010	Jun 2007	2010

Source: Glasgow 2014 Commonwealth Games Candidate City File, May 2007; Glasgow City Council Programme Plan, June 2009; Scottish Government response to Public Audit Committee, June 2009; Transport Scotland projects (<http://www.transportscotland.gov.uk/projects>).

found gaps in the recording of key milestones on the business planning tool. They concluded that the Scottish Government needs a more structured monitoring mechanism to ensure milestones and interdependencies

between their own and their partners' activities are not overlooked.<sup>27</sup> The Scottish Government has still to decide whether it will continue using the business planning tool once both its own and the overall Games

programme plans are in place. It is too early to comment further on these arrangements as they are still at early stages of development.

## Recommendations

### 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
- 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.

### **Glasgow City Council** should:

- 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.

### The **Organising Committee** should:

- 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.

# Part 3. Risk management



The partners are taking a coordinated approach to managing risks.



## Key messages

- The strategic partners are adopting a structured approach to risk management for the Games, which is being coordinated by the Organising Committee and is based on the council's approach for its infrastructure programme.
- The strategic partners have still to refine their overall Games risk register, cost their agreed actions to manage each risk to assess whether they are affordable and realistic, and fully implement their arrangements for managing risks across the programme.
- Glasgow City Council and the Organising Committee's internal risk management and reporting arrangements are clear. But the Scottish Government has more to do to manage its own risks to support successful delivery of the Games.

## Risk management is essential for major projects and programmes

**48.** Many factors can potentially affect the success of projects and programmes, and larger scale or complex projects or programmes are more exposed to risks. It is therefore essential that robust risk management arrangements are introduced at the start, particularly for large or complex projects, so that those responsible are able to identify the risks, and develop and implement actions to manage and reduce these risks.

## The Organising Committee is coordinating risk management for the Games across the partners

**49.** In May 2009, the strategic partners agreed that the Organising

Committee will be responsible for coordinating risk management for delivering the Games across the entire programme. The strategic partners have developed a formal risk management policy and procedures for the Games which set out their collective approach to identifying and managing risks, including criteria for assessing and prioritising risks and formal reporting arrangements.<sup>28</sup>

**50.** The Organising Committee hosted a series of risk workshops in early 2009, involving all the strategic partners and other organisations that are contributing to the Games. Through this process, the strategic partners and others identified 281 risks, 113 of which affect more than one partner.<sup>29</sup> Since then, the Organising Committee has led the process of establishing an overall Games risk register and all other partners have contributed to this. The strategic partners have stripped out any duplicate risks and reduced the total number of risks to 247 – 85 of which affect more than one partner. These risks were recorded on the register at August 2009.<sup>30</sup>

**51.** The strategic partners have assessed the likelihood of each risk occurring and the impact if it happens and allocated an overall risk score. However, the scores allocated to some similar or related risks are inconsistent which means they may be prioritised differently. As at August 2009, the top risk identified in the overall Games risk register is the potential for the Organising Committee's £373 million budget to be insufficient. Other significant risks include the Organising Committee being unable to retain key staff, poor contract management and disputes with suppliers leading to time delays and cost increases, particularly in relation to the Athletes Village and other infrastructure projects. The

strategic partners have also agreed which of them is responsible for managing each risk and they have agreed actions to manage 198 risks so far.<sup>31</sup> However, they have still to complete this and calculate the cost of these actions so that they can assess whether the plans are affordable and realistic. It is important that the strategic partners finalise their arrangements to manage these risks and ensure that staff with responsibility for managing risks are well equipped.

**52.** The risk management framework sets out the process for reporting on the strategic partners' risks to the Organising Committee's senior management and board, and the Strategic Group ([Exhibit 5, overleaf](#)). The process appears appropriate to ensure that there is a good understanding of the risks and how these are being managed at all levels within the Organising Committee and the Strategic Group, and to escalate concerns. However, this needs to be supplemented by the other strategic partners' own internal risk management and reporting arrangements for the Games. As the strategic partners started implementing this joint risk reporting approach in June 2009 we will comment on this further in a later report.

## The council's risk management arrangements for the Games infrastructure programme are generally sound

**53.** Glasgow City Council has adapted its council-wide risk management policy and strategy for its Games infrastructure programme and individual projects. It is using the council's risk assessment and prioritisation process and the same software to record and monitor its risks. The PMO has created an overall programme risk register. Each project

<sup>28</sup> The risk assessment process estimates the likelihood of risks occurring and the severity of the impact should they occur. These are scored from one to five, for both likelihood and severity of impact and an overall weighted score is calculated for each risk. Those which score both a high likelihood of occurring and severity of impact are considered priorities.

<sup>29</sup> Figures as at May 2009.

<sup>30</sup> The strategic partners are using a recognised risk management software programme for the Games risk register.

<sup>31</sup> Figures as at August 2009.

## Exhibit 5

Strategic partners' risk management reporting process to the Organising Committee Board and Strategic Group



Source: Audit Scotland, 2009

has its own individual risk register and reporting processes. The council incorporates any significant risks from these registers that impact on the council in its council-wide risk register. The council commissioned external consultants to help it set up its risk management arrangements, including identifying the programme risks and the interdependencies between the individual projects.

**54.** The council's infrastructure programme risk register includes

53 risks, which were identified at workshops led by the consultants early in 2009.<sup>32, 33</sup> The PMO has allocated responsibility for managing each risk to key individuals and identified actions to manage them. However, it has still to estimate the cost of its plans to manage the risks to ensure these plans are affordable and realistic.

**55.** Each council infrastructure project has its own risk register, so that these can be managed at project level.

Most of the project risk registers are held on the same system as the programme risk register and use the same risk assessment and prioritisation process. However, some projects had already started before the programme was established, which has led to inconsistency in recording and scoring systems for risks. The PMO is working to resolve this through discussion with the individual project managers to assess and score these risks using the agreed overall programme approach.

**56.** The PMO presented the overall infrastructure programme risk register to the Commonwealth Games Programme Board for approval in February 2009 and provides monthly update programme reports to the Programme Board and to the council's Executive Committee (Exhibit 3, page 10). The programme report provides a summary of the total number of risks and movement on these since the previous reporting period. It also includes an appendix which is extracted from the risk register and this provides more detailed information on the top risks, including the risk score, movement on these and the actions which are being taken to manage these risks. The PMO also provides regular reports to the Strategic Group on its infrastructure programme risks. These reporting arrangements are appropriate to ensure that there is a good understanding of the risks and how these are being managed at all levels within the council and across partners, and to escalate concerns.

### The Scottish Government has still to develop its internal risk management and reporting arrangements for the Games

**57.** The Scottish Government has not developed a specific risk management plan and reporting arrangements for its responsibilities for the Games over and above its existing arrangements

<sup>32</sup> The workshops were attended by staff from across the council, the Organising Committee, the Scottish Government and other relevant organisations, such as Transport Scotland and other venue owners.

<sup>33</sup> Figures as at June 2009.

for managing risks. So far, there has been limited internal coordination and involvement of senior managers across its directorates in examining risks and developing its approach to managing risks in relation to the Games. The Scottish Government currently records eight risks on its business planning tool and records five risks on the separate Health and Wellbeing Directorate risk register.<sup>34</sup> The risks recorded in each of these systems are different, although some are similar. However, where similar risks are recorded, the likelihood of the risks happening and impact of these risks have been scored inconsistently. The risks recorded in the business planning tool are reported to the Director General for Health and the risks in the Health and Wellbeing risk register are reported to the Health Management Board and the Health and Wellbeing Audit Committee. The Director General for Health chairs the Health Management Board and attends the Health and Wellbeing Audit Committee. Although this provides some scope for continuity, there is still a risk of confusion among different users of the information.

**58.** Although the Scottish Government's internal risk management arrangements are not fully developed, staff from the Scottish Government participated in the workshops, which the Organising Committee led on behalf of the partners.<sup>35</sup> At the workshops, partners identified 59 risks which affect the Scottish Government, 50 of which also affect at least one other partner. The Scottish Government has agreed that it will lead on managing 14 of these risks and is currently developing arrangements for this.

**59.** The Scottish Government has advised us that it intends to involve heads of divisions across the Government in discussions on developing its approach to risk

management for the Games. It also intends to update both the business planning tool and the overall Games programme plan it is developing to report to the Strategic Group and its Strategic Board (as discussed in paragraph 45) with the risk information from the strategic partners' overall Games risk register.

## Recommendations

The **Strategic partners** should:

- 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
- review and update the overall Games risk register to ensure similar and related risks are scored consistently.

The **Scottish Government** should:

- coordinate its risk management approach, including aligning its risk registers and reporting systems for managing its own risks in relation to the Games across the Scottish Government.

**Glasgow City Council** should:

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

<sup>34</sup> The number of risks recorded on the business planning tool was provided at June 2009 and the number of risks recorded on the Health and Wellbeing risk register was provided at August 2009.

<sup>35</sup> Staff from the Games Delivery, Games Legacy, Security, Environment and Transport teams attended some workshops.

# Part 4. Financial management



The partners are updating the Games budget.





## Key messages

- The estimated cost of delivering the Games is £373 million. A further £269 million had already been committed towards developing venues before the bid. These estimates have not been updated since 2007, although the Organising Committee's Games budget is currently being reviewed.
- There is a risk that the Organising Committee's approved budget of £373 million will need to be increased or the plans scaled down to deliver the Games within the budget. In the current economic climate, it may be difficult for the Scottish Government and Glasgow City Council to increase their funding contribution for the Games, as the public sector faces tighter funding and it needs to make increased savings.
- The strategic partners have agreed financial protocols for making payments to the Organising Committee and monitoring the spend against its budget, but these controls have not yet been fully developed or tested.

## The overall budget for delivering the Games and developing the venues was initially around £642 million

**60.** The initial overall budget is made up of:

- the Organising Committee's budget of £373 million to deliver the Games<sup>36</sup>

- a further £269 million for venue developments that were planned prior to the Games and are therefore not a cost of the Games – this is Glasgow City Council's budget of £128.4 million for new and refurbished Games venues, and two other venue owners' combined budgets of £140.8 million to refurbish their existing venues.<sup>37</sup>

**61.** At the time of the bid, the Athletes Village was expected to cost a total of £247.1 million (£250.8 million adjusted for contingency). Glasgow City Council has since selected a consortium of private developers as the preferred bidder and is currently negotiating the contract for the Athletes Village with the consortium. The final budget and contributions from each party will be agreed during the negotiations and included in the contract.

**62.** The private sector has a major role in delivering the Games, for example, developing the Athletes Village, building venues and providing sponsorship. In the current economic climate, securing investment from the private sector is likely to be a challenge. The risk of insolvency among private construction companies is also higher, although there may be opportunities to achieve cheaper contract prices if the partners implement robust procurement and contract management arrangements. The strategic partners need to take full account of these risks and their potential consequences, particularly the potential budget impact on public funding, and ensure they put in place appropriate arrangements for managing them at this relatively early stage of planning.

## The Organising Committee's budget of £373 million may not be sufficient to deliver the current plans

**63.** The Scottish Parliament approved the Organising Committee's Games budget of £373 million in January 2008.<sup>38</sup> But the budget has not been updated since then or developed into detailed operational budgets for the various work streams. The approved budget is based on 2007 prices, and includes a contingency of around £40.5 million.

**64.** The experience of other Commonwealth and Olympic Games is that the actual cost of these events is usually significantly higher than the original bid budget.<sup>39</sup> However, the strategic partners are confident that the Glasgow bid budget is more robust than previous Games, although they acknowledge there is a high risk that the budget may prove insufficient. The Commonwealth Games Federation introduced a more structured and rigorous bid and evaluation process for the 2014 Games than in previous Games. Applicant countries were required to prepare detailed plans and budgets and the Federation evaluated the underlying assumptions and judgements. It concluded that generally the level of detail in Glasgow's bid budget was of high quality but it also highlighted some risks. These include optimistic assumptions for office costs and the Athletes Village, a very modest budget for the opening ceremony and insufficient costs for security. It also identified that the level of contingency in the budget was insufficient. The budget was increased from £344 million to £373 million following the Federation's evaluation of the bid.

<sup>36</sup> The £373 million budget is split between revenue costs of £306 million and capital costs of £67 million. The capital budget includes £48.7 million (£63.5 million including contingency) towards the venues.

<sup>37</sup> The £128.4 million will contribute to the costs of the National Indoor Sports Arena and Velodrome, Scotstoun International Athletics and Rugby Stadium, Toryglen Regional Indoor Training Centre and the Kelvin Hall International Sports Arena. The Scottish Exhibition and Conference Centre will develop its own venues at a cost of £112 million; and the City of Edinburgh Council will refurbish the Royal Commonwealth Pool at a cost of £29 million.

<sup>38</sup> *Scottish Parliament Finance Committee Report, Report on the Financial Memorandum of the Glasgow Commonwealth Games Bill*, January 2008.

<sup>39</sup> Manchester Commonwealth Games 2002 increased by 120 per cent, Delhi Commonwealth Games 2010 latest forecast increase of 280 per cent, Beijing Olympic Games operating costs increased by 75 per cent and London Olympics 2012 latest forecast increase of 300 per cent. These figures are approximate percentage increases between the baseline budget in the bid and the actual costs, or latest forecast costs for Games that have still to take place.

However, it is not clear whether the increase in the budget is sufficient to take account of these risks.

**65.** The Organising Committee commissioned external consultants to carry out a high-level budget review to inform the process of developing the operational budgets.<sup>40</sup> The consultants reported in January 2009 and highlighted a number of issues:

- Some costs were not included in the £373 million budget, particularly VAT on ticket sales, pension costs and relocation costs, and managing the transport programme for athletes and others.
- Some potential income was not included in the budget, particularly catering, hospitality, bank interest and lotteries organised for the Games.
- Possible duplication of costs, as some costs such as staffing are included under more than one heading.
- Potentially unrealistic assumptions, including the level of sponsorship for the Games and the level of contingency.

**66.** The report includes estimates of the potential shortfall for some but not all items and recommends that the Organising Committee carries out further work and prepares new detailed operational budgets. The Organising Committee appointed another firm of consultants and a number of Games specialists in June 2009 to help it carry out a more detailed budget review, including developing detailed operational budgets.<sup>41 42</sup> Glasgow City Council previously appointed these consultants to help prepare the original bid budget. The Organising Committee's Finance Manager is leading the budget review and has advised us that this is due to be completed by the end of October 2009.

**67.** The results of the budget review will be considered by the Organising Committee Board and then presented to the Strategic Group at its first meeting after the review has been completed. As the top risk identified as at August 2009 is a potential shortfall in the Organising Committee's £373 million budget, this is a priority. If the further review of the budget also identifies a funding shortfall, the strategic partners will have to consider their options, which may include increasing the Organising Committee's budget or scaling down the plans to deliver the Games within the £373 million approved budget. Achieving partners' consensus on this may be difficult and may test the strategic partners' objectivity as company directors of the Organising Committee – potentially leading to tensions and affecting the good working relationships to date. Public bodies are facing tighter funding and they need to make increased savings. In this economic climate, increasing the budget is likely to be a major challenge for the Scottish Government and Glasgow City Council.

**Partners' processes to monitor and control the Games delivery budget have not been fully developed or tested yet**

**68.** The Strategic Group is responsible for approving the Organising Committee's total and annual budget, including approving any additional funding requirements. However, it does not receive regular financial reports of spend against budget. The Scottish Government's internal auditors recommended that the Strategic Group considers financial reports as a standing agenda item but this has not been agreed. The Strategic Group believes that this is not necessary because all partners are represented on the Organising Committee Board and receive regular financial reports through this forum.

**69.** The Strategic Group and Working Group have devolved responsibility for monitoring the Organising Committee's budget to the Finance Subgroup of the Working Group. This group meets quarterly and the three delivery partners are represented on this group. The Finance Subgroup is expected to report any issues of concern to the Working Group, which in turn is expected to make the Strategic Group aware of any concerns. These arrangements are not formalised in either group's terms of reference and have not yet been fully tested. To ensure good financial governance, it is important that the Strategic Group approves the budget monitoring arrangements and is satisfied that it has appropriate oversight of the Organising Committee's spending against its budget. As membership of the groups may vary, it is also important that the budget monitoring and reporting responsibilities are formalised in the groups' terms of reference.

**70.** The Scottish Government and Glasgow City Council have agreed protocols for making payments to the Organising Committee. However, as the Organising Committee does not yet have a detailed project programme plan and operational budgets, the funding partners are currently unable to identify if spending on projects is on track. It intends to develop its programme plan and operational budgets by the end of 2009. The Organising Committee spent less than planned in its first year as a result of appointing key staff later than planned, but it has indicated that it will need to carry forward this underspend to appoint additional staff at a later stage.

**71.** The Organising Committee has not yet set up an internal audit function but plans to do this in the future. It recently appointed external auditors who have reviewed the financial controls as part of the 2009/10 audit report. The auditors

40 *Bid book budget review for Glasgow 2014 Limited*, Deloitte, 2009.

41 PricewaterhouseCoopers is assisting in the budget review.

42 The specialists appointed have held senior roles in organising committees for previous Games.

have not highlighted any concerns about the Organising Committee's financial controls in their report.

### Initial cost estimates for some venues were too optimistic

**72.** Audit Scotland's *Review of major capital projects in Scotland*, published in June 2008, highlights the need for early cost estimates to include appropriate allowances for risk, cost inflation and optimism bias.<sup>43, 44</sup>

**73.** The £332.7 million cost estimates for Games-related venues included in the 2007 bid were mostly based on outline business cases (Exhibit 6, overleaf).<sup>45, 46</sup> This is normal practice but it means that costs are indicative only until full business cases are developed and tender evaluations completed. As a requirement of the bid process, the estimates were based on 2007 prices.

**74.** The Organising Committee's £373 million budget includes a general contingency allowance of £40.5 million for capital and revenue costs. The capital element of this contingency includes £4.9 million of project specific allowances and a general capital contingency of £14.4 million for optimism bias, which was based on 20 per cent of the Organising Committee's capital budget of £72 million.<sup>47</sup> The entire capital contingency is held centrally in the revenue budget and not allocated across individual capital project budgets. However, we have allocated the Organising Committee's capital contingency across the individual project budgets to allow us to make more realistic comparisons between the original estimates at 2007 prices and the latest forecasts at July 2009 (Exhibit 6).

**75.** There has been some confusion about whether the Organising Committee's budget includes an allowance for inflation. The Finance Committee's 2008 report on the Financial Memorandum of the Commonwealth Games Bill states "*The supplementary evidence explained that expected inflationary increases are one of the costs already built into the figures presented.*"<sup>48</sup> However, the 2008 Minute of Agreement between the strategic partners states "*The SG and GCC agree that the Final Budget is at 2007 prices and is subject to inflation and agree that any increase in the Final Budget arising as a result of inflation shall be shared between them*". This is the current understanding among the partners and they have agreed that any unused contingency could contribute towards inflation increases.

**76.** Toryglen Regional Indoor Training Centre is complete at a final cost of £15.7 million, which is in line with the council's final approved budget. This compared to the bid estimate of £15 million at 2007 prices. Scotstoun International Athletics and Rugby Stadium was completed by September 2009 at a cost of £17.9 million compared to £15.3 million (at 2007 prices) in the bid budget. The National Indoor Sports Arena and Velodrome project has reached contract stage and the agreed cost is £116.3 million, an increase of £16 million on the final approved bid budget which was prepared at 2007 prices.<sup>49</sup> This increase in costs is mainly due to design changes and inflation.

**77.** Glasgow City Council is currently reviewing and updating its individual project business cases and

incorporating these into an overall programme business case which will include an overall programme budget. The council has indicated that its overall programme business case should be completed by December 2009. The projects included within the programme are at different stages of development. The council's Executive Committee has approved funding for a number of projects but has still to approve funding for the remaining projects. This will happen when they are further developed.

### The Scottish Government and the council are helping the Organising Committee develop effective procurement strategies

**78.** The Organising Committee is in the process of developing European Union compliant procurement policies and strategies. The council has seconded its Head of Procurement to the Organising Committee to support this work and the Scottish Government is providing support through its central procurement team.<sup>50</sup> Glasgow City Council has formal procurement policies and strategies that comply with European Union regulations and applies these to all of its projects. It has included project specific procurement strategies in some of the individual project business cases.

### Recommendations

The Strategic Group should:

- approve the budget monitoring arrangements and ensure these are formalised in appropriate joint groups' terms of reference, and include financial reports

43 *Review of major capital projects in Scotland*, Audit Scotland, June 2008.

44 HM Treasury Supplementary Green Book Guidance – Optimism bias is a systematic tendency to underestimate the cost of a project by ignoring the likelihood of unforeseen costs. Early estimates should include an allowance for this.

45 The £332.7 million refers to the approved Organising Committee contribution towards venues, adjusted to include contingency and the non-Organising Committee contribution to the capital budget, as shown in column D of Exhibit 6.

46 Venues that were already planned prior to the bid had outline business cases prepared, whereas venues being developed specifically for the Games did not necessarily have a separate business case. Cost estimates for these were included in the bid.

47 The £72 million represents £67 million capital budget plus project specific contingency of £4.9 million.

48 The strategic partners provided both written and oral evidence to the Finance Committee.

49 The National Indoor Sports Arena and the Velodrome are adjacent to each other and are being managed as one project.

50 The employee costs for the secondees are being met from the Organising Committee's budget.

**Exhibit 6**

Analysis of the changes in the Games venues planned costs since 2007 and forecasted costs at July 2009

	At 2007 prices				At July 2009	
	OC approved budget	OC approved budget adjusted for contingency <sup>1</sup>	Non-OC budget <sup>2</sup>	Total budget	Forecast/estimate cost	Difference <sup>3</sup> %
	A £000	B £000	C £000	D=(B+C) £000	E £000	F=(E-D)/D %
<b>Glasgow City Council venues (X)</b>						
National Indoor Sports Arena	0	0	76,100	76,100	116,311	16
National Indoor Velodrome	10,011	13,200	11,000	24,200		
Scotstoun International Athletics and Rugby Stadium	0	0	15,300	15,300	17,888 <sup>4</sup>	17
Scotstoun Leisure Centre	1,615	2,100	0	2,100	2,100	0
Cathkin Braes Cycling Course	580	696	0	696	1,587 <sup>6</sup>	128
Toryglen Regional Indoor Training Centre	0	0	15,000	15,000	15,747 <sup>4</sup>	5
National Swimming Centre Tollcross	11,582	15,000	0	15,000	15,000 <sup>5</sup>	0
Kelvin Hall Sports Arena	0	0	11,000	11,000	11,000 <sup>5</sup>	0
Kelvingrove Bowls Complex	1,080	1,296	0	1,296	1,296 <sup>5</sup>	0
Glasgow Green Hockey Complex	2,981	3,888	0	3,888	3,888 <sup>4</sup>	0
	<b>27,849</b>	<b>36,180</b>	<b>128,400</b>	<b>164,580</b>	<b>184,817</b>	
<b>Other venue projects (Y)</b>						
SECC Arena	0	0	112,000	112,000	128,100	14
National Stadium Hampden Park	19,852	25,848	0	25,848	25,848	0
Strathclyde Police Training Centre	220	360	0	360	360	0
Royal Commonwealth Pool Edinburgh	0	0	28,800	28,800	37,100 <sup>7</sup>	29
Strathclyde Country Park	818	1,080	0	1,080	1,080	0
	<b>20,890</b>	<b>27,288</b>	<b>140,800</b>	<b>168,088</b>	<b>192,488</b>	
<b>Total venue costs (X+Y)</b>	<b>48,739</b>	<b>63,468</b>	<b>269,200</b>	<b>332,668</b>	<b>377,305</b>	
<b>Other capital costs (Z)</b>						
Athletes Village (Construction)	18,427	22,112	228,658	250,770	250,770	0
Sports Equipment	750	900	0	900	900	0
Other (Park and Ride)	100	120	0	120	120	0
	<b>19,277</b>	<b>23,132</b>	<b>228,658</b>	<b>251,790</b>	<b>251,790</b>	<b>0</b>
<b>Total costs before general contingency reduction (X+Y+Z)</b>	<b>68,016</b>	<b>86,600</b>	<b>497,858</b>	<b>584,458</b>	<b>629,095</b>	<b>8</b>
General contingency reduction	-797					
<b>Total costs</b>	<b>67,219<sup>8</sup></b>	<b>86,600</b>	<b>497,858</b>	<b>584,458</b>	<b>629,095</b>	<b>8</b>

## Notes:

- For this table Audit Scotland has adjusted each OC budget figure to include project specific contingency allowances and a general programme contingency allowance of 20 per cent. The OC capital contingency is held in a central contingency budget.
- The GCC venues (non-OC budget) includes specific project contingency only but optimism bias is included at a programme level.
- Where the difference is calculated on a project with OC and non-OC components the allowance for the contingency is not consistent for each component.
- These costs include the effect of construction inflation and any changes to the project. They are not directly comparable with April 2007 prices.
- These costs are still at 2007 prices as the projects are still at an early stage of development.
- The cost increase in the forecast cost for this project is because Glasgow City Council is now planning a community facility to provide greater legacy benefits.
- The forecast for the Royal Commonwealth Pool in cash terms at December 2007 was £37.1 million.
- This is the capital budget reported to the Finance Committee of the Scottish Parliament in December 2007. It does not include contingency.

Source: Audit Scotland, 2009

as a standing agenda item at its meetings

- fully assess the risks and potential consequences of any shortfall in the private sector contribution to and investment in the Games, including the potential impact on public sector funding.

The **Organising Committee** should:

- complete its budget review and develop detailed operational budgets by the end of March 2010
- review the underlying budget assumptions that are subject to uncertainty, at least annually, to determine whether these have changed materially and make recommendations to the Strategic Group on the budget accordingly
- continue to explore opportunities for making savings and increasing income, while delivering the Games to a good standard and meeting its contract obligations with the Commonwealth Games Federation
- develop and implement procurement policies and strategies that are compliant with European Union regulations.

**Glasgow City Council** should:

- complete its review of individual project business cases and its overall infrastructure programme business case by December 2009, to provide a baseline for monitoring the individual project and overall programme budgets.

# Appendix 1.

## Advisory group members

Name	Organisation
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
Carole Grant	Senior Auditor, Audit Scotland
Graeme Greenhill	Senior Audit Manager, Audit Scotland
Stewart Harris	Chief Executive, SportsScotland
Hugh O'Farrell	Audit Manager, Olympic Games Value for Money Studies, National Audit Office
Ian Reid	Finance Manager, Glasgow 2014 Ltd

Note: Members of the project advisory group sit in a personal capacity only. The content and conclusions are the sole responsibility of Audit Scotland.

# Commonwealth Games 2014

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Audit Scotland, 110 George Street, Edinburgh EH2 4LH  
T: 0845 146 1010 E: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

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