2018 Commonwealth Games: progress

Report 9 : 2014–15

QUEENSLAND

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December 2014

The Honourable F Simpson MP
Speaker of the Legislative Assembly
Parliament House
BRISBANE QLD 4000

Dear Madam Speaker

Report to Parliament

This report is prepared under Part 3 Division 3 of the *Auditor-General Act 2009*, and is titled *2018 Commonwealth Games progress* (Report 9: 2014–15).

In accordance with s.67 of the Act, would you please arrange for the report to be tabled in the Legislative Assembly.

Yours sincerely

Andrew Greaves
Auditor-General

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Summary

The Commonwealth Games is a major international sporting competition held every four years. Athletes represent 71 nations from the 53 member states of the Commonwealth of Nations. The Commonwealth Games typically involves about 6 500 athletes and team officials, more than 20 competition and key non-competition venues, up to 17 sports, more than 1.2 million tickets, over 50 000 workers (staff and volunteers) and the movement of around 150 000 people per day.

To maintain the high regard of the international community, organisers try to deliver a positive experience for stakeholders in all aspects of the Commonwealth Games. Central to the Commonwealth Games philosophy is to deliver friendly competition of a high standard, to build the brand worldwide and to create legacy benefits for the host city and country.

Commonwealth members bid for the right to host the Commonwealth Games. It is important to host cities and the Commonwealth Games brand that hosting does not translate to high costs, negative publicity, a negative legacy or a financial burden for the host city.

Planning for the many elements required to host a Commonwealth Games, from ticketing to television rights, from venues to volunteer arrangements, takes years and must integrate well with every other element to make an event run successfully over 11 days, in addition to the operational period that extends well before the opening ceremony and after the closing ceremony. Many entities are involved in decision making and delivery of each element. The delivery of a Commonwealth Games is a complex program of work, with interdependent and highly coupled projects and activities.

The experience of the Delhi 2010 Commonwealth Games demonstrates the complexities of planning and delivering a Commonwealth Games. The Comptroller and Auditor-General of India, in his report tabled in the India Parliament in 2011, noted:

> *The unique challenge of managing and monitoring the activities of multiple agencies for delivering the Games Project should have been met by entrusting its stewardship to a single point of authority and accountability, with adequate mandate to ensure all deliverables in time, to cost, and to specified quality standards.*

The Comptroller and Auditor-General of India found the absence of a single point of authority and accountability, lack of clear governance structure and multitude of coordination committees '*led to complete diffusion of accountability'.* While Delhi represents an extreme manifestation of the complexities of planning a Commonwealth Games, these are complexities that all Games organisers must overcome.

We conducted this audit during 2014, from more than four years to three and a half years before the City of Gold Coast hosts the 2018 Commonwealth Games (the Games) and while organisers were developing delivery plans and strategies. We examined the progress of preparations for hosting the Games in terms of governance, project planning, cost and delivering legacy benefits.

Conclusions

While preparations for the Games are progressing, overall planning, budgeting and governance is not at the level of maturity required to provide assurance across the entire program of work. This is because there is no single source of accountability or authority for whole-of-Games program management.

Against stated delivery time frames for individual projects, we found some early slippage of key milestones—including functional area planning and the Games village—which raises questions about the effects of these delays on an immovable deadline if not properly managed.

Slippage is inevitable in such a complex program of work; however, at present there is no mature aligned and integrated master plan between the Games partners suited to a program of this complexity to provide the Games partners with realistic management information to understand the effect of these slippages.

The current budgeted net cost of the Games to the state cannot yet be relied upon as an accurate indicator of likely final cost, because the Games budget has not yet moved past its initial high level perspective. More detailed analysis of costs is required. Without this budget discipline, spending more than needed is as much a risk as spending more than budgeted.

Delivering the Games is a complex multi-entity program. Applying disciplined and robust governance arrangements, program management and budget management does not guarantee success but does significantly improve the potential for successful delivery.

Organisers have three and half years of planning until staging the Games. Prioritising these areas will optimise organisers' ability to deliver the Games on time and within budget; most importantly, this will achieve the legacy objectives sought. It is encouraging that organisers have started to turn their attention to these critical aspects.

Key findings

Net cost of the Games

The company set up to prepare the bid for the right to host the Games, Gold Coast 2018 Commonwealth Games Bid Company, developed an initial high level top-down budget (the bid budget) in 2011, which included planned costs, revenue and the estimated net cost to the state of hosting the Games. This was based on a number of assumptions and the actuals and estimates from the Melbourne 2006 and Glasgow 2014 Commonwealth Games.

While this is appropriate for an initial budget, we would expect the bid budget to be managed forward. By incorporating outputs of the strategic planning phase and active contracts, organisers could refine the assumptions and estimates in this bid budget to increase confidence. This is now starting to occur and it is needed for Games organisers to know the various budgets are realistic.

The current target for the net cost of the Games to Queensland is $1.483 billion which includes annual cost escalation until 2019–20. This represents an increased net cost to the state of 8.3 per cent (or $113.2 million) from the bid budget, after including the annual cost escalation. The escalated cost increased because the Games village procurement has changed. This reduced upfront capital outlays for the state, but increased total costs over the life of the project. This increase in the net cost to the state was partly offset by cash grants from the Australian Government of $156 million, announced as part of the federal budget; and from the Council of the City of Gold Coast of $100 million towards planning and delivery costs and $10.5 million for venue infrastructure. The bid budget did not factor either amount into the initial net cost estimate.

Program management

The Gold Coast 2018 Commonwealth Games Corporation (GOLDOC) is accountable for the overall success of the Games, but does not have full authority to resolve conflicts, should they occur. A partners' forum of GOLDOC and other entities involved in the Games must escalate issues the forum does not resolve to Cabinet, which may affect timeliness.

With the exception of the Games village contracting and financial close, individual entities are managing individual projects well.

In contrast, overall program management of the Games has deficiencies. Organisers cannot rely solely on the master plan to manage Games progress for decision making, coordinating and monitoring the separate elements of the Games and their dependencies. As a basic roadmap with task lists, it is not fit-for-purpose in a complex program of this size and scale.

Neither GOLDOC nor the Office of Commonwealth Games Coordination (OCGC) has adequate program management capability or resources to manage the state's objectives and interests for delivery of the Games and the overall program of work across Games partners.

GOLDOC is potentially better placed to fulfil this function because its management capability for its individual projects is more developed and is planned to evolve with the organisation's growth. GOLDOC does not currently have authority, capacity, or adequate capability to support the whole-of-Games program across all delivery partners and is scheduled to start winding down after the Games and dissolve shortly after. For these reasons, OCGC is a more logical fit for performing the overall program management role across Games partners, but its capacity and capability is less developed.

As a result, organisers are not monitoring risk adequately across delivery partners and the whole-of-Games program to meet milestones and identify the consequences of individual project slippage. In the absence of a whole-of-Games program management approach, the delivery partners rely on steering committees and informal techniques such as good working relationships for information sharing, decision making and formal reporting.

Operations

Some milestones have slipped, according to the Games roadmap and task lists, but organisers do not fully understand the effects.

As an example, GOLDOC's development of the 41 functional area strategic plans fell behind schedule. Plans due in March 2014 were completed in August 2014; those due in June and October 2014 were still under development in November 2014. Delays in completing final functional area plans affect organisers' ability to do detailed bottom-up budgeting and operational planning.

Planning is most advanced for the transport and security functional areas. Organisers need to manage some risks. While the security budget has decreased from $129.1 million to $127.9 million, organisers intend to review security shifts and budget in 2015; and are monitoring the operational, resourcing and budget implications of recent increases in the national threat level and any potential future increases.

Organisers have started mapping and aligning the workforce to forward work plans for some functional areas. Delays in completing functional area plans and starting operations plans have affected those areas not yet started.

As planning progresses, the approved budget for operating outflows has increased by $77.9 million, from $1 245.2 million to $1 323.1 million (6.3 per cent). A budget adjustment has contributed $27 million of this increase with a corresponding decrease in the capital budget. The adjustment corrected the treatment of overlay contingency in the bid book as a capital expense to an operating expense. As the budgets for many operating outflow line items are summary estimates (based on past Commonwealth Games), we are not assured these budgets are realistic.

The high level 'top-down' approach the bid budget adopted was appropriate for that time. Organisers have not done detailed reviews of each budget line item, where possible from a zero-base, to set a final approved budget. This work has started but delays in completing the functional area plans have affected progress.

The bid and the current budget do not include all operational costs, including operational expenses of the international leg of the Queen's baton relay and additional opening and closing ceremony costs.

Infrastructure

The budget has changed since 2011 when organisers prepared the bid to host the Games. The most significant change to the budget related to the Games village delivery model which changed from a state responsibility to private sector investment and delivery. A review of the Games village delivery model included in the bid budget identified unrealistic assumptions and resulted in a revised delivery model. The change will reduce construction and property holding risks to the state and decrease the capital costs of the village project, but will also decrease revenue the state anticipated from its sale of village properties to the market. Instead of the original estimate of a total net cost to the state of $121.4 million, the current budget estimate for the changed village delivery model translates to an estimated total net cost of $446.1 million—an increase of $324.7 million from the escalated bid budget costs. The total net cost includes capital costs and contingencies, capital proceeds from asset sales, operating costs and contingencies associated with overlays.

The current total net cost estimate to the state for the Games village is $284.7 million; the state expects to update the Games budget after it has finalised arrangements with the developer. This is a $163.3 million increase over the escalated bid budget total cost.

The bid budget and the current budget do not include all capital costs; for example, associated transport capital works, the contribution of state land at Gold Coast Parklands for the Games village and local government infrastructure. As organisers test planning assumptions and Games partners review their delivery responsibilities, a successful project will require more stringent controls over costs.

The Games village is to accommodate 6 500 athletes and officials for 25 days, including the 11 days of the Games competition. This may be inadequate, noting there were 7 300 athletes and officials at the Glasgow Games.

The contracting process for the Games village did not progress smoothly. The contract and financial close between the Queensland Government and the developer constructing the Games village was to be finalised in March 2014, but was not finalised until mid-November 2014. This has not delayed construction at this stage.

Progress in planning for seven of the 18 Games venues has slipped against some initial due dates in the venue master delivery program. These delays are not significant at this stage; organisers are managing slippage to bring the projects back on track and the scheduled completion dates have not been affected.

Legacy

Although the objectives of hosting the Games include legacy benefits for the state and the City of Gold Coast, the bid budget did not dedicate specific amounts for legacy elements such as sports, education and community programs in the lead up to the Games. The Games partners will seek funding for legacy elements within the existing Games budget or rebadging of other government programs to help deliver the Games legacy.

The current legacy strategy lacks detail on measuring the intended achievements and benefits to the community. Organisers are developing the evaluation framework; baseline data will be needed to measure the reality of the Games legacy.

Recommendations

It is recommended that:

1. **a revised governance structure for the Games is implemented with single whole-of-Games program delivery accountability and the requisite authority over individual project governance arrangements and includes:**

    -   **a program management office with adequate capability, resources and tools for a program the size and complexity of the Games**

    -   **independent program assurance to assess efforts periodically and strengthen its program management capabilities.**

It is recommended that the Gold Coast 2018 Commonwealth Games Corporation:

2. **completes the functional area strategic plans to better inform planning and budget management.**

It is recommended that the Office of Commonwealth Games Coordination:

3. **refines its current budget to increase its accuracy and confidence by:**

    -   **reviewing all cost elements based on current plans, contracts and other known information**

    -   **baselining the budget to provide a basis for monitoring and reporting**

4. **implements or enhances the existing budgeting system to:**

    -   **capture and record all Games costs and contingency movements**

    -   **include adequate environment and application‑based controls over data integrity, integration, change control, multi-user access and size restrictions**

5. **completes its legacy evaluation framework and includes measures, targets, time frames and baseline data to evaluate realisation of legacy benefits.**

Reference to comments

In accordance with section 64 of the *Auditor-General Act 2009,* we provided a copy of this report to the Gold Coast 2018 Commonwealth Games Corporation; the Council of the City of Gold Coast; the Department of Tourism, Major Events, Small Business and the Commonwealth Games; and the Department of State Development, Infrastructure and Planning with a request for comments.

Their views have been considered in reaching our audit conclusions and are represented to the extent relevant and warranted in preparing this report.

The comments received are included in Appendix A of this report.

1   Context

The City of Gold Coast will host the Gold Coast 2018 Commonwealth Games (the Games) from 4–15 April 2018, with additional competition venues in Brisbane, Townsville and Cairns.

The Games is a major event for Queensland and Australia, affecting our international profile and reputation. By hosting the Games, the Queensland Government expects to deliver significant economic, environmental, social and community legacies to the state. The government expects economic benefits up to AUD $2 billion, including 30 000 full time equivalent jobs created over five years.

The Queensland Government's strategic objectives for hosting the Games are to:
- demonstrate Queensland's ability to stage a successful, inspiring and memorable international event
- leverage the Games to derive economic benefits and develop local business and workforce capability
- maximise long term community, sport and health benefits from the Games
- strengthen Queensland as Australia's premier tourist destination.

Organisers require proactive management strategies to plan and deliver the complex program of multiple interdependent projects behind staging the Games and to anticipate Games challenges:
- the deadline is immovable
- the involvement of many government agencies, private sector partners, and other stakeholders and volunteers requires clear responsibilities and coordination
- environmental, socio-economic and geo-political conditions affect the construction of infrastructure and the event itself
- there are significant reputational and delivery risks
- the construction and redevelopment of major infrastructure and operations involve one of the Queensland Government's most significant procurement programs over the next five years.

1.1   Timeline

1.1.1   Commonwealth Games bid

The Commonwealth Games Federation (CGF) directs and controls the Commonwealth Games. The CGF began the process to choose a host city for the 2018 Commonwealth Games on 23 December 2009, calling for bids from its 71-member Commonwealth Games Associations (CGAs).

The Queensland Government, the Council of the City of Gold Coast and the Gold Coast 2018 Commonwealth Games Bid Company (the bid company) submitted a joint bid in 2011. The bid company developed the bid which cost $9.56 million.

The bid addressed 15 mandated themes comprising: Commonwealth Games vision and concept; political and economic climate and structure; legal aspects; customs and immigration formalities; environment, legacy and meteorology; finance; marketing and communications; sport and venues; Commonwealth Games village; medical and health services; security; accommodation; transport; technology; and media operations.

Figure 1A summarises the estimated total cost of the Games to the State of Queensland provided in the bid, including indexation to reflect the actual cash flows expected over the period up to and after the Games.

Figure 1A
Estimated net cost of the Games to the State of Queensland

Approximate cost	$ billion indexed
Capital outlays	1.150
Operations	1.250
Total cost	**2.400**
Estimated revenue	1.025
Net cost to state	1.375

Source: Queensland Audit Office

The CGF determined that the Gold Coast bid had *'developed plans which, if delivered, will fundamentally meet the technical requirements of staging the Games'*.

On 11 November 2011, the President of the CGF announced that the City of Gold Coast will host the XXI Commonwealth Games in 2018.

1.1.2 Games planning process

Figure 1B shows the key planning phases and timeline to host the Games in April 2018.

Figure 1B
The Games planning phases
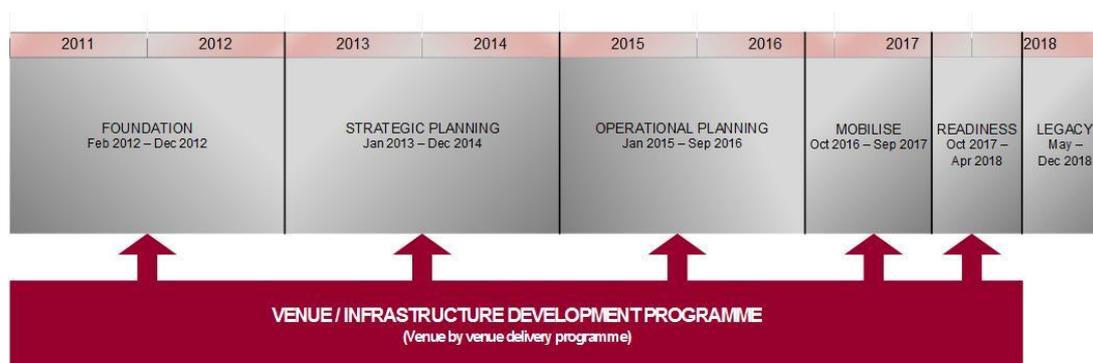
Source: Adapted from Gold Coast 2018 Commonwealth Games Corporation, Roadmap version 2, October 2013

The CGF provides project management guidance to the host cities by listing general activities and tasks across Commonwealth Games planning phases. Our audit covered the first two of three planning phases of the Games:

- **Foundation planning**—commencing when the host city is selected, this phase occurred from February 2012 to December 2012. Establishing legislation forms the organising committee (in this case, the Gold Coast 2018 Commonwealth Games Corporation or GOLDOC) which develops reporting structures, recruits senior personnel and prepares the business plan for the organising committee and its Games partners. The organising committee establishes a 'Games road map'—similar to a high level Gantt chart—and a 'Games master schedule'—a project management schedule for tasks, time frames and resources. This phase also determines procurement for all major venues and initial overlay strategies.

- **Strategic planning**—occurring from January 2013 to December 2014, this phase defines service levels, preliminary scopes of work, deliverables, resource requirements and budget implications.

- **Operational planning**—to occur from January 2015 to December 2016, this phase produces more detailed plans across all Games delivery functions and programs; and determines workforce numbers required for the final phase of Games recruitment, including volunteers. The venue planning and delivery should be underway and a model venue exercise conducted that informs the detailed operating model for all competition and non-competition venues.

Figure 1C describes the key planning documents for the Commonwealth Games.

Figure 1C
The Commonwealth Games planning framework

Plan	Description
Roadmap	• This is a one-page program overview of the delivery phases including program planning, infrastructure development, Commonwealth Games operations, workforce, marketing and commercial and legacy. • Organisers revise the roadmap annually for CGF review.
Commonwealth Games master schedule	• This is an inventory of multiple discrete organising committee-related projects (including key tasks) and other activities, time frames, milestones and owners. • It is the primary tool to monitor performance and inform more detailed planning required in functional area plans. • The CGF reviews the Commonwealth Games master schedule every six months.
Procurement framework, forward procurement plan and forward procurement schedule	• The procurement framework provides a high level framework for all Games procurement. • The forward procurement plan informs business of potential supply opportunities associated with the Commonwealth Games and sets a consistent approach, manages expectations and identifies required procurement outcomes • The forward procurement schedule lists the anticipated procurement activities to deliver the Commonwealth Games and includes procurement needs for a broad range of activities such as: construction; security; traffic management and waste.
Master venue delivery program	• This is a schedule for the delivery phases of the 18 competition and related venues (excluding the Commonwealth Games village).
Project delivery program— Commonwealth Games village	• This is a schedule for the delivery phases of the Commonwealth Games village.
Functional area plans	• Functional areas of the Commonwealth Games include accommodation, ceremonies, Games overlay and venue development, venue operations, Games village, logistics, transport, medical and security. • Strategic plans should be produced in the strategic planning phase and include, but are not limited to, the functional area scope and deliverables, levels of service, resourcing requirements, budget and risks. • The concept of operations should be developed in the latter half of the strategic planning phase and continue through to the first half of the operational planning phase. • Operational plans should be developed in the latter half of the operational planning phase. • Organisers of the 2018 Games identified 41 functional areas needed to deliver the Games in 2018 with 39 of these 41 functional areas requiring a strategic plan, a concept of operations and an operational plan.

Source: Adapted from the Commonwealth Games Manual - Project Management, the Commonwealth Games Federation, July 2010

1.2   Roles and responsibilities

The Games partners have contractual obligations to deliver the Games in 2018. The CGF 2018 host city contract, which the Games partners signed in November 2011, sets out a range of legal, commercial, organisational reporting and financial obligations to deliver the Games. Figure 1D outlines the specific responsibilities of the Games partners.

Figure 1D
Roles and responsibilities of Games partners and delivery agencies

Agency	Role / responsibility
Commonwealth Games Federation (CGF)	• The CGF owns and controls the Commonwealth Games and all related rights. • It establishes Commonwealth Games requirements and standards and oversees conduct of each Commonwealth Games. • It provides a range of services to support candidate and host cities including: Commonwealth Games manuals that establish legal and technical obligations; guidance for timelines and planning requirements; and some operational procedures and processes regarding specific Commonwealth Games functions.
The Australian Commonwealth Games Association Inc. (ACGA)	• The ACGA hosts the Games on behalf of the CGF and is the national controlling body in Australia for the Commonwealth Games with responsibility for operations, publicity and development. • The ACGA, with the approval of the CGF, delegates the organisation of the Commonwealth Games to an organising committee. The committee works in partnership with the ACGA and is directly responsible to the CGF. • The ACGA heads the sports and technical committee of the Gold Coast 2018 Commonwealth Games Corporation Board and is responsible for the development of the Australian team.
Gold Coast 2018 Commonwealth Games Corporation (GOLDOC)	• GOLDOC is the organising committee, responsible to the Minister for the Commonwealth Games for the organisation of the Games. • The CGF considers GOLDOC the agency responsible for leading delivery of the Games. • GOLDOC's primary functions are to arrange the organisation, conduct, promotion and commercial and financial management of the Games and overlay (temporary works and services to meet the CGF standards). • GOLDOC works in partnership with the ACGA and the CGF.
The Office of Commonwealth Games Coordination (OCGC), within the Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTESB)	• OCGC is responsible for managing the Games budget; coordinating the whole of government service delivery for the Games; and leading the legacy program and arts and cultural festival. • The Minister for Tourism, Major Events, Small Business and the Commonwealth Games is responsible for the event and overall coordination.
Economic Development Queensland (EDQ), a commercial business unit within the Department of State Development, Infrastructure and Planning (DSDIP)	• EDQ is responsible for selecting and contracting the developer to construct the Games village. Once EDQ achieves financial close, it passes responsibility to manage the developer contract to the DSDIP Major Projects Office.

Agency	Role / responsibility
Major Projects Office, within DSDIP	• The DSDIP Major Projects Office is responsible for planning and overseeing the construction of the Games venues and the Games village. This responsibility does not include overlay works.
The Commonwealth Games Infrastructure Authority (CGIA)	• The CGIA assists EDQ and the Major Projects Office in planning and developing the Games village and venues. • The CGIA oversees planning through to development and delivery of the Games village and Games venues. • Members of the CGIA include: the Director-General of DSDIP, the Director-General of DTESB, the Chief Executive Officer of the Council of the City of Gold Coast and the Chairperson of GOLDOC.

Council of the City of Gold Coast (Council)	• The Council of the City of Gold Coast is contributing $110.5 million cash to the Queensland Government and an estimated 'in kind' contribution of more than $105.5 million. Council's in kind contribution includes:
	  - additional city operations and services
	  - Games venue and precinct works
	  - human resource support
	  - public domain improvements
	  - legacy programs (tangible and intangible, long-lasting community benefits).
	• Council will deliver city services that support the Games and maintain its usual services to the city during the Games.

Other Games delivery agencies	• At the time of audit, other Games delivery agencies include the Australian Government, the Queensland Police Service, the Department of Transport and Main Roads, Queensland Treasury and Trade and the Department of the Premier and Cabinet. • Although many Queensland Government departments will have lead roles to deliver functional areas over the course of the Games, this report includes only those departments or agencies with significant progress to date.

Source: Queensland Audit Office

1.3   Guidance and support

Hosting the Games involves a complex program of work spread over six and a half years, from host city announcement to staging the Games. The main elements of Games planning span an infrastructure program and an operations program. Each program has many interdependent projects involving numerous agencies, partners and stakeholders across all levels of government and the public, private and not for profit sectors. Delays or delivery failure on any project can affect the timely delivery of a quality Games within budget.

The CGF manuals and the advice and reviews of the CGF Coordination Commission guide planning for the Games. The CGF manuals describe high level planning phases and set milestones for deliverables. The CGF developed the methodology and tools to reflect the host city experiences of previous Commonwealth Games. Some aspects of manuals may not be relevant to every Commonwealth Games, depending on the level of existing infrastructure and services available in each host city. The CGF encourages each host city to adapt the manuals to suit its location and culture, subject to binding contractual agreements.

The CGF (through the Coordination Commission) assesses a host city's preparations in planning, progress and technical aspects every six months, with the last review scheduled to occur in late 2017. The assessment includes inspection visits, onsite meetings and review of progress reports and strategies. The CGF also provides continuous technical advice and support to the organising committee, GOLDOC.

1.4   Budget

Three agencies manage the Games budget:

* The OCGC oversees the whole of Games budget.
* DSDIP manages the capital budget to construct the athletes' village and event venues.
* GOLDOC manages the operations budget to deliver the event.

The Commonwealth Games Finance Committee monitors the Games budget and associated financial risks. This committee is primarily an information sharing forum that makes recommendations to the Director-General of DTESB.

The approved Games budget reflects any additional net operating and capital outlays required to deliver the Games; or any future capital expenditure.

Offsetting operating expense cash outflows with operating revenue inflows achieves net cost.

Figure 1E compares the bid book budget to the present approved Games budget.

Figure 1E
Composition of budget

Budget element	Bid book 2011 $ $ million	Bid book indexed $ million	November 2014 budget indexed $ million
Operating outflows (incl. venue overlays)	1 064.6	1 245.2	1 323.1
Less: operating inflows	200.0	237.4	237.6
Net operating outflows	**864.6**	**1 007.8**	**1 085.5**
Venues and facilities—capital works	274.4	335.4	339.0
Games village—capital works	633.4	814.7	359.7
Total capital outflows	**907.8**	**1 150.1**	**698.7**
Less: capital proceeds from asset sales	663.4	787.5	34.1
Net capital outflows	**244.4**	**362.6**	**664.6**
Total net operating and net capital outflows	1 109.0	1 370.4	1 750.1
Less: grants from other governments	0.0	0.0	266.5
Net 'cost' to the state government	**1 109.0**	**1 370.4**	**1 483.6**
Summary of cash flows			
Total cash outflows	**1 972.4**	**2 395.3**	**2 021.8**
Total cash inflows	**863.4**	**1 024.9**	**538.2**

Note: Bid book budget is based in 2011 real dollars and all other amounts are nominal (not real) and reflect the actual cash flows expected over the period up to and after the Games.

Source: Queensland Audit Office extracted from Whole of Games Master Budget

The nominal budget for the net cost of the Games to the state has increased by $374.6 million, from $1.11 billion (in 2011 dollars) when Gold Coast won the Games to a new revised cap of $1.48 billion approved in November 2014. The bid book process required that the Games budget was expressed in 2011 real dollars. The Games budget included annual cost indexation to 2019–20 to express the Games cost for the period up to and after the Games. The annual cost escalation has contributed $261.4 million of the budget increase to date, meaning $113.2 million or 30.2 per cent of the total cost increase is due to factors other than indexation.

Aside from the increase in net costs between the 2011 bid book budget and the current indexed budget due to forecast price movements, the budget increased because of a change in the delivery of the Games village and inclusion of the Australian Commonwealth Games Association marketing fees. These cost increases have been offset by including contributions from the federal government and the Council of the City of Gold Coast.

The state decided in December 2012 not to build, own and sell the athletes' village, but to deliver this through a public private partnership (PPP). PPPs are intended to transfer the financing, construction and ownership risks to the private sector. In exchange, the state foregoes associated revenues.

This decision reduces capital outlays in the lead up to the Games, reduces the construction and property holding risks associated with the Games village and contributes to the government's policy objective of returning to a fiscal surplus by 2015–16.

It also means the government foregoes revenue expected from selling accommodation after the Games, estimated to be $787.5 million after indexation. This compares to proceeds of $34.1 million expected from the PPP, a net fall in capital inflows of $753.4 million.

The current total cost estimate for the Games village, excluding overlays, is $164.3 million and is yet to be updated in the budget. This estimate involves nil revenues from selling accommodation as the private sector has the risk associated with the construction and sale of the accommodation. The state has provided the private sector with a 10-year rental guarantee to assist in the staged release of properties to the market. This arrangement, over a 10-year period after the Games, guarantees the developer a minimum return on investment until the sale of the residential village. The estimated cost of the state providing the developer with income support totals $21.0 million, based on a 90 per cent probability outcome.

1.5   Audit objective, method and cost

Hosting the Commonwealth Games relies on significant investment of public money and partnership with the private sector. Given the current budgetary pressure on all three levels of Australian governments, it is important that public money invested in the Games is spent carefully and delivers the intended benefits.

The objective of this audit is to determine whether the Games is on track to be delivered on budget and on time.

The audit was conducted between January and early November 2014, while the Games partners were in the strategic planning phase of the Games. Some of the major infrastructure projects, including the Games village, had commenced and the Gold Coast Aquatic Centre was completed. This phase covered the time from November 2011 when Gold Coast won hosting rights until early November 2014 when our audit concluded.

As we expected, much of the work of Games partners we reviewed was 'work in progress', undergoing continual change and development.

Consequently, our primary focus was to consider whether:

- the full cost of the Games is being captured and managed—with a focus on how these costs relate to the approved budget
- progress for delivering the Games is on track—with an emphasis on Games infrastructure, given the longer lead times for capital acquisitions and their relatively large costs as a proportion of the total costs
- governance and program management arrangements are appropriate to deliver the Games—with a focus on clarity of roles and responsibilities of the various partners and on project and program management.

We audited the activities of the Council of the City of Gold Coast, GOLDOC, DSDIP and DTESB within these areas of focus.

We did not examine the suitability of detailed technical components of Games deliverables or replace the CGF's formal assessment of the Games partners' plans and progress to host the Games.

The cost of the audit was $490 000.

1.6   Report structure

The remainder of the report is structured as follows:

- Chapter 2—Program management
- Chapter 3—Operations
- Chapter 4—Infrastructure
- Chapter 5—Legacy
- Appendix A contains responses received
- Appendix B contains the audit details
- Appendix C contains the functional areas
- Appendix D contains the venues progress
- Appendix E contains the venues budget changes.

2   Program management

In brief

Background

Effective governance and program management capability are essential to timely and cost effective delivery of a complex, multi-agency, multi-project program of work such as the Commonwealth Games. We expected to find fit-for-purpose governance and program management arrangements to deliver the Gold Coast 2018 Commonwealth Games (the Games) on time and within budget and with a focus on benefits to be realised.

Conclusions

Games partners are generally managing their projects well, but no agency is responsible for program management across the Games partners and delivery agencies. Instead, program governance and management across the partners, delivery agencies and the overall program of work is decentralised, immature and unsuited to the size, complexity and stakeholder demands involved in delivering the Games.

The current governance structure relies heavily on various steering committees and informal good relationships rather than sound systems and practice. At present, neither the Gold Coast 2018 Commonwealth Games Corporation (GOLDOC) nor the Office of Commonwealth Games Coordination (OCGC) has the capability or capacity to perform the program management function across the Games partners and overall program of work.

Robust governance and management at the whole-of-program level increase the likelihood of the Games being high quality, on time, within budget and realising the intended benefits for Queenslanders

Key findings

- GOLDOC is the organising committee accountable for the overall planning and hosting of the Games. This accountability is not supported by the governance structure in place, which lacks centralised authority to drive performance, make decisions, resolve issues, deliver outcomes and manage resources within cost and time constraints.
- Individual project management capability is adequate but overall program management capability is dispersed and not coordinated effectively.
- Decentralised program management hampers processes to report information to decision makers and stakeholders.
- There is no whole-of-program tool or system that reports on progress or shares information. GOLDOC is in the process of enhancing its program management capability, including acquiring an enterprise program management system and recruiting program managers.

2.1   Background

A 'program' is defined as a set of projects and other activities that work together to achieve a planned outcome. Successful staging of the 2018 Commonwealth Games (the Games) is not about delivery of venues, marketing, ticketing and other elements, but the coordinated and integrated delivery of all these elements for 11 days in 2018 in a way that achieves legacy outcomes for the state.

The Games involves multiple agencies across all levels of government and public, private and not for profit sectors and significant investment of funds—presenting particular challenges for program governance and management. The Games, by nature, involves one of the most complex programs of multiple interdependent projects to be delivered in Queensland.

As the complexity of a program increases, good governance and robust program management become more critical. These must be in place to anticipate and resolve issues and challenges in a disciplined and structured manner. While good governance and program management do not guarantee success, they increase the likelihood of delivering a major program on time, within budget, to quality expectations and with planned benefits.

Governance is important for stewardship of a significant and complex program of work such as the Commonwealth Games. It is the exercising of authority to ensure accountability; driving performance and establishing strategies to deliver outcomes and manage resources within cost and time constraints. Good governance, supported by a robust program management capability, ensures you are 'doing the right things' and 'doing them right'—deliverables are working towards planned outcomes and benefits; keeping on track and reporting progress; using resources efficiently and effectively; and identifying and resolving risks before they become issues.

This audit examined the governance arrangements and program management capabilities for the Games and expected to find:

- accountability—a single entity or unit responsible for the overall Games program with appropriate decision making authority to drive performance and resolve issues
- capability—suitable program management capability that recognises the size, complexity and multi-organisational nature of stakeholders responsible for delivering the Games
- coordination—program planning across the projects and activities required to deliver the Games, aligned with interdependencies and mapped to manage risks.

2.2   Conclusions

With the strategic planning phase due to be completed at the end of 2014, now is the time to address the overall governance and program management issues we found, as it will be much more difficult to do later.

We found the governance and project management capabilities of the entities delivering individual projects required to host the Games are adequate and, with the exception of the Games village contracting and financial closure, individual entities are managing individual projects well.

Authoritative decision making at a whole-of-Games program level is affected because governance and management of the program of Games projects is decentralised, immature and unsuited to the size, complexity and multi-organisational nature of stakeholders responsible for delivering the Games.

The lack of a program management office (PMO) with the necessary authority, program management capability and tools to drive and coordinate the planning and delivery of the Games across Games partners and delivery agencies, has not, at this stage, presented an issue.

As the volume of projects and work in progress greatly increases over the next three and a half years, the decision making and governance structure is likely to be stretched significantly. Time is a major constraint for a program of work as substantial and complex as the Commonwealth Games. While three and a half years remain before the staging of the Games, this is a tight and immoveable time frame for the scale and complexity of work required. At present, neither the Gold Coast 2018 Commonwealth Games Corporation (GOLDOC) nor the Office of Commonwealth Games Coordination (OCGC) has adequate capability and resources to manage the state's objectives and interests for delivery of the Games and the overall program of work across Games partners and delivery agencies.

Better program management capability will improve monitoring progress, decision making, problem solving and information sharing and enhance the existing arrangements and relationships. Enhancing the governance and program management capability will maximise the likelihood of delivering a high quality Games on time, within budget and realising the intended benefits for Queenslanders.

2.3 Program management

The Australian National Audit Office in its better practice guide, *Implementation of Programme and Policy Initiatives - Making Implementation Matter,* comments:

> *Experience indicates that the likelihood of effective cross-agency implementation is greater when there is an overarching, high-level implementation plan that is coordinated by a nominated lead agency and has clearly defined critical cross-agency dependencies and responsibilities.*

At this time, the Games is missing the key elements of an overarching, high-level implementation plan and a coordinating lead agency. Neither GOLDOC nor OCGC is performing the important overall whole-of-Games program management function.

2.3.1 Accountability and authority

Typically, the program manager is responsible for program set up and management and is accountable for the overall program delivery. The program manager is usually supported by a program management office (PMO), especially in the case of large, complex, multiagency programs.

In its project management manual, the Commonwealth Games Federation (CGF) states that it considers the organising committee (GOLDOC) to be responsible for leading delivery of the Games. Essentially, it considers the GOLDOC Board to be the program manager and GOLDOC to be the PMO.

This view does not reflect the reality of the governance structure put in place for the Games. This is demonstrated by the Games governance structure shown in Figure 2A.

**Figure 2A
Games governance structure**
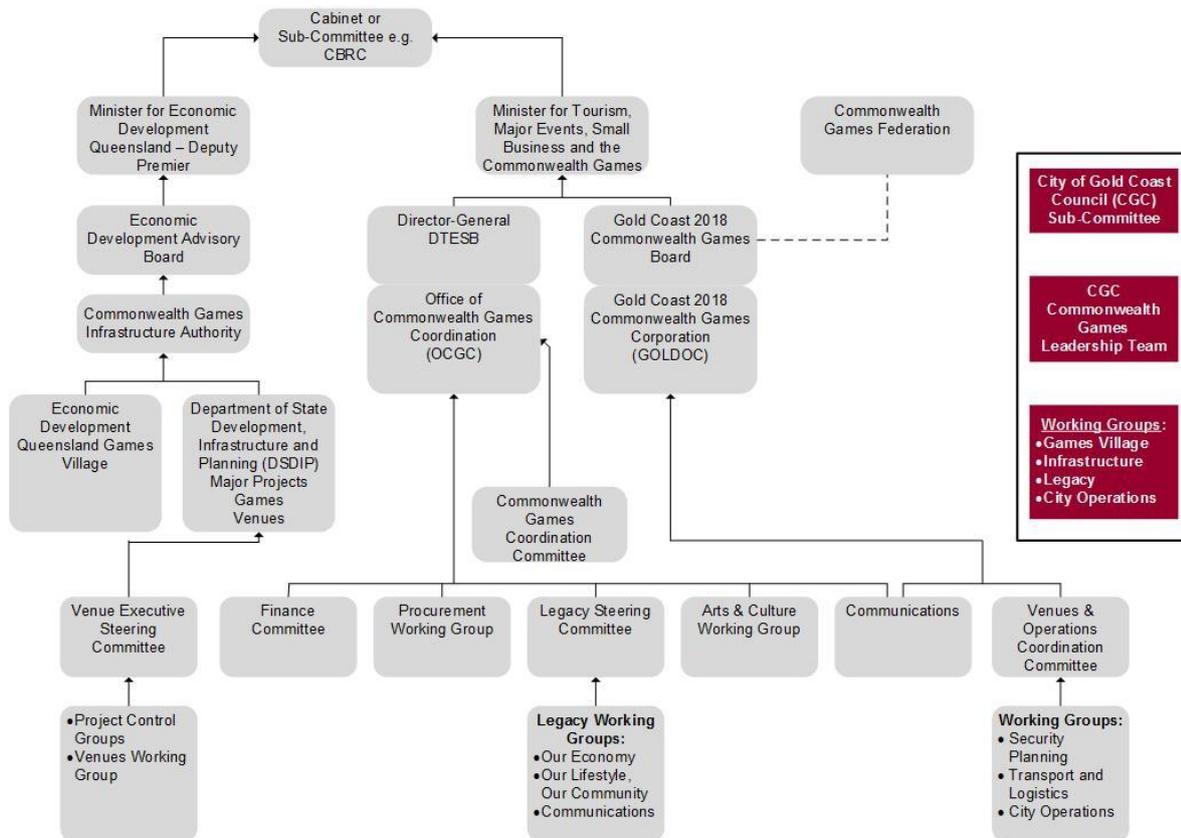
Source: Queensland Audit Office adapted from the Office of Commonwealth Games Coordination

In this structure, information and decision making only comes together at the Cabinet level. As a result, coordination between the five main components (being event, budget, Games village, venues and city operations) of the Games program relies on the good interagency relationships and various committees that have been established, rather than program management. While GOLDOC has accountability as the PMO, the governance structure in place inhibits its ability to perform this role effectively so it lacks the requisite authority needed for:

- coordination
- monitoring
- decision making
- preventing and resolving issues.

GOLDOC is not responsible for the whole-of-program management function for the Games. The five main areas of responsibility, and the entities responsible for managing them, are outlined in Figure 2B.

Figure 2B
Games program areas

Main components	Activity	Responsible entity
Event	Coordinating and delivering the Games event, including operations and activities within the village and venues	GOLDOC
Budget	Managing the Games budget and reporting Games progress and issues to the Queensland Government	OCGC, within the Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTESB)
Games village	Contracting and construction of the Games village	Economic Development Queensland (EDQ) within the Department of State Development, Infrastructure and Planning (DSDIP) was responsible for the contracting and financial close for the Games village. The Major Projects Office within DSDIP is responsible for the management of the construction of the Games village by the contracted developer.
Venues	Construction or redevelopment of Games venues	Major Projects Office, within DSDIP
City operations	City operations and maintaining city services	Council of the City of Gold Coast OCGC and local councils at Brisbane, Townsville and Cairns are responsible for operations and activities for regional competition venues

Source: Queensland Audit Office

A revised governance structure has been developed but is yet to be approved. This structure does not include an agency performing the whole-of-Games program management function.

At this early stage of the Games development, the lack of overall program governance and management has not resulted in any significant problems. This is due to the good working relationships Games partners have established and the limited number of projects that have progressed. As the numbers and pace of projects and work activity increase, relying on good interagency relationships and committees will not suffice and the need for overall program management will grow. Overall program management includes timely and decisive problem solving, decision making and risk management across the program. Having robust governance arrangements in place before work increases will help keep deliverables on track, ensure efficient and effective use of resources and identify and resolve issues before they become problems.

2.3.2   Capability and tools

Four key elements of program management operational capability need to be put in place to enable the required outcomes and benefits:

- robust and repeatable processes and functions to manage cost, progress and performance
- the right organisational skills and resourcing levels
- effective technology, information systems and tools
- information and data.

Capability

GOLDOC and OCGC are managing their individual projects but neither is performing the important management role across the overall program of work. The program management capability that exists is decentralised; tends to be focused on agency-specific projects; and is immature and unsuited to manage the size, complexity and multi-organisational nature of stakeholders responsible for delivering the Games. This is because:

- there is no single point of program management for coordination, monitoring, decision making and prevention or resolution of issues
- the PMO capability to govern across the whole Games is immature and inadequately staffed with qualified and skilled people able to drive and support program management
- there is no single tool or system to report and share information across all stakeholders.

While limitations on program management capability have had little effect to date, this is likely to change as the amount and complexity of work in progress increases.

GOLDOC is responsible for the event and Games operations and has adequate program management for this events and operations role. It is currently enhancing its program management capability in this area.

GOLDOC is not performing the program management function across the overall whole-of-Games program. It is not responsible for the whole-of-Games budget, overseeing the whole-of-Games program planning or monitoring implementation across Games partners. It does not currently have the capacity or capability to undertake the program management role across the entire whole-of-Games program. GOLDOC's program management system—the Games master schedule—excludes the planning, coordination and monitoring of the Games village, competition venues and city operations of local governments.

In January 2014, the CGF Coordination Commission reported that it had some concerns with the small size of the GOLDOC workforce and noted that it was important that enough skilled resources were available to keep pace with the large amount of planning work due for completion in 2014.

As at 1 July 2014, GOLDOC estimated it had 46 full time equivalent staff which was consistent with its planned staffing levels. GOLDOC complements its existing staffing levels with the use of consultants to assist in some planning activities, such as developing some functional areas plans. With the strategic planning phase now nearing completion, GOLDOC has started to enhance its program management capabilities and is currently recruiting for program managers for the transport and security functional areas.

Given that GOLDOC is not performing the PMO role across the Games program, its current staffing and contracting arrangements are adequate to perform its present events and Games operations roles.

OCGC may be a logical fit to perform this overall Games program management function from a state objective and enduring legacy perspective, partially because GOLDOC will wind down and cease to operate within a short period after the Games are over. OCGC's program management capacity and capability are not adequate for this purpose currently and are less developed than those of GOLDOC.

At present, neither GOLDOC nor OCGC has the staff, tools or capability to perform the crucial program management role in planning and organising the Games. They will need to accelerate the growth in organisation capacity, capability and systems if either is to take on this role successfully.

Tools

There is no program management tool used across the Games program. Agencies involved in the Games program are using various project management tools.

At present, the Games master schedule is the project management tool GOLDOC uses. As at March 2014, the Games master schedule contained more than 3 300 tasks, including those scheduled to start in future years.

While the CGF does not specify the systems or tools to be used, it states project management tools are needed to develop and manage the Games master schedule, report progress and monitor issues and risks. It recommends a network tool over a stand alone system, so functional areas build and manage their own detailed plans, but with the agreed critical deliverables and milestones linked to the high level master schedule. A network tool will allow for dependency links and avoids placing a high maintenance workload on one project manager or team.

As a management tool, the Games master schedule spreadsheet has a number of limitations which make it difficult to determine whether the whole Games project is on track, on budget, or if intervention is required. These limitations include:

- inability to show the relationships and dependencies between tasks and functional areas to assist in cross-functional area planning, early identification of schedule problems and project risk management
- difficulty assessing whether tasks or projects have slipped and the significance of the slippage
- lack of a critical path to identify immovable milestones and deliverables so the project is delivered according to the time frame of the project plan
- limited ability to highlight milestones that are overdue
- limited use as a reporting tool due to size, with the inability to summarise progress and define issues and risks the GOLDOC Board needs to address
- different systems manage status, current issues and risks
- over-reliance on good communication between stakeholders so accurate information is shared regularly
- no visibility of the planned work according to budget estimate or actual cost.

This has not been problematic at this point in planning for the Games, but the need to develop this capability will rapidly grow.

The GOLDOC executive is aware of the limitations of the current Games master schedule and has selected an enterprise project management system and enterprise resource management system to enhance its program management capability. Organisers are still determining the details of the functionality and application of these two systems, including the level of accessibility across Games partners. As new functional areas start to progress, the instrument used for planning and monitoring will be increasingly important for sharing data.

While establishing an effective program management capability can take time, three years have passed since Gold Coast won its bid to host the Games. Games organisers urgently need to improve program management capability and to implement a project management tool that allows all key delivery partners to see the status of the project and embed good project management practices. A PMO with appropriate capabilities and tools should serve as a 'single source of truth' to inform planning assumptions better, to help coordinate planning, to identify and resolve issues and to assist in consistent reporting across agencies as more Games delivery partners are involved.

2.3.3 Coordination

The effective coordination of procurement, project and program activities lies at the heart of any program's ability to achieve desired costs, schedule, outputs and outcomes. Having effective governance structures and program management capability aids planning and coordination.

The planning and coordination for the overall program of work needed to deliver the Games are not as effective as they could otherwise have been. This is largely due to the needs for improved governance structures and PMO support across the Games partners and overall program of work. While organisers have undertaken considerable work to develop a Games roadmap, Games master schedule, roles and responsibilities matrix, forward procurement schedule and venue and village project schedules, there is poor alignment between these key documents. This is because:

- there a lack of one to one relationships of activities between the documents
- dependencies between activities have not been mapped
- the Games master schedule lacks target dates and milestones for some activities.

Without the key relationships and dependencies, it is difficult to monitor overall performance of the program, ensure that agencies are working to the same schedule, identify any potential effect of delays or missed milestones and plan to take corrective actions.

The roadmap is the program map for the Games which GOLDOC monitors, but there are no effective processes supporting the map; nor is there any central agency to command information across Games partners, identify issues, impose solutions or escalate unresolved problems. The lack of mapping of project dependencies and resource/staffing requirements against the roadmap also hampers overall program management performance.

GOLDOC is responsible for coordinating, planning and monitoring the progress of the 41 functional areas. GOLDOC currently uses spreadsheets for the Games master schedule across all 41 functional areas. The Games master schedule was developed through a top-down approach and informs the development of some functional areas. The schedule includes tasks that are contractual obligations, as well as tasks with self-determined time frames.

There is limited inclusion of Brisbane City Council, Townsville City Council and Cairns Regional Council at this stage of planning. These councils, in addition to the Council of the City of Gold Coast, are all responsible for hosting various aspects of the Games.

2.4 Reporting and monitoring progress

There is a good level of cross-representation in the various committees and working groups established for the Games. Most of the committees are advisory, rather than decision making committees. There is no single point, agency or unit in the governance structure which receive progress reports across all projects, or prioritised risk areas.

There are three channels for reporting and monitoring the Games progress:

- through the Department of State Development, Infrastructure and Planning (DSDIP), including Economic Development Queensland (EDQ) and the department's Major Projects Office to the Minister for State Development, Infrastructure and Planning regarding the capital program
- through the OCGC to the Minister for Tourism, Major Events, Small Business and the Commonwealth Games and to Cabinet for selected government projects
- through GOLDOC executive to the GOLDOC Board for 'the operations', (which largely exclude the construction program) and through GOLDOC to the CGF for most aspects of the Games, as required.

Figure 2C is a schematic representation of these three primary reporting channels.

Figure 2C
Games reporting and monitoring framework
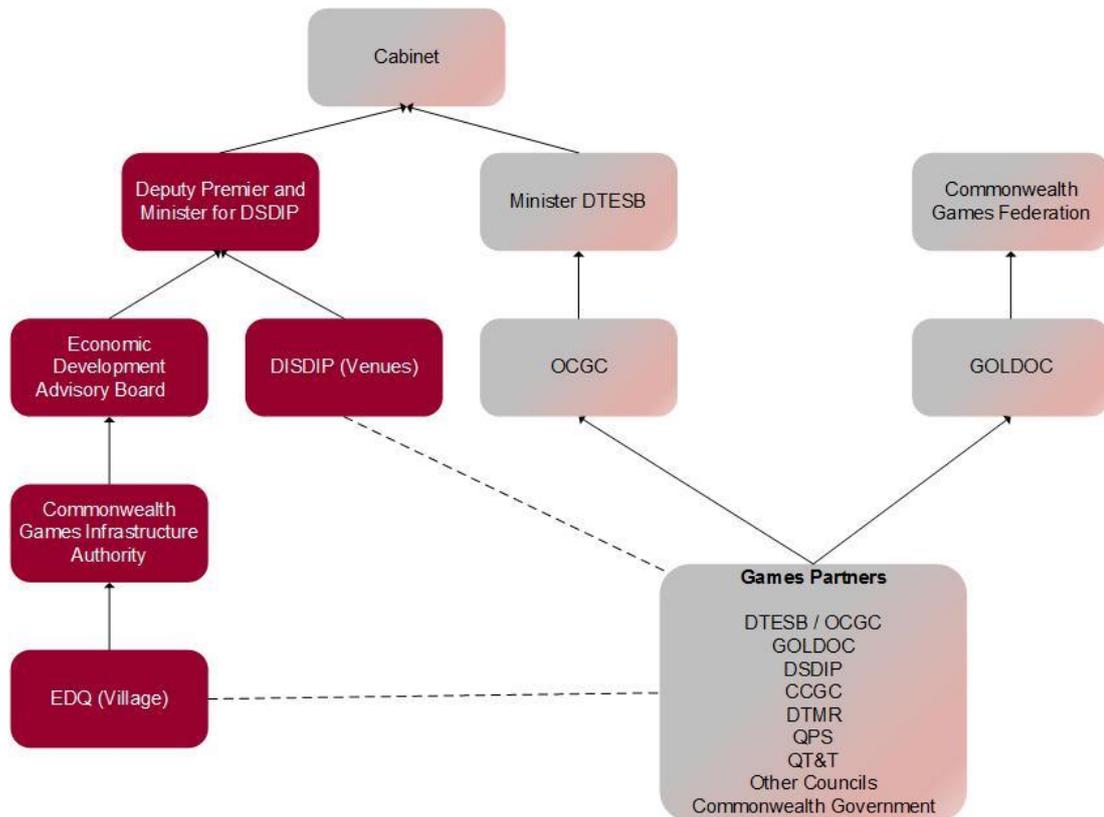
Source: Queensland Audit Office, adapted from OCGC governance documents

Additionally, the Council of the City of Gold Coast monitors and reports its progress internally, with some shared responsibilities reported through GOLDOC. The local governments of Brisbane, Townsville and Cairns have not yet begun city operation planning or works and are not included in the existing reporting and monitoring channels. This means the various entities responsible for the five main components of the overall Games program (Games village, venues, budget, events and city operations) are monitoring and reporting their work independent of one another, relying on good relationships and committee meetings rather than any formalised program management framework.

The GOLDOC Board meets approximately every two months and the GOLDOC executive updates the Board on selected projects. The Board does not receive a progress report across all projects, or prioritised risk areas.

The lack of a management reporting tool, or a management dashboard, precludes summarising the large volume of detailed progress information succinctly. Such a summary would allow senior managers and the Board to track progress and understand where management intervention and attention are required.

There is some duplication of effort between GOLDOC and OCGC in reporting on whole-of-Games progress, but this is largely unavoidable because of the complexity of the project and various stakeholders involved. GOLDOC reports to the CGF every six months on the progress of preparations for the Games. The CGF also requires Games-wide status reports of performance against the project schedule (Games master schedule), budget and qualitative aspects of Games planning at half-yearly intervals, then quarterly from 36 months prior to the Games.

A shared information system would minimise effort as the single source of data or information from which all reporting bodies extract current project status.

2.5   Planning progress

Figure 2D outlines the key phases in the Games planning schedule. The foundation phase is complete and the Games are currently in the strategic planning phase, which relates to the period from January 2013 to December 2014.

Figure 2D
Current point in time in the Games planning schedule

Source: Queensland Audit Office

2.5.1   Foundation phase progress

GOLDOC scheduled the foundation planning phase for the Games from February 2012 to December 2012. The foundation phase is critical because it sets up the entire basis for the governance control environment.

The foundation phase involved:

- establishing the organising committee (GOLDOC), including its legal entity and GOLDOC Board, senior executive team, governance framework, budget, strategic business plan, office accommodation, expansion strategy and pre-Games procurement process
- developing the marketing and revenue raising plans and starting implementation
- supporting government development of legacy plans and programs
- developing the Games organisational plan
- starting intellectual property registration and protection
- agreeing initial roles, responsibilities and decision avenues among Games delivery partners
- reviewing infrastructure requirements and developing venue briefing program and related information requirements and timeline
- establishing strategic business plans and the structure and process for the Games village development with delivery partners
- validating the venue plans against the bid proposal.

This phase was largely completed on schedule, with the exception of venue and village areas completed in 2014:

- venue briefing program and related information requirements and timeline
- strategic business plans and structure and process for the village development with delivery partners
- venue plans validated against the bid proposal.

At this stage, these delays do not appear to have had any significant effect on overall progress.

2.5.2 Strategic planning phase progress

We assessed the current status of the key deliverables according to key planning documents including:

- the roadmap
- Games master schedule
- venues and Games village schedules
- forward procurement schedule
- budget
- CGF project management manual.

The lack of alignment between these planning documents and schedules complicates tracking the progress of the Games. It can be difficult to establish which time frames or milestones are being targeted. It can also be difficult to assess the effects any delays or missed milestones have on other activities or the overall program, because dependencies within and between these schedules are not mapped.

We determined some projects have slipped against the program schedule and detail these further in this report in the categories of operations, infrastructure and legacy.

3   Operations

In brief

Background

The Commonwealth Games is a complex event comprising a program of numerous infrastructure and operations projects, each with many deliverables and dependencies across a variety of stakeholders. The Gold Coast 2018 Commonwealth Games (the Games) partners currently have less than four years to construct major infrastructure; and to design and implement operational and commercial plans for hosting this major international event. We expected to find that the Games program of work is progressing in accordance with agreed milestones and that any delays or issues are being managed effectively.

Conclusions

Some project milestones have slipped and are outstanding, including the development and finalisation of strategic plans for key functional areas. Although slippage has occurred and is being managed, it is difficult to know what effect this will have on the overall Games delivery because the detailed schedule and dependencies have not yet been determined. Slippage effects need to be addressed to allow for detailed budget, resource and workforce planning. A more rigorous zero-based approach to the budget would improve both cost discipline and the benchmark against which to forecast and analyse variances.

Key findings

- The 'top down' incremental approach to setting the initial budget and likely net cost of the Games was a reasonable basis with which establish these initial figures at that time. A more rigorous zero-based approach is now needed and has started but, at this stage, it is not yet possible to be assured sufficiently the budget estimates are realistic.
- There is a lack of alignment between key planning documents meaning that, in some cases, it is difficult to identify which time frames are being targeted; the dependencies across projects that have not been identified; and the effect that delays in any projects will have on the overall program.
- Development functional area strategic plans are behind schedule but may still be delivered by the end of December 2014, in accordance with the roadmap.

3.1   Background

The Gold Coast 2018 Commonwealth Games Corporation (GOLDOC) is responsible for the operational elements, or functional areas, of the Gold Coast 2018 Commonwealth Games (the Games) planning. Operational elements comprise all areas of Games operations—other than the construction of new venues and upgrading of existing ones—and include security, transport, marketing, logistics and finance. A full list of functional areas is included in this report at Appendix C.

The complex nature of Games planning involves coordination of multiple dependent projects across the 41 functional areas and involves a variety of Games delivery partners and stakeholders. Because the timing and key deliverables of each functional area depends on—and can affect—the delivery of other functional areas, it is crucial that progress and budgets are well managed and monitored.

We assessed whether the overall program for delivering the Games event is on track and on budget and expected to find:

- clear visibility of the current status of projects and activities in progress
- the overall program and its projects and activities are progressing to scheduled milestones
- any projects falling behind schedule are being managed effectively to bring them back on track, within budget and to mitigate any effect on other projects and the overall Games program.

3.2   Conclusions

Some delays and issues will arise throughout the course of a program the size and complexity of the Commonwealth Games. It is essential organisers identify and manage the cause and effects of these delays and issues quickly so the program stays on track and within budget.

There has been progress against the schedule of work required to deliver the Games; however, some projects and activities planning for Games operations have started to slip. While the slippage is being managed, this management is hampered by the lack of alignment and identification of dependencies across Games partners between key plans and schedules to deliver to overall program of work. This means that the effect of delays or missed milestones on other activities or projects cannot yet fully be assessed, appreciated or mitigated.

The bid budget methodology was developed using the 2006 Melbourne Commonwealth Games as a baseline for operating cash flows. This incremental approach to budgeting was appropriate at the time to inform the bid. The operating budget has since been adjusted to update the bid for expected price increases, but it would now benefit from a more rigorous zero-based approach to improve cost discipline and provide a better benchmark to forecast and analyse variances.

It is important that GOLDOC and the Games partners manage effectively the delays in functional area planning, budget reviews, and workforce planning before they create greater issues for the overall program.

3.3   Functional area planning

Games planning is segmented into 41 groups of activities called functional areas, each dedicated to delivering a specific element of the event such as sports, marketing, security and transport. Appendix C1 lists the 41 functional areas as at November 2014.

The development of the functional area strategic plans is a crucial step in planning and keeping the program on schedule. These plans provide the necessary framework and scope for each functional area, which is needed for more detailed planning to commence, including:

- minimum and desirable levels of service provision for the functional area; for example, in the transport functional area, this may include considerations of the types and standard of transport that will be provided
- initial resource, workforce and procurement requirements
- development of detailed and accurate bottom-up budgets. This allows for better budget monitoring, forecasting and adjustments.

Planning and delivery of the 41 functional areas requires a coordinated multi-agency approach with the Games partners, each with clear roles and responsibilities to achieve the shared objectives. A multi-agency working group develops each functional area strategic plan and reports to a steering committee, which includes the Games delivery partners relevant to the function area; for example, the security working group includes Queensland Police Service, GOLDOC, the Office of Commonwealth Games Coordination (OCGC), Queensland Fire and Emergency Services, Council of the City of Gold Coast, the Major Planning Office and Australian Government representatives.

Appendix C2 provides a summary of the schedule for completing 40 functional area strategic plans as working groups presented to the GOLDOC Board (there is no intention for producing a functional area plan for one functional area—Executive Office Division or Special Events). GOLDOC prioritised development of the individual functional area plans according to planning and schedule needs. Of the 40 functional areas where strategic plans are required:

- seven strategic plans were due for approval by 31 March 2014
- 17 strategic plans were due for approval by 30 June 2014
- 16 strategic plans were due for approval by 31 October 2014

GOLDOC's development of the 41 functional area strategic plans is behind schedule, having missed earlier due dates. The roadmap, however requires working groups to finalise all functional area strategic plans by the end of December 2014 which allows working groups some time to finalise all plans.

GOLDOC completed and reviewed drafts of the seven strategic plans due by 31 March 2014 in August 2014 and submitted them to the CGF. These are:

- transport
- security
- venue development and overlay
- venue operations
- sport
- workforce
- technology.

Working groups have drafted the 17 functional area strategic plans due for completion in June 2014 as of the end of October 2014, but these were yet to be reviewed. Working groups have started work on the 16 functional area strategic plans due by 31 October 2014, although GOLDOC has since decided not to develop a plan for one, 'special events'.

Delays in completing final functional area plans can affect the ability to undertake detailed bottom-up budgeting and operational planning.

In November 2013, the CGF Coordination Commission recommended that GOLDOC restructure its budget by 30 April 2014 to achieve a functional area level view to inform functional area planning of budget and related assumptions. GOLDOC intended to validate its planning assumptions and to incorporate findings from the Glasgow Games into the strategic plans to strengthen their planning. Finalising these plans with the functional area view of the budget was therefore delayed until after the Glasgow Games. As of November 2014, GOLDOC had started the budget restructure the CGF recommended, but this is, to a large extent, dependent on completion of the functional area plans. This budget restructure is important so the Games budget informs functional area planning and implementation adequately.

According to the roadmap, GOLDOC was to commence concept of operations planning from April 2014. This was to coincide with the seven functional area strategic plans which were due to be completed by 31 March 2014. The delay in completing the strategic plans has delayed the commencement of concept of operations planning. As the mapping of interdependencies across the program of work has not yet been completed, it is not clear what, if any, effect these delays will have on other dependent activities or the overall program of work.

3.4   Net operating cost

The bid budget, first prepared in 2009, estimated the likely operating costs and revenues by using relevant and appropriate benchmark data obtained from the Melbourne 2006 and Glasgow 2014 Games. This 'top down' incremental approach to setting an initial budget and likely net cost of the Games was a reasonable basis with which to establish these initial figures at that time.

Figure 3A demonstrates this conservative approach by comparing the operating costs of the bid budget to the actual costs of the 2006 Melbourne Commonwealth Games (the Melbourne Games); and to the Glasgow budget in 2014, expressed in 2011 Australian dollars. This comparison excludes any capital expenditure on villages, venues and facilities.

Figure 3A
Operating cash flows: bid book comparison to previous games

	Melbourne actual	Glasgow budget Nov 14	Games bid book
2011 $ million			
Total operating outflows	809.9	820.6	1 018.1
Total operating inflows	277.9	193.6	200.0
Net operating cost	532.0	626.6	818.1

Note: As the Gold Coast data excludes expenditure on public domain, legacy and cultural programs, these costs have been excluded from the Melbourne data. The Glasgow data did not show these costs as a separate budget item and it was not clear if these costs are included in the Glasgow data.

Source: Queensland Audit Office

3.4.1   Operating outflows

The approved budget for operating outflows including escalation increased by $77.9 million, from $1 245.2 million to $1 323.1 million (6.3 per cent) as planning has progressed.

Given that the budget for many of the operating outflow line items are summary estimates based on past Games, it is not yet possible to be assured sufficiently they are realistic. This weakens financial control as there is insufficient rigour to establish that the budget line items are appropriate cost benchmarks against which to monitor actual expenditure and to forecast the likely final cost outturn.

Work to date has focused on identifying budget omissions, re-allocating line items between capital outlays and operating outlays and between the various spending agencies; and on refactoring the timing of expected cash flows. With functional area plans due to be completed and the ramping up of actual outlays, work now needs to focus on completing detailed reviews of each budget line item, where possible from a zero-base, to set a final approved budget.

Figure 3B details the operating outflows by line item, comparing the bid book budget to the approved budget at November 2014.The increase in the operating budget resulted largely from:

- $37.0 million added for the Australian Commonwealth Games Association (ACGA) licence fee not included in the bid budget due to an oversight
- $27.9 million contingency added, relating to overlays for the venues and facilities and reallocated to the operating budget from the capital budget
- $26.2 million added to the net cost of the Games village overlay, arising from the decision to procure the delivery of the village through a public private partnership (PPP)
- $185.7 million across all outlays to allow for general cost escalation, indexed at a uniform rate of three per cent per annum (for example, the license fee of $37.0 million has been indexed to $42.1 million).

Figure 3B
Changes to the operating outflows budget

Operating expense	Bid book indexed $ million	November 2014 budget indexed $ million
Ceremonies	85.1	84.7
Corporate and administration	225.7	244.7
Venue operations and sport operations	178.3	168.0
Venue overlay	139.6	121.9
Village overlay	94.2	103.7
Marketing and communications	66.5	63.5
Media, technology and broadcast costs	138.5	139.8
Transport	66.0	64.7
Security	129.1	127.9
CGF licence fees	20.0	18.6
ACGA marketing fees	0	42.0
Contingency—venue overlay	0	27.1
Contingency—village overlay	0	16.8
Contingency—other	102.2	99.8
Total operating expenses	**1 245.2**	**1 323.1**

Source: Queensland Audit Office

These changes to the approved budget are reasonable, as they correct omissions or allow properly for expected price escalation up to the time of the Games. The approved budget at November 2014, however, provides no better basis on which to establish appropriate budget benchmarks than did the bid budget.

While the way the bid budget was compiled was appropriate for that time, it was not a 'zero-base' exercise, and so it is less useful for establishing the more rigorous 'baseline' required to compare actual outlays, to control these significant costs and to obtain value for money.

The 'top-down' incremental approach adopted together with the inherent conservatism in the budget setting process, while managing worst case cost scenarios, does not create sufficient budgetary discipline. Where line item budgets are overstated there will be less pressure to constrain costs; and where they are understated, there will be pressure to cut costs, perhaps unnecessarily.

Figure 3C identifies that there are a number of operational outflows which the budget excluded. The items identified do not represent an exhaustive review of budget omissions.

Figure 3C
Operational outflows excluded from budget

Costs missing	Costs
Operational expenses relating to Queen's Baton Relay international leg, building hire and fit out and hospitality are not included.	$12 million
Additional opening and closing ceremonies costs.	$5 million

Source: Commonwealth Games Finance Committee documents, 20 March 2014.

The two costs identified in Figure 3C totalling $17 million were subsequently funded in part by redirecting $15 million of funds allocated to other programs within the budget. This funding had been identified for potential reallocation to the unfunded Games legacy programs; at present, the legacy program remains unfunded. The remaining $2 million will be allocated from another undetermined area of GOLDOC's budget.

We examined the planning and budget for three areas in more detail:
- transport
- security
- Games workforce.

Transport

The Department of Transport and Main Roads (DTMR) is responsible for planning and delivering the public domain transport for the Games. This includes:
- transport services for spectators and the Games workforce
- infrastructure and network enhancement
- the Games route network to provide for the efficient movement of Games organising bodies between key locations.

Transport planning depends on other functional areas and needs to be integrated closely with planning for the Games venues, athlete's village, ticketing, security, sports and workforce. For this reason, it was identified as one of the seven priority functional areas. Although the functional area plan was delivered five months late, planning for transport is well progressed. There is good cohesion between DTMR, GOLDOC and the Council of the City of Gold Coast; DTMR has developed models to simulate the Games conditions.

One risk is the capability to provide sufficient transport for the Games. DTMR and the Council of the City of Gold Coast have a significant challenge to keep the city uncongested while key parts of the network are heavily constrained and services modified to accommodate the Games.

Draft transport strategies for all competition venues, the Games village and the international media centre were completed before the Glasgow Games. The strategies are currently being revised to incorporate experience from the Glasgow Games and other functional area input. They are scheduled for finalisation and submission to the CGF in March 2015.

After the escalation adjustment, the transport budget has decreased by $1.3 million from $66.0 million to $64.7 million, due to a number of internal funding arrangements between the spending agencies.

The funding for transport commitments is still under review and will be affected by the government's decision on free public transport in the ticketing policy. Initial indications are that the bid book allocations for transport are insufficient.

Security

GOLDOC and the Queensland Police Service (QPS) are responsible for coordinating security for the Games operations, including coordination of all federal, state and local government agencies. Security operations are coordinated, planned and managed through the security planning working group that reports to the venues and operations coordination committee. This committee supports GOLDOC to fulfil its organisational and operational function for the Games.

The QPS has identified an increase in shifts of approximately 22.6 per cent (6 990 additional shifts) will be required for the Games, since the estimates for the bid in 2011. Most of the projected increase is reportedly due to the 14-day pre-Games events. The staffing projections are forecast to be similar to those reported by the Victoria Police for the Melbourne Games.

The bid estimated the cost of security for the Games to be $129.1 million, based on a total of 30 911 QPS shifts (including a 15 per cent contingency). The estimate was informed by:
* Victoria Police's post-event learnings from the Melbourne Games
* the draft Glasgow 2014 Commonwealth Games sports schedule
* proposed Gold Coast 2018 Games venues at the time of the bid
* best information available at the time of the bid about Games security operations by the QPS project team.

The security budget has decreased to $127.9 million, due to a number of internal funding arrangements between the spending agencies. The QPS has identified that its security costs are expected to be greater than the estimated budget, involving an increase of approximately 6 990 QPS shifts.

A full review of the security shifts and budget was expected to be completed by 30 June 2014; as of 1 October 2014, this had not been done. The QPS intends reviewing the budget in 2015 to incorporate learnings from the 2014 Glasgow Commonwealth Games and the G20 meetings in Queensland in 2014; no date has been set for this review. Any revision must consider the operational, resourcing and budget implications of the recent increase in the national threat level and any potential future increases.

Games workforce

In November 2013, the CGF Coordination Commission recommended that GOLDOC have a consolidated view of deliverables against resources, including workforce, consultants, secondees, contractors and any other source, to enable analysis of the adequacy of the workforce. The CGF Coordination Commission requested GOLDOC map resources to the forward work plan for the periods December 2013–June 2014 and July 2014–June 2015.

The alignment of the workforce to the Games roadmap and Games master schedule was required by 31 July 2013 for CGF approval. This has subsequently been done for the periods requested.

In addition, GOLDOC is responsible for recruiting 15 000 volunteers to assist the delivery of the Games. Recruitment of volunteers is not scheduled until the first quarter of 2016 at the earliest. Similar to the workforce aligned to planned work, volunteers need to be matched with roles to ensure they have the right skills; this takes time so suitably screened volunteers are recruited and trained.

3.4.2 Operating inflows

The approved budget for operating inflows increased by $0.2 million, from $237.4 million to $237.6 million in 2014 dollars as planning has progressed and as Figure 3D shows.

As for budgeted operating outlays, the budget for operating inflows are largely based on the Melbourne Games, adjusted upwards for price inflation. As such, it is also not yet possible to be sufficiently assured these budget inflows are realistic.

Figure 3D
Changes to the operating inflows budget

	Bid book indexed $ million	November 2014 budget indexed $ million
Broadcast rights	71.2	71.2
Sponsorship	95.0	95.0
Ticket sales	65.3	65.3
Licensing	5.9	5.9
Interest and other	0	0.2
Total revenue	**237.4**	**237.6**

Source: Queensland Audit Office from bid book and approved Games budget

The risk remains that actual revenues will fall short of these budgeted amounts.

As at November 2014, broadcast rights for the Games (both domestic and international) totalling approximately $54.3 million had been secured, representing 76 per cent of the $71.2 million broadcast rights revenue budgeted amount. A number of other international rights still to be negotiated include New Zealand, the United Kingdom and South Africa.

The sponsorship target of $95 million is commensurate with that achieved at the Melbourne Games, but actual sponsorship will depend critically on the prevailing economic and business climate. Sponsorship may also be 'in kind' which, for Glasgow, represented 46.6 per cent of sponsorship revenue, with cash contributing the other 53.4 per cent. The value of in kind contributions will reduce the cost of the Games only if these contributions avoid outlays that would otherwise have been incurred. GOLDOC has not signed sponsorship contracts, as GOLDOC does not retain the rights until 2015.

Revenue from ticket sales of $65.3 million was estimated by adjusting the Melbourne Games sales for the expected capacities for Gold Coast venues. The ratio of seats sold per venue is consistent with previous Games, but Melbourne venue capacity was larger. Ticket sales have been adjusted for seating which cannot be sold as it is reserved for VIPS such as CGF family and sponsors.

In January 2014, the CGF evaluation report stated that, although the ticketing assumptions were consistent with the Melbourne Games, ticketing revenue estimates using the take up rates of 100 per cent for the opening and closing ceremonies and 80 per cent for the sporting session venues, were ambitious.

The revenues from the opening and closing ceremonies are budgeted to collect 35 per cent of total ticketing revenues and are based on a modest program to reflect the regional city affordability of the Games. The ticket pricing and revenue are based on premium pricing. To support these ticket prices, the operating budget for the ceremonies may need to be increased or the ticket pricing may be need to be reduced.

3.5 Contributions from other governments

The contribution from the Council of the City of Gold Coast (the Council) of $110.5 million was agreed after the bid budget was prepared. The budget revision includes the $100 million contribution which is to be paid as five annual instalments. The Council originally agreed to contribute $1 million towards environmentally sustainable design outcomes for the Gold Coast Aquatic Centre. It has also since agreed to a further contribution of $9.5 million to fund legacy initiatives associated with the Carrara Indoor Stadium, Carrara Sports and Leisure Centre and a contribution towards the Carrara Southern Precinct. The contributions from the Council do not incorporate an additional contribution of $105.5 million over five years towards additional city operations, services and venue and precinct capital improvements that will further support the planning and delivery of the Games.

The Australian Government announced a contribution of $156 million in the federal budget in May 2014, which was paid in June 2014. The Australian Government also committed $5 million dollars for in kind contributions towards coordinated planning costs for the Games from federal agencies, the Department of Health, the Attorney-General's Department and the Department of Immigration and Border Protection.

4 Infrastructure

In brief

Background

The infrastructure projects of the Gold Coast 2018 Commonwealth Games (the Games) are the responsibility of the Major Projects Office and Economic Development Queensland within the Department of State Development, Infrastructure and Planning (DSDIP). The projects include the Commonwealth Games village and 18 competition and related venues.

Conclusions

Although the 2011 infrastructure budget to host the Games was based on sound principles, changes to the delivery model of the Games village have affected revenue, capital costs and operating costs. The bid budget does not include all costs and there is an expectation that costs for transport infrastructure and security will increase as planning progresses.

Key findings

- The capital budget was developed by assessing the specific infrastructure needed for the 2018 Games and using expert consultants to prepare high level estimates of construction costs.
- The most significant change to the capital budget arose from the change to the procurement model for the Games village in late 2012—from a direct ownership build to a public private partnership (PPP). This resulted in a significant decrease in expected revenue and a deferral of capital costs. Based on current estimates, which are yet to be included in the budget, the capital cost of the village will increase by $137 million above the indexed bid budget—from $27.2 million to $164.3 million.
- The contracting process for the Games village did not progress smoothly. The contract and financial close between the Queensland Government and the developer for constructing the Games village was scheduled to be finalised in March 2014, but was completed in November 2014.
- There is a risk that the construction of the Games village—to accommodate 6 500 athletes and officials—will be inadequate, considering there were 7 300 athletes and officials at the Glasgow 2014 Commonwealth Games.
- The indexed capital budget for venues and facilities has increased by $3.6 million from the original budget of $335.4 million to an approved $339.0 million.
- Seven of the 18 infrastructure projects are slightly behind schedule but the delays are being managed and, at this stage, are not affecting scheduled completion dates.
- The bid budget and the revised budget did not include all revenue and costs to agencies: for example, the contribution of land at Gold Coast Parklands by the state for the Games village.

4.1   Background

The Department of State Development, Infrastructure and Planning (DSDIP) is responsible for infrastructure projects of the Gold Coast 2018 Commonwealth Games (the Games). Economic Development Queensland (EDQ) within DSDIP is responsible for the Commonwealth Games village and the Major Projects Office at DSDIP is responsible for the infrastructure at the 18 Games venues. This includes the construction of new venues and upgrade of existing venues.

We assessed whether the overall program to deliver the Games infrastructure is on track and on budget and expected to find:

- clear visibility of the current status of projects and activities in progress
- the overall program and its projects and activities are progressing to scheduled milestones
- any projects falling behind schedule are being managed effectively to bring them back on track, within budget and to mitigate any effects on other projects and the overall Games program.

4.2   Conclusions

Although the 2011 infrastructure budget was based on sound principles, changes to the delivery model of the Games village have affected revenue, capital costs and operating costs. In terms of size and cost, the Games village represents the largest infrastructure project the Queensland Government must complete for the Games and presents the greatest risk. It is essential that the issues that have delayed financial closure on the Games village do not affect the cost and timely delivery of the project.

The slippage on seven of the 18 venues and facilities is not significant at this stage and DSDIP is managing this slippage.

The budgeted net cost to the state budget is not complete as it does not include the revised costs associated with the new delivery model for developing the Games village and excludes operating and capital costs associated with the Games, such as the value of state land for the Games village transferred to the Council of the City of Gold Coast and estimated at $23 million.

4.3   Net capital cost

Unlike the operating budget and as expected, the capital budget was developed by assessing the specific infrastructure the Games needs.

Expert consultants prepared high level estimates of construction costs for the Games village and of costs associated with the construction of new venues and facilities and modifications to existing facilities.

Figure 4A summarises the indexed capital budget as outlined in the bid book and the capital budget approved in November 2014.

Figure 4A
Capital budget changes

	Bid book indexed $ million	November 2014 budget indexed $ million
Venues and facilities	258.3	286.4
Contingency	77.1	52.1
Total venues and facilities (excluding overlays)	**335.4**	**339.0**
Games village	743.4	317.3
Contingencies	71.3	42.4
Total Games village (excluding overlays)	**814.7**	**359.7**
Total capital outlays	**1 150.1**	**698.7**
Less: Proceeds from asset sales	**787.5**	**34.1**
Net capital cost	**362.6**	**644.6**

Source: Queensland Audit Office

The most significant change to the capital budget arose from the change to the procurement model for the Games village in late 2012–from a direct ownership build, to a public private partnership. A review of the original Games village model, which was the basis of the bid book, identified the following issues relating to the estimates and validity of the assumptions in the bid budget:

- All costs and revenues were allocated to the bid budget as the estimates did not differentiate costs between the bid budget and the private sector.
- The state was exposed to all financing, development and sales risk associated with the Games village development.
- Project and construction contingencies were inadequate.
- Annual construction cost escalation and finance fee rate were unrealistic.
- Assumptions in relation to the annual escalation rates of sales were aggressive.
- The bid budget excluded utility infrastructure costs for gas and electrical reticulation and data and communications estimated to total $18.4 million.
- The bid budget overstated revenue by $7.1 million as the model assumed revenue for 50 more student accommodation units than were costed for construction.
- The bid budget excluded most of the costs associated with the 'move in, move out' approach to modify the village and accommodation for athletes' use and refit back to the original configuration. These costs include the overlays associated with modification and refit and the lease costs to the private owners of the accommodation.

This 2013 decision reduced, by $455 million, the state's expected escalated capital outlays in the lead up to the Games and also reduced the expected capital proceeds from the sale of housing stock after the Games by $753.4 million. The overall effect increased the net escalated capital cost of the Games village by $298.4 million. The current capital estimate of the Games village of $164.3 million is yet to be included in the budget, which is $137 million more than the escalated bid budget.

The escalated capital budget for venues and facilities has increased by $3.6 million with the original escalated budget of $335.4 million changing to an approved $339.0 million.

The state has revised the delivery of the venues and facilities to involve the construction of permanent venues and facilities to increase the legacy outcomes. This has resulted in an update of the venues and facilities program to remove the temporary works and identify solutions involving permanent solutions.

Areas of concern for the delivery of the Games within the budget include:

- The total escalated capital budget for venues, including overlay and contingencies, is $488.0 million, which will need to be carefully managed as planning progresses. The most advanced infrastructure project is the Gold Coast Aquatic Centre, which was completed in June 2014.

- The current model for the development of the Games village provides the private sector investor with income support for 10 years after the completion of the Games, estimated to be $21.0 million based on a 90 per cent probability outcome. The state is exposed to the risk that the income support could be higher and this exposure continues for 10 years after the Games concludes. The state's commercial advisor has estimated that the maximum exposure to the state arising from the income support is $265 million; this scenario is considered highly unlikely as it involves 100 per cent vacancy and no property sales over the 10-year support period.

4.4   The Games village

The Games village is the largest project the Queensland Government must complete for the Games. The Games village will provide accommodation, retail and open space for 6 500 athletes and officials for 25 days, which includes 11 days of competition. There is a risk that this will be inadequate, considering that there were 7 300 athletes and officials at the Glasgow 2014 Commonwealth Games.

Economic Development Queensland (EDQ), a business unit within the Department of State Development, Infrastructure and Planning (DSDIP) was responsible for the contracting of the development of the Games village. Now that the contracting and financial close has been achieved, the Major Projects Office of DSDIP is responsible for the ongoing management of the contract with the developer to construct the Games village. The Games roadmap describes planning activities for the Games village which the Games village master plan details.

Figure 4B shows the delivery milestones for the Games village.

Figure 4B
Games village master program and delivery milestones

Activity	Schedule
Planning	January to March 2014
Contract with developer signed	by 31 March 2014
Early works	July 2014 to June 2015
Initial developer base works site set up	October 2015
Developer base works construction	November 2015 to October 2017
Handover	August to October 2017
MEDQ/GOLDOC exclusive use period	October 2017 to June 2018
Project 'make good' period	July to December 2018
Project handed back to the developer	January 2019

Source: Queensland Audit Office, adapted from Games village master program, Economic Development Queensland

The site for the village is a 29.4 hectare parcel of land, which the Queensland Government owns, at Parklands on the Gold Coast. The Parklands site was previously used for harness racing events, community use and the Gold Coast Show. After the Games, the village is proposed to service the Gold Coast Health and Knowledge Precinct—a hub of learning, research, health and knowledge activities.

In September 2011, the Commonwealth Games Federation (CGF) Evaluation Commission commented that:

> *A Games staged on the Gold Coast presents a low risk, subject to Games village arrangements being secured.*

The design and delivery of the Games village has involved three delivery models. In the original proposal, the state was to fund and construct the Games village and benefit from property rental and sale proceeds. In this model, the state assumed the construction and market risks of the development, with the concept of selling the completed accommodation units before the Games with the owners able to move into the accommodation prior to the Games, then vacating them for the period of the Games.

A review of the model in 2012 changed the delivery method and identified issues in the validity of the assumptions in the bid budget. The bid budget cost estimates were adjusted upwards for risk and in light of the feasibility of the original delivery model. The business case supporting the review identified that a better value for money outcome could be achieved from a commercial delivery approach, which involved a development partnership between the state and the private sector. This model included a mix of permanent and transportable units to house athletes.

The revised model was estimated in 2012 to cost the state $446.0 million as shown in Figure 4C. The change in estimated cost arose from the assumptions being updated and the costs being adjusted for risk. This model did not include the cost of the land or road works.

Figure 4C
Games village budget

Estimated revenues/costs	Bid model 2011 $ million	Revised model 2012 $ million
Acquisition costs	63.7	0.0
Early works	65.3	29.9
Developer base works	614.4	304.2
Developer overlays	89.7	103.7
Contingencies	75.8	42.4
Total capital outlays	**908.9**	**480.1**
Sale proceeds	**787.5**	**34.1**
Total net costs	**121.4**	**446.0**

Source: Queensland Audit Office

The revision to the Games village delivery model contributed to the state's medium term objective of achieving a fiscal surplus in the period leading up to the Games, as the private sector would be funding most of the capital costs associated with the Games village. It involves a higher net cost when compared to the bid book proposal, but it involves lower initial capital outlays over the forward estimates period.

Forecast revenue and cost analysis

The third design of the delivery model was completed after the PPP process was undertaken and involves permanent residential units constructed and later sold by the private sector investor. This arrangement includes the transfer of land, on which the village is built, from the state to the investor in December 2018. The sale of the Games village residential units will begin after the Games; proceeds from the sale of the Games village will vest with the investor.

Figure 4D details the forecast revenue and capital cost analysis for the Games village associated with the PPP in nominal dollars and compares it to the approved 2014 capital budget. Figure 4D excludes the operating costs associated with overlays.

Figure 4D
Games village capital budget and current forecast

Estimated revenues/costs	Approved $ million 2013	Forecast $ million 2014
Revenue	**34.1**	**0.0**
Acquisition costs	0.0	0.0
Early works	29.9	31.2
Developer base works	304.2	68.2
Contingencies	25.6	8.5
Rent payable to developer during **G**ames	-	35.4
Income support to developer post-**G**ames	-	21.0
Total costs	**359.7**	**164.3**
Total net costs	**325.6**	**164.3***

Note: * The total net costs excludes the operating costs associated with overlays. When these costs are included the total net costs of the Games Village is $284.7 million. These operating costs are detailed in Figure 3B 'Changes to the operating outflows budget'.

Source: Queensland Audit Office

The current model is estimated to cost the state $164.3 million. The variance in cost is because the developer base works in the 2014 model is the responsibility of the developer. Developer base works includes the residential development and all non-residential improvements the developer provides for the village.

The current model involves lower risk to the state as the construction and property holding risks have been transferred to the private sector.

The state has not fully transferred the development risk to the private sector as it has provided the developer an income support arrangement. This arrangement over a 10-year period, post-Games, guarantees the developer a minimum return on investment until the sale of the residential village. The period of the income support is for 10 years from handover on 1 October 2017. The estimated cost of the state providing the developer with income support totals $21.0 million, based on a 90 per cent probability outcome.

Contracting and financial closure

The contracting process for the Games village did not progress smoothly. The contract and financial close between the Queensland Government and the developer to construct the Games village was scheduled to be finalised in March 2014. The preferred developer was selected in December 2013, but the contracting was not completed in March 2014 as scheduled. Contracts were signed in October 2014, seven months behind schedule, with financial closure achieved in November 2014. Financial closure is the final step in the contracting phase and occurs when all the project and financing agreements have been signed and all the required conditions contained in them have been met. It enables funds to start flowing so project implementation can actually start.

Construction of the Games village is due to begin in 2015. EDQ completed earthworks in December 2013 at the Parklands site, ready for the developer to begin work. Progress for the village site has continued because EDQ is funding the work, through an Early Works Agreement ($4.5 million ex-GST) from August to the end of September 2014 to keep the onsite works on track with the construction schedule.

Regional Games village

In addition to the construction of the Games Village on the Gold Coast, regional Games villages are required in Townsville and Cairns to accommodate athletes and officials on a temporary basis while attending in those cities. These participants will also have base accommodation in the main Games village on the Gold Coast. GOLDOC plans to have regional accommodation available for athletes and officials five days before events start; they are to move out one day after their event participation concludes, returning to the Gold Coast Games village. GOLDOC anticipates 150 beds will be required close to the competition venue in each regional city and that office, medical and storage space will also be required. It is not expected that e regional villages will require construction of any permanent infrastructure; GOLDOC anticipates leasing rental accommodation.

Planning for regional villages is still in its early stages and as a result, GOLDOC has not made decisions about the hotel accommodation, such as which hotels will be used and whether the whole or only part of hotels will need to be acquired. These decisions will in part be influenced by security and transport considerations. At present, funding for the regional Games villages forms part of the $168.0 million overall 'venue operations and sport operations' budget. As GOLDOC has not undertaken 'zero-based' budgeting of this functional area, it has not determined the proportion of this $168.0 million to be available for the regional Games villages. Combined with the fact that functional planning is incomplete, we cannot make an informed assessment of the costs and whether the Games budget will be adequate.

4.5   Games venues

To uphold the host city contract, the Games partners need to build new venues and renovate existing ones to satisfy International Sport Federation competition standards. Venues to be used for the Games include existing facilities with permanent and temporary changes; and venues purpose built for the Games.

DSDIP, through its Major Projects Office, is responsible for delivering the Games venues; GOLDOC has responsibility for the required venue overlays. Sound project management methodologies underpin these capital works and stakeholder engagement and decision making processes are in place. The CGF approved the master delivery program in June 2014.

Completion of all of the 18 venues is scheduled for March 2017 allowing time for fit-out of overlay prior to the Games in April 2018. The Aquatic Centre was delivered in June 2014 and was used as a live test venue for the Pan Pacific Swimming Championships in August 2014. However, progress in planning for seven venues has slipped slightly against some initial due dates in the venue master delivery program, this includes:

- Carrara Sports and Leisure Centre and precinct works—badminton and wrestling
- Carrara Indoor Stadium—weightlifting
- Carrara Stadium—athletics and athletic warm-up track
- Coomera Sports and Leisure Centre—gymnastics and netball
- Queensland State Velodrome—track cycling.

These delays are not significant at this stage and the Major Projects Office is managing them within existing schedule tolerances. Slippage has not affected the scheduled final completion dates for these venues. Appendix D shows the progress of the 18 venues.

The location of some sports has changed from the originally designated venue. To enhance the legacy benefits, all venues to be constructed will be permanent. This has changed the bid budget to convert construction of temporary venues to permanent venues; for example, wrestling and weightlifting events have been relocated to Carrara to make use of existing buildings. Other venues have changed to better align the seating capacity with the expected demand for some sporting events: for example, increasing seating capacity for netball.

The escalated capital budget for the Games venues has been revised from $335.4 million to $339.0 million, an increase of $3.6 million or 1.1 per cent.

Overlay expenditure is expected to be $121.9 million, including a $27.1 million contingency. Permanent works are works that will permanently remain onsite such as buildings and fixtures. Overlay expenditure includes works that will be removed after the completion of the Games in 2018. Other expenditure for the venues will include sporting equipment at a cost of $12.79 million, which is included in the construction and overlay budget. GOLDOC manages the overlay budget and DSDIP manages the budget for the construction of the venues.

Venue budgets included in the venues project works schedule are included at Appendix E.

The majority of expenditure on venues will occur over the next three years, with more than half of the budget expected to be spent in 2015–16. The Gold Coast Aquatic Centre allowed the Gold Coast to host the Pan Pacific Games in August 2014, and the cost compared to the budget can be used to assess the accuracy and completeness of the remaining budgets.

Gold Coast Aquatic Centre

The Gold Coast Aquatic Centre is located at the Broadwater Parklands at Southport and comprises a 50-metre, eight lane pool; a 25-metre, eight lane training pool; an indoor 15-metre teaching pool; a 33-metre dive pool; and a children's play area. The Aquatic Centre was brought forward to host the 2014 Pan Pacific Games in August 2014. The bid book budget to construct this asset was $41.4 million after escalation and allocation of the contingency and ecological and sustainable development budget to the venues. The total cost on completion was $42.7 million after scope changes funded by other parties, including a $411 232 contribution from GOLDOC. Figure 4E shows the construction budget for the Gold Coast Aquatic Centre as at 31 October 2014.

Figure 4E
Gold Coast Aquatic Centre construction budget as at 31 October 2014

Description	Cost $ millions
Total main contract costs (managing contract)	36.8
Non contract costs (project management and other costs)	2.4
Project contingency (committed to variations - approved and pending)	1.7
Project contingency (uncommitted)	0.4
Total project expenditure (from Games venues budget)	**41.4**
Scope changes funded by others (permanent works)	
Council of the City of Gold Coast (scope changes)	0.8
GOLDOC (scope changes)	0.4
Pan Pacific Swimming Championships (scope changes)	0.2
Total scope changes	1.4
Total project budget	**42.8**

Source: Queensland Audit Office–data sourced from DSDIP Major Projects Office, May 2014

As the Aquatic Centre was brought forward, the Treasurer released funding to complete the works. The budget provided for this by using a combination of the annual budget surplus and from venue contingency and operating contingency. The funds will be reversed in the period when the actual budget allowance appears.

The practice of using the contingency and budget surpluses to fund bringing forward projects introduces the risk of complexity and potential error if the transactions are not correctly recorded and adjusted at a later date. This risk is heightened in an environment with a manual budgeting system, which does not enable a reversing transaction to be automated. This practice may reduce transparency when reporting actual spending against the budget and fail to identify expenditure has been committed to the project and the project is ahead of schedule.

The 2014 Pan Pacific Games in August 2014 identified the potential need for a roof on the Gold Coast Aquatic Centre. There are contingency funds available for a temporary roof to be placed over the seating areas of the centre and footings were put in place during construction to accommodate this. There has been no allowance or previous intention to place a roof, temporary or otherwise over the competition pool. GOLDOC is assessing the need currently but, if it is determined as desirable or necessary, additional funds will need to be found. The cost has not been determined at this time.

4.6 Items not included in capital budget

Figure 4F identifies a number of capital costs excluded from the budget. The items identified do not represent an exhaustive review of budget omissions.

Figure 4F
Items not included in capital budget

Items not included in capital budget	Nominal value
Smith Street Motorway & Hospital Boulevard Intersection Project (Department of Transport and Main Roads cost)	$2.3 million
Water and sewerage headworks for the Games village provided by Council of the City of Gold Coast for free	Up to $15 million
Contribution of land at Gold Coast Parklands by the state for the Games village, to be provided to the Games village investor for no cost	$23 million (This represents 45 per cent of $26.5 million—$2014 value indexed to $2018—of the total land owned by the state to be transferred to the Games village investor)
Contribution of land at Southport Broadwater Parklands North and an area yet to be reclaimed from the Broadwater by the state to the Council of the City of Gold Coast for use as surrounding parkland for the Gold Coast Aquatic Centre	The value of the contribution land and any reclamation costs are yet to be determined

Source: Queensland Audit Office

5   Legacy

In brief

Background

Hosting the Gold Coast 2018 Commonwealth Games (the Games) is expected to provide legacy benefits, both tangible and intangible, long after the conclusion of the Games. Legacy benefits include increased tourism, greater use of public facilities such as transport and sporting venues and improved community spirit and amenity.

Conclusions

The legacy strategy and legacy action plan 2014 provide direction and programs for the Games legacy. The plans do not include clear time frames and targets to measure outcomes of the programs, therefore the legacy benefits cannot be accurately measured or directly attributed to the Games.

There is no specific legacy budget for the delivery of legacy projects. This means funding for these projects depends on the budgets of responsible agencies or legacy will be funded through the existing Games budget currently allocated for other purposes. The lack of confirmed funding sources means that the legacy programs may not be delivered or they may not meet their intended outcomes.

Key findings

- A legacy strategy and annual operation plan have been developed to provide direction about the intended legacy benefits for the Games.
- The legacy strategy does not have clear time frames and targets to measure success, while the action plan 2014 has time frames but no targets
- Evaluation planning is now underway, but did not occur as part of strategy and action plan development. This may compromise the effectiveness of the evaluation
- Some legacy benefits are intangible and it will be difficult to measure or attribute their outcomes. Other benefits such as use of infrastructure will be easily identifiable and their outcomes measured if baseline data are collected before the Games.
- There is no specific budget for legacy; consequently, the stated legacy benefits may not be realised. Funding for legacy programs will come from agency appropriation or be reallocated from other parts of the Games budget.

5.1 Background

Queensland's objectives for legacy benefits from the Gold Coast 2018 Commonwealth Games (the Games) are to maximise long term community, sport and health benefits. The state intends the Games to provide lasting benefits to Queenslanders in three ways:

- economy—leveraging opportunities to strengthen Queensland's economy and grow business and employment
- lifestyle—leading our community to a more healthy, active and sustainable lifestyle
- our community—maximising opportunities the Games presents to celebrate our diversity and promote community cohesion and pride.

For the Games to leave a valuable legacy to the community, planning needs to begin early and to be connected to existing needs in the community. Planning should focus on long lasting benefit to communities, offering such things as community and educational programs, opportunities for coaching and sporting facilities. Considered economic investment in the Games infrastructure and programs could deliver rewards such as infrastructure, urban renewal and economic growth.

Legacy benefits can begin before the hosting of the Games and should continue after the event. The Queensland Government expects to generate up to AUD $2 billion of economic benefits by creating 30 000 full time equivalent jobs over five years, as well as providing opportunities for local businesses.

We expected to find that the legacy attributable to the Games was integrated into the planning processes for long lasting benefits for the community before and after the Games.

5.2 Conclusions

A legacy strategy for the Games has been developed and an action plan for 2014 has been published; however, there is no specific Games budget for the delivery of the legacy. The funding for legacy programs and projects will be contingent on the appropriation for each agency responsible for specific legacy programs. This, combined with the failure to incorporate evaluation planning with the development of the strategy and action plan, may compromise intended quality of outcomes of legacy programs and benefits may not be realised.

The legacy strategy deliverables do not have clear and measurable targets or defined time frames. Some legacy benefits, such as community health and wellbeing, are not tangible, which makes them hard to attribute and measure; others, such as the infrastructure improvements to public transport and subsequent usage, can be reliably measured. Ensuring the strategy and action plans have clear, measurable targets and time frames before and after the Games will provide reliable data to measure the legacy outcomes.

5.3 Legacy planning

Legacy planning is progressing as expected and according to the Games roadmap. The legacy strategy was published in January 2014, along with an action plan for 2014.

The 'Embracing legacy 2018' steering committee is responsible for developing and delivering the Games legacy. The Office of the Commonwealth Games Corporation (OCGC), the Council of the City of Gold Coast, the Gold Coast 2018 Commonwealth Games Corporation (GOLDOC) and Australian Government representatives are members of this committee.

The strategy does not yet include time frames or measurable targets and outcomes. It is intended to report annually on the progress made on the legacy themes from 2013 to 2023 —up to five years after the Games—which is consistent with Glasgow's approach as host of the 2014 Commonwealth Games. Baseline data to determine whether legacy programs have generated expected benefits need to be captured before the Games begin, so changes can be measured before, during and after the Games.

The legacy action plan for the Games includes the following initiatives for 2014:
- development of the evaluation and monitoring framework—due for government consideration by mid–2014: government consideration has been delayed until November 2014
- consultation and development of a pre-volunteer program—consultation commenced in late May 2014 and was finalised in August; a report is being prepared currently
- scoping and implementation of business development framework—the business development framework was launched with a forward procurement schedule on 17 June 2014.

5.4   Benefits realisation

Legacy benefits can be realised before and after an event. Benefits can be tangible or intangible and continue to be realised and identifiable in the long term. Tangible legacy outcomes can be new or improved infrastructure such as sporting facilities, roads and social infrastructure. Intangible benefits can be stronger community spirit and civic pride.

The evaluation monitoring working group started developing an evaluation framework in July 2014, which will include how and when intended outcomes are to be measured. The evaluation planning has not been incorporated into the development of the legacy strategy nor action plan, meaning that some of the strategy's and plan's objectives may not be able to be evaluated. As a result, the legacy committee and Games partners may not be able to demonstrate whether some key legacy objectives are realised.

When considering evaluation requirements, it is expected that any evaluation of public sector programs will:
- specify criteria for determining the success (that is, be able to determine whether the legacy has been realised)
- focus on the key issues that will inform decision making
- use a systematic and evidence-based approach to assess performance
- be reliable, useful and relevant to decision makers and stakeholders
- be timely to enhance the chances of success.

To meet these criteria, evaluations should be built into the project or program design. Evaluations that are planned simultaneously with the plan for program implementation will be more likely to result in meaningful evaluation findings than those that are planned after the program has been implemented. This is particularly important when evaluating whole-of-government programs. Having to coordinate evaluation across multiple agencies— and potentially across multiple delivery strategies—will add additional complexities to any evaluation and increase the need for a detailed and comprehensive evaluation plan.

Most community and lifestyle legacy actions are not scheduled to begin before late 2014; some will not be evident before 2018. The Gold Coast Aquatic Centre is an example of realising a legacy benefit before an event. This reconstructed and extended venue opened in July 2014 and its benefits will extend well beyond 2018.

Attributing legacy benefits to events can be difficult if the projects associated with events are included in other government projects and rebadged. While no specific legacy programs budget has been included, there will be a tangible legacy from buildings and infrastructure after the Games: for example, the Games village will include new residential, retail and public open space facilities.

The village will be located next to the Gold Coast University Hospital and Griffith University and supported by the Gold Coast Rapid Transit light rail. While some attribution of legacy benefits of the future Gold Coast Health and Knowledge Precinct can be afforded to the Games, the planning and construction of the hospital, university and light rail began in 2006— long before the bid for the Games—and these benefits will continue long after the event. It will be difficult to measure accurately the Games legacy benefits of the village infrastructure.

It will be possible to attribute the expected legacy benefits of increased employment and increased local business activity before and after the Games if appropriate baseline data are collected and analysed. Other identifiable, long term benefits include community use of new and redeveloped sporting infrastructure.

5.5   Legacy budget

One of the biggest risks to realising the intended legacy benefits of the Games is funding.

As of 1 November 2014, there was no funding identified to achieve all the objectives of the legacy strategy. The Games budget does not include a budget for legacy initiatives, other than for tangible assets such as the newly constructed and the upgraded venues. The legacy committee's strategy to seek funding that supports the legacy program will involve:

- rebadging existing government programs that are not Games-related and partnering to deliver shared objectives
- identifying community sponsorship opportunities
- creating Games budget savings.

This method of funding means that attributing legacy benefits to the Games will be difficult and specific benefits of hosting the Games may not be able to be realised or identified.

The Embracing legacy 2018 steering committee's preferred option is to draw funding from relevant corporate entities for legacy items, but the committee is aware of the complications associated with sponsorship initiatives with GOLDOC's core deliverables. The OCGC will develop and administer the criteria for funding support of the legacy program and use of the official legacy brand.

Host jurisdictions of previous Commonwealth Games found legacy benefits are most efficiently realised when initiated through modest investment; for example, the Melbourne 2006 Commonwealth Games included a legacy budget of $14.33 million ($18 million in 2014 dollars), including an education and business development program.

Appendices

Appendix A—Comments

In accordance with section 64 of the *Auditor-General Act 2009*, a copy of this report was provided to the Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTESB); the Department of State Development, Infrastructure and Planning (DSDIP); the Gold Coast 2018 Commonwealth Games Corporation (GOLDOC); and the Council of the City of Gold Coast with a request for comment.

Responsibility for the accuracy, fairness and balance of the comments rests with the head of these agencies.

Comments received from A/Director-General, Department of Tourism, Major Events, Small Business and the Commonwealth Games

Please quote: CTS 29609/14
Contact officer: Nick Elliott
Contact phone: 33335133

Queensland
Government

Department of
**Tourism, Major Events,
Small Business and the
Commonwealth Games**

0 3 DEC 2014

Mr Andrew Greaves
Auditor General
Queensland Audit Office
PO Box 15396
City East QLD 4002

Dear Mr Greaves

Thank you for the opportunity to provide comments in relation to the performance audit on preparedness for the Gold Coast 2018 Commonwealth Games (GC2018).

While I note this audit has suffered some significant time delays in completing, I was surprised that you have departed from your methodology (as stated in the Client Strategy you provided me on 21 March 2014) and did not provide an *End of Conduct Brief* prior to lodging this proposed report under the statutory 21 days for comment. The End of Conduct Brief provides an opportunity to validate and obtain comment on preliminary audit findings and recommendations and is therefore a significant stage in the audit process.

We have now undertaken this during the 21 day statutory period and provided very detailed comments to your officers including the correction of a number of factual errors regarding budget matters. This process has required significant amendments and changed recommendations. You reissued your draft report to my Department on 28 November 2014.

My comments below address your reissued draft report as at 28 November 2014.

I note the comments in the report that identify that the Games preparations are currently progressing well and are well managed. This is consistent with findings of the independent reviews on preparedness for the Games which have been undertaken by the Commonwealth Games Federation Coordination Commission and publicly reported at www.thecgf.com. The full report from the October 2014 Coordination Commission review is scheduled to be received in late-December 2014.

I agree that the Commonwealth Games is a large and complex project that requires appropriate levels of planning, program management and reporting. All Games delivery partners are working collaboratively to achieve outstanding results and to date we are on track or ahead of schedule when compared to other recently successful Games.

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Comments received from A/Director-General, Department of Tourism, Major Events, Small Business and the Commonwealth Games

Indeed our Games infrastructure programs (village and venues) are all on track with works scheduled to be completed well in advance of the Games. Planned start date refinements or adjustments are normal as contracted parties come on board. The end or delivery date is the important milestone. I note in your finding that all individual projects are being well managed.

The underlying project management processes and systems in place for GC2018 preparedness are evolving as plans progress and the complexity of the program increases. The recommendations you raise are consistent with that evolution and our plans.

Similarly, the governance arrangements to date have been appropriate up to this point in preparations, utilising existing cabinet mechanisms. A refined governance arrangement has been proposed, which the Government will consider in due course. The revision is predominantly about enabling improved access and escalation to Executive Government decision-making processes.

I believe that a number of errors remain in the report and officers of my Department would be happy to work with your officers to correct these. The most significant relates to table 3A which provides a comparison between budgets for the Melbourne, Glasgow and Gold Coast Commonwealth Games. I believe that the amounts in the table are significantly incorrect and misrepresent the budget to the reader.

My comments in response to the recommendations in your draft report are attached.

I would like to thank you and your officers for their efforts throughout the audit.

If you or your officers require any further information or assistance, please contact Mr Nick Elliott, Assistant Director-General, Commonwealth Games on telephone 3333 5133.

Yours sincerely

Paul Martyn
A/Director-General

Encl

Page 2 of 6

Response to recommendations

APPENDIX

Recommendation 1 A revised governance structure is implemented for the games with single whole-of-Games program delivery accountability and the requisite authority over individual project governance arrangements and includes:

- a program management office with adequate capability, resources and tools for a program the size and complexity of the Games
- independent program assurance to assess efforts periodically and strengthen its program management capabilities.

Audit's recommendation is noted.

It is important to clarify that while I accept that single portfolio level monitoring and reporting to Executive Government is fundamentally important, there are two interrelated governance structures that feed that process:

- The Government created GOLDOC under the *Commonwealth Games Arrangements Act 2011* to plan, organise and deliver the Gold Coast 2018 Commonwealth Games. That legislation provides GOLDOC with the authority to do this and GOLDOC is responsible and accountable for delivery of the event. GOLDOC has program governance to support its work. As almost every aspect of the Games and its related activities are interrelated in some way, GOLDOC is a party to strategic governance that supports portfolio level monitoring and decision making and ultimately Executive Government.

- Government Departments are responsible and accountable for activities in the public domain and for construction of infrastructure to support the delivery of the event. This involves more than one program of work undertaken by a number of Departments. The Office of Commonwealth Games Coordination (OCGC) in my Department coordinates these programs of work and is responsible for portfolio level monitoring and reporting. The OCGC is a party to strategic governance and reports to and supports Executive Government on Commonwealth Games related issues.

The OCGC has been providing portfolio wide reporting of Commonwealth Games progress to Government on a regular basis since 2012. Given the relative lack of complexity in the initial stages of the program, monitoring and reporting has been undertaken through manual processes to date. A new governance structure was agreed across all key Games partners in September 2014 to provide for the increasing complexity of the portfolio and the need to ensure integration of programs across the portfolio. This revised organisational chart is not represented on page 19 of the report. The revised organisational chart better describes the accountability for program delivery and the integration and escalation mechanisms.

It has always been planned as part of the ongoing evolution of the program and increasing complexity of the task that a software tool would be implemented to support portfolio monitoring and reporting at the strategic level of that governance framework.

The department is in the process of recruiting experienced program management staff to undertake portfolio management activities and program management for the OCGC. A fit for purpose program management system is being implemented by GOLDOC and it is proposed to utilise that system to support the portfolio and program management functions within OCGC.

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Response to recommendations

Recommendation 2 It is recommended that the Gold Coast 2018 Commonwealth Games Corporation completes the functional area strategic plans to better inform planning and budget management.

Audit's recommendation is noted.

Recommendation 3 That the Office of Commonwealth Games Coordination refines its current budget to increase its accuracy and confidence by:

- reviewing all cost elements based on current plans, contracts and other known information
- baselining the budget to provide a basis for monitoring and reporting.

Audit's recommendation is supported.

The Office of Commonwealth Games Coordination is working closely with all delivery partners to refine the Games budget. Significant work has already progressed in refining the budget particularly in relation to the Games Village and venue permanent works as the infrastructure program progresses through delivery particularly as detailed design and procurement processes are finalised.

At three and half years before the event not all functional areas involved in the operational delivery of the Games have been activated. This will happen progressively over the next 12 months enabling more detailed planning to occur and through that process the refinement of the budget. It should be noted that most of the operational expenditure associated with delivery of the Games will be incurred in the 2016-17 and 2017-18 financial years. It is not possible for detailed planning and budget analysis to proceed without the relevant expertise in place and to recruit staff earlier than required can consume resources unnecessarily.

A baseline budget has been established and is monitored and reported on regularly to an inter-agency Games Finance Committee, the DTESB executive, Queensland Treasury and Trade and the Commonwealth Games Federation Coordination Commission. Individual agencies within the program also monitor and report on their allocation of the Games budget within their existing internal governance processes.

This baseline budget has been allocated in accordance with the agreed roles and responsibilities across the partnership and there is clear line of sight of budget accountability.

Recommendation 4 That the Office of Commonwealth Games Coordination implements or enhances the existing budget system to:

- capture and record all games costs and contingency movements
- include adequate environment and application-based controls over data integrity, integration, change control, multi-user access and size restrictions.

Audit's recommendation is noted.

The department is confident that all relevant Games costs are being captured for budget purposes. Games related costs being met from other budgets (for instance operational support provided by Australian Government agencies) will also be captured and reported in an audited Special Purpose Financial Report to be produced after the Games in 2018. This process is similar to what has occurred for the Melbourne 2006 and Glasgow 2014 Games

Page 4 of 6

Response to recommendations

The department notes that audit has sought clarity on the accounting treatment for the transfer of land with respect to the Commonwealth Games Village and the State's agreement with the Gold Coast City Council. The accounting treatment for these transactions will be determined as the transactions progress.

The OCGC utilises spreadsheets for maintaining the overall consolidation of the whole-of-Games budget. Information in the spreadsheets is drawn from fully auditable and controlled fit for purpose accounting systems utilised by the range of Games Partners. DTESB has in place a comprehensive budget system designed to support the broader agency. This system is used to manage OCGC lead functions and feeds into, but does not serve as the tool to consolidate the games budget across multiple agencies. A similar process has been used for past Games.

The whole-of-Games budget maintained by the Office of Commonwealth Games Coordination is regularly reconciled to the Treasury whole-of-Government master budget system Tridata.

A rigorous process has been established to determine allocations from the Games operational contingency. Costs and movements of contingency are subject to approval only after all other options are exhausted and are monitored and recorded at a detailed level.

The Office of Commonwealth Games Coordination will continue to refine processes, systems and controls as planning progresses.

Recommendation 5 **That the Office of Commonwealth Games Coordination completes its legacy evaluation framework and includes measures, targets, time frames and baseline data to evaluate realisation of legacy benefits.**

Audit's recommendation is supported.

The Government released its strategy for achieving a positive legacy from the Gold Coast 2018 Commonwealth Games, Embracing 2018, in January 2014. This strategy establishes Government's objectives for the event, factors for a successfully legacy and key priorities to achieve these. The strategy is supported by an annual action plan of projects aligned to the strategic objectives of Embracing 2018.

Relative to other recent major sporting events, this legacy strategy has been developed early and has set Queensland on a strong course to maximise the benefits of the 2018 Commonwealth Games.

Games legacy and the formal evaluation of the impact of mega sporting events is an evolving area of academic research. In order to achieve a positive legacy from hosting a mega sports event, actions need to be well planned, deliberate and the impacts measured.

The Office of Commonwealth Games Coordination has developed an Evaluation and Monitoring framework in consultation with the tertiary sector, Australian Bureau of Statistics and the Queensland Government statistician in order to monitor and evaluate the impacts of hosting the Games. The framework is consistent with the Queensland Program Evaluation Guidelines and is currently being considered by government. The framework includes the elements identified in audit's recommendation.

An important element of the evaluation and monitoring framework is the establishment of a data baseline in order to allow progress to be measured over time. Comparison over time to the baseline will be the key performance measure.

Page 5 of 6

Response to recommendations

While it can be argued that targets assist with the achievement of an outcome they can also create an environment focused on the achievement of a notional figure which may be achieved in a number of ways which may not be sustainable. Principles underpinning legacy are guided by ensuring alignment with strategic objectives of partners to ensure ongoing sustainable growth. The development of legacy initiatives on this basis will ensure lasting benefits, some of which may not be recognised until well after the Games.

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Auditor-General response

Your ref: Dr R Eden
Our ref: 2014-9114P
Mr D Brown 3149 6080

QAO
Queensland Audit Office

10 December 2014

Dr R Eden
Director-General
Department of Tourism, Major Events, Small Business
  and the Commonwealth Games
Level 26
111 George Street
CITY EAST QLD 4002

Dear Dr Eden

Performance audit on preparedness for the Commonwealth Games 2018

Thank you for your letter of 3 December 2014 in relation to the performance audit on preparedness for the Commonwealth Games 2018.

With regard to the process followed to finalise this report and seek your comments, you observe that we compressed our standard reporting process, electing instead to comply with the minimum statutory requirements set out in the Audit Act.

As we discussed at our meeting on 10 December 2014, part of the reason for this was that we are auditing an ongoing process and, as a result, earlier versions of the report which were intended to be issued quickly became out of date. This was particularly the case when we were requested by agencies, including your own department, to refrain from issuing reports in the lead up to, during and immediately post the Glasgow Commonwealth Games, which were run from 23 July 2014 to 3 August 2014. I refrained from issuing a preliminary report of my findings at that time based on representations from your nominated liaison officer, and those from other relevant agencies, that it would be distracting and impossible to effectively respond to the audit during this period.

As the report content was being continually updated to take account of emerging issues, we then took the view in this case that it would be best to issue a single report for comment with the facts agreed at a single point of time. To issue a series of drafts would have been inefficient as matters were overtaken by subsequent events.

The clear case in point is the procurement contract for the Games Village, which status was unclear until after my proposed report was issued, and which at times faced the real risk that satisfactory financial close would not be achieved. As it stands, given that this matter was resolved close to the tabling date of this report we have not been able to consider the financial impact on the cost of the Games of the financial close reached with the Village proponent.

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Auditor-General response

As also discussed at our most recent meeting, I do not agree with your general assertion that there are errors in the report. This general claim has been made also by the chief executive officer of GOLDOC in his response of 4 December 2014.

Rather, because the report is a synthesis of divergent views among key players about facts at particular points of time; I observe that in some cases we found that each party's perceptions of what the facts were or are, were divergent. The governance arrangements set out in Figure 2A are a case in point, where we observe an apparent difference of opinion between the department and GOLDOC about these arrangements.

You make specific reference to amounts contained in Figure 3A of my report, claiming they are incorrect. The amounts are based on figures provided by your department and in my view provide the most accurate comparison possible between the Melbourne, Glasgow and Gold Coast Commonwealth Games, taking into account the differing nature of the three Games.

I acknowledge that there are differing views and would add, some confusion, as to what items of expenditure in particular were intended to make up the cost for each budget line item. This to a considerable extent is a direct result of the high level, top-down budget currently in place for the Gold Coast Games. As you are aware I have recommended budget reviews to develop a more detailed zero-based budget, which would aid in establishing better like for like comparisons.

In the interest of openness and transparency I have included this letter in my report to Parliament.

Yours sincerely

Andrew Greaves
Auditor-General

2

Comments received from Director-General, Department of State Development, Infrastructure and Planning

E-MAILED

RECEIVED
- 5 DEC 2014
QUEENSLAND
AUDIT
OFFICE

Queensland
Government

Department of
**State Development,
Infrastructure and Planning**

Our ref: DGC14/1734

Your ref: 2014-9114P
Mr D Brown 3149 6080

- 4 DEC 2014

Mr Andrew Greaves
Auditor-General
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Dear Mr Greaves

Thank you for your letter of 10 November 2014 regarding the performance audit on preparedness for the Gold Coast 2018 Commonwealth Games (the Games).

I acknowledge receipt of the proposed report from Queensland Audit Office, which is to be tabled in Parliament, as well as the acquittal of issues and queries raised by staff from the Department of State Development, Infrastructure and Planning (DSDIP), in response to the preliminary draft.

DSDIP will continue to work closely with the other government agencies to implement recommendations where required.

In relation to the commentary regarding the Games infrastructure programs (village and venues) which DSDIP is delivering, I am pleased to confirm the infrastructure is currently on track for completion in accordance with the agreed timeframes prior to the Games in April 2018.

All venue permanent works are currently on schedule, to be completed by April 2017, and it is important to note the three major new venues are on track to be completed in mid 2016, approximately a year and a half prior to the Games. Significantly improved venue legacy outcomes have also been achieved through the conversion of temporary to permanent venues within original budget constraints.

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Comments received from Director-General, Department of State Development, Infrastructure and Planning

Financial close for the village has been reached and the village design and construction program remains on schedule, with the developer's works currently on track to be completed in October 2017. There are also some inconsistencies in the report regarding financial comparisons between the village budget composition and escalation, as discussed with your officers.

We look forward to continuing working with you over the coming years as the planning and delivery of the Games infrastructure continues.

If you require any further information, please contact Kerry Petersen, Executive Director, Major Projects Office, Department of State Development, Infrastructure and Planning, on 3452 7891 or kerry.petersen@dsdip.qld.gov.au, who will be pleased to assist.

Yours sincerely

David Edwards
Director-General

Page 2 of 2

Comments received from Chief Executive Officer, Gold Coast 2018 Commonwealth Games Corporation

Reference: MP/JM

04 December 2014

Mr A Greaves
Auditor General
Queensland Audit Office
PO Box 15396
City East QLD 4002

Dear Mr Greaves

Performance Audit Report

Reference is made to the Performance Audit Report produced by the Queensland Audit Office on preparedness of the Gold Coast 2018 Commonwealth Games (GC2018) received on the evening of 28 November 2014. It is noted that this is a re-issued report and I thank you for the opportunity to comment.

It was unfortunate that you were unable to meet with Dr Richard Eden, Director-General Department of Tourism, Major Events, Small Business and the Commonwealth Games and myself last week but I look forward to the opportunity in the near future to discuss the report.

The report identifies that preparations for GC2018 are progressing well and are being well managed. The report still contains a number of observations and statements which are incorrect and could be misinterpreted without the full background or context being understood. Discussions have been ongoing with your office to provide clarification on relevant points.

The Gold Coast 2018 Commonwealth Games Corporation (GOLDOC) and its delivery partners have made significant progress in the planning phase to date which compares favourably against the past four Commonwealth Games at this stage of planning. This was reflected by the Commonwealth Games Federation Coordination Commission (CoCom) review in October 2014. This six-monthly review by the international body on all aspects of the delivery of GC2018 involves world experts reviewing all planning and operational progress and governance arrangements. Although you have had representatives at the last two CoCom reviews which have been very complimentary and supportive there is little mention of the CoCom outcomes within the audit report which would support the appropriateness of planning at this stage of the project. GOLDOC fully appreciates that the next six months are a critical period as the focus moves to more detailed planning. GOLDOC is well positioned to transition to this next period.

GOLDOC believes that the basis for a number of the observations do not correctly reflect the full governance arrangements that are in place at this stage of planning to support the delivery of the Games. In addition, there appears to be a misunderstanding of the structure of the whole of Games delivery, for example, the full extent of the GOLDOC governance arrangements and the various working groups that provide cross agency integration. GOLDOC has continued to work with your office to provide clarifications to allow a better understanding of the planning

1

Comments received from Chief Executive Officer, Gold Coast 2018 Commonwealth Games Corporation

processes for a complex world event and will continue to do so to enable the proper representations to be reflected.

In addition to the above comments, we have addressed some specific themes where we believe it is useful for further context to be provided. These comments are based on the draft report issued to GOLDOC as at 28 November 2014, as part of the statutory review period. Subsequent discussions between our respective officers might have clarified some of these points and as such the final Report might have addressed these and reflect a different analysis.

GOLDOC's comments in response to the recommendations in the Report are separately attached.

Budget

As noted within the Report, the process of bidding for GC2018 specifically requires the budgets to be presented exclusive of escalation. The escalated budget was always factored into the long term budgets of GC2018 and therefore it is misleading to suggest that escalation is an additional cost to the State. The only cost increase, not anticipated at the time of bidding for the budget, is in relation to the delivery of the Village. However, the delivery model was adopted to provide the most appropriate solution to meet the holistic requirements of GC2018 and the State.

The current budget and management process was independently reviewed in the third quarter of 2013 by a Commonwealth Games finance expert recommended by the Commonwealth Games Federation (CGF) who confirmed that the budget framework in place by GOLDOC was appropriate. Specific recommendations made in the review were implemented. In early 2014 cash flow adjustments based on discussions with Glasgow 2014 were actioned.

The development of the budget is an ongoing and iterative process. Incorporated in GOLDOC's plans for 2015 is the validation of the budget at a detailed level which is intended to underpin the subsequent phases of Games planning. This activity can only be properly undertaken once a base level of planning has been undertaken and is informed by the final Glasgow 2014 budget summary due by the end of December 2014.

Accordingly, the management and evolution of the budget remains consistent with GOLDOC's overarching timelines and planning framework.

Program Management

The Report recognises that all GC2018 delivery partners are working collaboratively to date and are on track or ahead of schedule when compared to other recent successfully delivered Commonwealth Games. It also identifies that the Commonwealth Games is a large and complex project that requires appropriate levels of planning, program management and reporting.

We also note the Report finds that all individual projects, including those of GOLDOC, are being well managed and the recognition that GOLDOC has adequate program management to support its responsibility in delivering the event and GC2018 operations.

However, the Report does contain some subjective statements on the status of program management across the partners which we believe is worth clarifying.

2

Comments received from Chief Executive Officer, Gold Coast 2018 Commonwealth Games Corporation

The CGF provide a suite of Commonwealth Games Manuals to direct and guide GOLDOC in the contractual and organisational obligations of various functional areas. The project management manual outlines specific obligations and roles and requirements for project management within GOLDOC. Central to the project management responsibility is the establishment of a roadmap and the master schedule and to work closely with all functional areas to plan and identify activities to deliver their obligations within the master schedule.

GOLDOC has established a planning framework in accordance with the CGF requirements via the development of the GC2018 roadmap, master schedule and the functional area planning framework which are all aligned and guided by the overall Games planning process. The CGF and its technical advisers monitor GOLDOC's progress in this area and have been impressed with the progress and approach which has been implemented to date.

The capability of the underlying project management function within GOLDOC is considered appropriate at this stage of planning, as also validated by the most recent CoCom review. However, GOLDOC fully recognises - and has plans in place - to evolve both the capability and toolset to support the program management function and wider GC2018 organisation as plans progress and the complexity of the program increases, including an introduction of a key software system into the business in Q1 of 2015.

It is inaccurate to suggest - and reflects a misunderstanding of the context of the master plan - that there is reliance solely on the master plan to manage GC2018 progress. The master plan is just one of a number of tools used by the delivery partners in the monitoring and tracking of progress.

The Report also suggests that organisers do not fully understand the effects of any of the milestones that have slipped. This is not an accurate statement as there is full appreciation of any instances of program slippage, and GOLDOC is confident there has not been any delay that will have any material impact on the delivery of GC2018. GOLDOC is working with OCGC on a seamless program management process to ensure a 'single point of truth' remains as the GC2018 planning and delivery accelerates.

Contrary to the Report's suggestion, GOLDOC will not be winding down prior to the finish of the GC2018. In accordance with the Commonwealth Games Arrangement Act (CGAA), GOLDOC dissolution will occur up to 18 months after the closing ceremony. Although staff numbers will dramatically reduce immediately post GC2018, the dissolution process is crucial to GOLDOC. During this time there are a range of post GC2018 activities in the Host City Contract which GOLDOC must fulfil to meet various commitments and obligations to the CGF and Government and the program management function will play an important role in coordinating post GC2018 reporting.

Functional Area Planning

The Report makes a number of observations in regards to the development of functional area strategic plans. Generally these are positive, however, some observations are taken from specific historical documentation that does not take into account the full extent of planning for this function, nor recognise the fluid nature of Games planning. Initial high level estimates were identified in terms of the timing and approach to this exercise and these informed the planning approach. For a number of functional areas it subsequently made sense to readjust the timing for strategic plan development to ensure they were aligned to the commencement of FA leads or

3

Comments received from Chief Executive Officer, Gold Coast 2018 Commonwealth Games Corporation

GOLDOC was in a better position to make informed planning decisions. GOLDOC and its delivery partners are focused on this functional area planning which is better informed by the Glasgow 2014 debrief workshops conducted in October 2014, the week prior to the CoCom review.

GOLDOC is well progressed in the development of its functional area strategic plans and fully intends to complete these plans to inform the next stages in our planning cycle. Updates to the functional area planning process during the past 6 months have been acknowledged by the CGF to address the capture of the learnings from Glasgow 2014, and the GOLDOC board has been kept updated.

As such, GOLDOC does not agree that the development of the functional area strategic plans is behind schedule. They continue to be delivered within the overall framework GOLDOC established without any impact to subsequent planning processes.

Governance

The Games governance structure included in the Report (table 3A) does not accurately reflect the structure that is in place and working well to support the delivery of GC2018. It is also important to recognise the sub-committees that support the GOLDOC board and the cross agency representation on the various working groups.

It is not correct to suggest that the GOLDOC Board does not receive a progress report across all projects, or prioritised risk areas. Certainly it would not be practical to report on all projects to the Board, and as such key projects and activities are actively reported to the Board directly or through the Board's sub-committees. The GOLDOC Board and Finance and Audit committees also regularly receive strategic risk reports that highlight emerging risks.

On behalf of GOLDOC, I would like to thank the Queensland Audit Office for their attention to this process throughout the audit.

If you or your officers require any further information or assistance, please do not hesitate to contact me.

Yours sincerely

Mark Peters
Chief Executive Officer

4

Response to recommendations

Attachment

GOLDOC Response to Recommendations

Recommendation 1 - A revised governance structure is implemented for the Games with single whole-of-Games program delivery accountability and the requisite authority over individual project governance arrangements and includes:

- A program management office with adequate capability, resources and tools for a programme the size and complexity of the Games
- Independent program assurance to assess efforts periodically and strengthen its program management capabilities.

The recommendation is noted.

History from previous events of this magnitude indicates that overarching governance arrangements need to evolve over time to reflect the different stages of event delivery to address changing focus and priorities. Given this, the evolution of the governance structure has already been considered by the key agencies involved in the delivery of the Games with further proposals under development.

Given the nature of an event such as the Commonwealth Games, GOLDOC does not believe that a single 'whole-of-Games' project management approach with centralised accountability and authority of individual project governance arrangements is appropriate.

To support the holistic needs of GC2018, GOLDOC believes there are two distinct areas of governance which are necessary, both of which are already in place:

1) Delivery of the Games: GOLDOC has the responsibility of staging the 2018 Commonwealth Games. As noted in the report, this is multifaceted with a range of external dependencies. Existing high level governance arrangements include the:

- GOLDOC Board

- Sub-committees of the GOLDOC Board (including: Sport and Technical Committee, Joint Marketing Committee, Finance and Audit Committee)

- CGF Coordination Commission (CoCom) and Technical Review processes

The above are supported by further levels of internal governance and a program management office providing cross-functional support within GOLDOC. Plans are already established to continue to build the capability, resources and tools of the GOLDOC program management office to meet the growing complexity and project size. This will also be supported by measures to provide assurance that the project management capabilities remain applicable. Furthermore, the CGF has an officer embedded within the GOLDOC team – which provides both project management and compliance support.

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Response to recommendations

2) Whole-of-Government Programs: There are a number of programs which have been, or will be, implemented to support the delivery and staging of the Games. However, in many cases, the successful delivery of the Games is not dependent on these programs, but they are important to support many key objectives of the State in hosting the Games. OCGC have overall responsibility for the coordination of these programs.

GOLDOC and delivery partners already work closely with OCGC to provide government with 6 monthly whole-of-Games progress reports and a public facing "Ahead of the Games" progress summary.

Furthermore, the Governance model currently in operation (not the model reflected within the report, which is incorrect) has been acknowledged by the CGF at the last CoCom, along with the GOLDOC Board and OCGC.

A refined governance arrangement has been proposed to Government, which predominately is recommending improved access and escalation to executive Government decision-making processes for the Commonwealth Games. This would provide a single point of authority to resolve issues that are otherwise unable to be resolved between the delivery partners represented in the Partners Forum which we believe will fundamentally achieve the recommendation outcome sought. However, this should not require the establishment of a 'centralised' program management office – it would be supported and informed by the governance arrangements and project management offices supporting the above two elements, along with an appropriate reporting framework.

It is also important to note that the current model reflects similar structures established by previous successful Commonwealth Games, namely Melbourne 2006 and Glasgow 2014.

Recommendation 2 - It is recommended that the Gold Coast 2018 Commonwealth Games Corporation completes the functional area strategic plans to better inform planning and budget management.

The recommendation is supported.

GOLDOC is well progressed in the development of its functional area strategic plans and fully intends to complete these to inform the next stages in our planning cycle.

It is disappointing that in the report commentary reference is made to historical points in time and does not recognise the fluid nature of Games planning. Updates to the functional area planning process during the past 6 months have been acknowledged by the CGF to address the capture of the learnings from Glasgow 2014. The QAO was represented at the October 2014 CoCom review and received all the review papers. The CoCom chair in the press release and conference following the review confirmed that impressive progress has been made over the twelve months since the previous CoCom review.

The CoCom also recognised that the next 6 months are critical when the very detailed operational planning work must be accelerated. This remains consistent with GOLDOC's plans for the first half of 2015.

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Response to recommendations

Amongst other matters, the CoCom at its May 2015 meeting is expected to focus on the FA operational planning and budget construct leading into the GOLDOC model venue planning process, a key planning exercise, scheduled to be undertaken in late 2015.

GOLDOC and its delivery partners are focused on this functional area planning and associated budget processes which are better informed by the Glasgow 2014 debrief workshops conducted in October 2014, the week prior to the CoCom review.

Recommendation 3 - That the Office of Commonwealth Games Coordination refines its current budget to increase its accuracy and confidence by:

* Reviewing all cost elements based on current plans, contracts and other known information
* Baselining the budget to provide a basis for monitoring and reporting.

The recommendation is noted.

Recommendation 4 - That the Office of Commonwealth Games Coordination implements or enhances the existing budget system to:

* Capture and record all games costs and contingency movements
* Include adequate environment and application-based controls over data integrity, integration, change control, multi-user access and size restrictions.

The recommendation is noted.

Recommendation 5 - That the Office of Commonwealth Games Coordination completes its legacy evaluation framework and includes measures, targets, time frames and baseline data to evaluate realisation of legacy benefits.

The recommendation is noted.

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Comments received from Chief Executive Officer, Council of the City of Gold Coast

Date: 3 December 2014
Contact: Grant Mather
Location: Waterside West Office
Telephone: (07) 5581 6949
Your reference: 2014-9114P
Our reference: FN342/341/15(P1) #46561178

CITY OF
GOLDCOAST.

RECEIVED
– 5 DEC 2014
QUEENSLAND
AUDIT
OFFICE

Mr Andrew Greaves
Auditor-General
Queensland Audit Office
PO Box 15396
CITY EAST QLD   4002

Dear Mr Greaves

Proposed report on performance audit on preparedness for the Gold Coast 2018 Commonwealth Games

Thank you for the opportunity to comment on the abovementioned performance audit report received from your office dated 10 November 2014, and the subsequent revised version provided on 28 November 2014.

Your report highlights a range of matters relating to the strategic planning phase, many of which have been acknowledged and discussed internally through our existing governance and risk management activities to date.

Whilst it is noted that the report makes no specific recommendations of the City of Gold Coast, we are nevertheless supportive of the broad recommendations designed to improve the potential for successful delivery of the complex, multi-agency planning and delivery program.

In particular, the City of Gold Coast supports the need for further refinement of the legacy strategy and evaluation framework to ensure agency responsibilities are clearly defined and the extensive legacy benefits to the Gold Coast and Queensland are well planned and ultimately realised for the benefit of the community.

The recommendations to strengthen program management, planning, governance and accountability mechanisms, including single program delivery accountability and authority are reflective of the complexities of such an undertaking.

I understand that feedback provided to Mr Darren Brown via email on 3 December 2014 in relation to inaccurate references to the City's GC2018 contributions in the revised report, will be reflected in the final report.

The City of Gold Coast is well placed to work with the Games partners to enhance the program management, governance and legacy planning elements of the program as we move from the strategic planning to the operation planning phase in 2015 and 2016.

Yours sincerely

Dale Dickson PSM
Chief Executive Officer
Council of the City of Gold Coast

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Appendix B—Audit details

Audit objective

The objective of the audit was to determine whether the Gold Coast 2018 Commonwealth Games (the Games) is on track to be delivered on budget and on time.

The audit examined whether:
- the full cost of the Games is being captured and managed—with a focus on how these costs related to the approved budget
- progress for delivering the Games is on track—with an emphasis on Games infrastructure, given the longer lead times for capital acquisitions and their relatively large costs as a proportion of the total costs
- governance and program management arrangements are appropriate to deliver the Games—with a focus on clarity of roles and responsibilities of the various partners and on project and program management.

Reason for the audit

The Council of the City of Gold Coast will host the Games between 4–15 April 2018, with additional competition venues in Brisbane, Townsville and Cairns.

The bid estimated the full cost of the Games to the Queensland Government would be AUD $1.972 billion. Approximately $0.907 billion was allocated for capital expenditure and approximately $1.065 billion for operating expenditure. The total revenue was estimated to be $0.863 billion. The net cost to the state therefore was estimated to be $1.109 billion.

The Queensland Government expects to generate up to AUD $2 billion in economic benefits, including up to 30 000 full time equivalent jobs created over five years.

Hosting the Games involves extensive construction and redevelopment of major infrastructure and operations expenditure. The Games represents one of the most significant Queensland Government procurement programs for the next five years.

Strong governance and delivery structures are needed, given the multiplicity of organisations and groups involved in the Games and to meet the challenge of delivering the Games against an immovable deadline and within budget.

It is prudent at this early planning phase of the Games to investigate whether:
- the budget and planning are realistic
- the expenditure is captured, monitored and within budget
- progress is on track
- appropriate project management and governance are in place.

Performance audit approach

We conducted the audit between January and early November 2014 and included agencies responsible for planning and delivering the Games. We interviewed staff at the relevant agencies; analysed key documents, including the Games master schedule, roadmap and the Commonwealth Games Federation (CGF) manual; and analysed the whole-of-Games budget and costs to date.

We conducted the audit in accordance with the *Auditor-General of Queensland Auditing Standards—September 2012*, which incorporate the requirements of standards issued by the Australian Auditing and Assurance Standards Board. The audit did not include the technical aspect of Commonwealth Games preparation covered in the detailed technical reviews conducted by the CGF Coordination Commission.

Appendix C—Functional areas

All functional area plans are broadly scheduled for completion by the end of December 2014. The functional areas are listed in Figure C1; Figure C2 provides more detail on the initial interim due dates GOLDOC set for itself for each functional area requiring a plan.

Figure C1
41 functional areas

Functional areas	
Accommodation	Image and look
Accreditation	Marketing
Arts festivals and cultural program	Medical
Brand management	Office management
Broadcasting	Press
Catering	Procurement
Ceremonies	Program management
City operations	Public relations
Cleaning and waste management	Queen's baton relay
Command, coordination and communication	Security
Doping control	Special events
Environment	Spectator services
Executive office division	Sponsorship
Financial management	Sport
Financial planning	Technology
Games family services	Ticketing
Games overlay and venue development	Transport
Legacy	Venue operations
Legal	Village operations
Licensing	Workforce
Logistics	

Source: Queensland Audit Office adapted from the Games status report for the CGF Coordination Commission, Appendix E, November 2013, Gold Coast 2018 Commonwealth Games Corporation

Figure C2
Schedule for completing 40 functional area strategic plans and operational plans

Strategic plan for functional area	Original due date for approval as at Nov 2012 (roadmap v1)	Due date for approval as at Oct 2013 (roadmap v2)	Due date for approval as per GOLDOC Board meeting, Feb 2014	Status of strategic plan as at Nov 2014
Security*	Mar 2014	Mar 2014	31 Mar 2014	Draft completed and reviewed Aug 2014
Sport*	Jun 2014	Mar 2014	31 Mar 2014	Draft completed and reviewed Aug 2014
Technology*	Sep 2014	Sep 2014	31 Mar 2014	Draft completed and reviewed Aug 2014
Transport*	Mar 2014	Mar 2014	31 Mar 2014	Draft completed and reviewed Aug 2014
Games venue overlay and development*	NA	NA	31 Mar 2014	Draft completed and reviewed Aug 2014
Venue operations*	Aug 2013	NA	31 Mar 2014	Draft completed and reviewed Aug 2014
Workforce*	Apr 2013	Dec 2013	31 Mar 2014	Draft completed and reviewed Aug 2014
Command, coordination and communication*	NA	Dec 2013	30 Jun 2014	Commenced but not yet complete
Accommodation	Sep 2014	Mar 2014	30 Jun 2014	Commenced but not yet complete
Broadcasting*	NA	NA	30 Jun 2014	Commenced but not yet complete
Catering*	NA	NA	30 Jun 2014	Commenced but not yet complete
City operations	Aug 2013	NA	30 Jun 2014	Commenced but not yet complete
Cleaning and waste management*	NA	NA	30 Jun 2014	Commenced but not yet complete
Environment	NA	Apr 2014	30 Jun 2014	Commenced but not yet complete
Financial planning*	Jun 2013	NA	30 Jun 2014	Commenced but not yet complete
Games family services*	NA	NA	30 Jun 2014	Commenced but not yet complete
Legal*	Jun 2013	Jun 2014	30 Jun 2014	Commenced but not yet complete

Strategic plan for functional area	Original due date for approval as at Nov 2012 (roadmap v1)	Due date for approval as at Oct 2013 (roadmap v2)	Due date for approval as per GOLDOC Board meeting, Feb 2014	Status of strategic plan as at Nov 2014
Logistics*	NA	NA	30 Jun 2014	Commenced but not yet complete
Medical	NA	NA	30 Jun 2014	Commenced but not yet complete
Procurement*	NA	NA	30 Jun 2014	Commenced but not yet complete
Press*	NA	NA	30 Jun 2014	Commenced but not yet complete
Queen's baton relay	Jun 2014	Oct 2014	30 Jun 2014	Commenced but not yet complete
Spectator services*	NA	NA	30 Jun 2014	Commenced but not yet complete
Village operations*	Dec 2014	NA	30 Jun 2014	Commenced but not yet complete
Accreditation	NA	Mar 2014	31 Oct 2014	Commenced but not yet complete
Arts festivals and cultural program	NA	March 2014	31 Oct 2014	Commenced but not yet complete
Brand management	Mar 2013	NA	31 Oct 2014	Commenced but not yet complete
Ceremonies	Sep 2014	NA	31 Oct 2014	Commenced but not yet complete
Doping control	NA	NA	31 Oct 2014	Commenced but not yet complete
Financial management	Jun 2013	NA	31 Oct 2014	Commenced but not yet complete
Legacy	NA	Dec 2013	31 Oct 2014	Commenced but not yet complete
Licensing	Mar 2013	NA	31 Oct 2014	Commenced but not yet complete
Image and look	Mar 2013	NA	31 Oct 2014	Commenced but not yet complete
Marketing	Apr 2014	Dec 2013	31 Oct 2014	Commenced but not yet complete
Program management	NA	NA	31 Oct 2014	Commenced but not yet complete

Strategic plan for functional area	Original due date for approval as at Nov 2012 (roadmap v1)	Due date for approval as at Oct 2013 (roadmap v2)	Due date for approval as per GOLDOC Board meeting, Feb 2014	Status of strategic plan as at Nov 2014
Public relations	NA	NA	31 Oct 2014	Commenced but not yet complete
Special events	NA	NA	31 Oct 2014	GOLDOC has decided that a strategic plan is no longer required for this functional area.
Sponsorship	Mar 2013	Sep 2013	31 Oct 2014	Commenced but not yet complete
Ticketing	Nov 2014	Dec 2014	31 Oct 2014	Commenced but not yet complete
Office management	NA	NA	31 Oct 2014	Commenced but not yet complete

* The November 2013 Coordination Commission report identified 19 functional areas that needed acceleration before the Glasgow 2014 Commonwealth Games.

Source: Queensland Audit Office, adapted from Roadmap version 1, Roadmap version 2 and GOLDOC Board Meeting February 2014 Minutes

Appendix D—Venues progress

Figure D1
Progress of venues against venue master delivery program

Venue	Sport	Stage	Status
Carrara Sports and Leisure Centre and precinct works	Badminton and wrestling	Schematic design and approval—due for completion 15/08/2014	Behind schedule: Schematic design report completed and issued on 28/08/2014
		Manage contractor: Expression of interest, tender call and award—due for completion 21/08/2014	Behind schedule: Managing contractor contract stage 1 awarded 02/09/2014
		Construction early works—due to commence 10/11/2014	Behind schedule: Early works now scheduled to commence 21/11/2014 Major Projects Office (MPO) does not anticipate delay will affect final completion date
Carrara Indoor Stadium	Weightlifting	Schematic design and approval—due for completion 15/08/2014	Behind schedule: Schematic design report completed and issued on 28/08/2014
		Manage contractor: Expression of interest, tender call and award—due for completion 21/08/2014	Behind schedule: Managing contractor contract stage 1 awarded 02/09/2014
		Design development and Guaranteed Construction Sum approval—due to commence 18/08/2014	Behind schedule: Design development has commenced MPO does not anticipate delay will affect final completion date
Carrara Stadium	Athletics and athletics warm up track	Schematic design and approval (legacy works)—due for completion 15/08/2014	Behind schedule: Schematic design report completed and issued on 17/09/2014
		Design, documentation and approval (legacy works)—due to commence 18/08/2014	Behind schedule: Commenced late— 17/09/2014

Venue	Sport	Stage	Status
Coomera Sports and Leisure Centre	Gymnastics and netball	Managing contractor—Expression of interest, tender call and award—due for completion 14/08/2014	Behind schedule: Managing contractor contract stage 1 awarded 02/09/2014
		Construction early works—due to commence 25/09/2014	Behind schedule
Queensland State Velodrome	Track cycling	Managing contractor—Expression of interest, tender call and award—due for completion 6/08/2014	Behind schedule: Managing contractor contract stage 1 awarded 14/08/2014
		Construction early works—due to commence 22/09/2014	Behind schedule: Now due to commence late October 2014 MPO does not anticipate delay will affect final completion date
Gold Coast Hockey Centre	Hockey	Concept development and schematic design—due for completion 31/10/2014	On track: Report completed and issued 30/06/2014, design options and estimates being explored
Gold Coast Convention and Exhibition Centre		Concept development—due for completion 12/09/2014	On track: Concept development stage completed on time
Robina Stadium		Scope development—due for completion 12/09/2014	On track: Scope development stage completed on time
Cairns Convention and Exhibition Centre		Scope development—due for completion 12/09/2014	On track: Scope development stage completed on time
Townsville Entertainment and Convention Centre		Scope development—due for completion 12/09/2014	On track: Scope development stage completed on time
Broadbeach Bowls Club	Lawn bowls	Concept and brief development—due for completion 11/04/2014	Behind schedule: Final scope to be agreed with club executives Oct 2014

Venue	Sport	Stage	Status
Belmont Shooting Centre	Shooting	Master plan, brief development and schematic design—due to commence 6/06/2014	Behind schedule: Design tender now due to be awarded 17/10/2014 with master plan, brief development and schematic design to follow As this is a staged construction project, MPO does not anticipate delay will affect final completion date
Gold Coast Aquatic Centre	Swimming and diving	Construction complete	Permanent works completed according to schedule June 2014

Source: Queensland Audit Office adapted from DSDIP Venue Master Delivery Program V5.

Appendix E—Venues budget changes

Figure E1
Venues budget changes

Venue name	Purpose	Bid book $ 2011	Indexation	Indexed budget Nominal	Revised budget Nominal	$ Variance Nominal	% Variance Nominal
		$ million					
				Permanent works			
Gold Coast Convention and Exhibition Centre	Netball	0.500	0.170	0.670	0.804	0.134	20.0%
Gold Coast Convention and Exhibition Centre	IBC/MPC	1.500	0.510	2.010	0.812	-1.198	-59.6%
Robina Stadium	Rugby 7s	0.500	0.170	0.670	0.804	0.134	20.0%
Cairns Convention Centre	Basketball	0.000	0.000	0.000	0.800	0.800	n/a
Townsville Entertainment and Convention Centre	Basketball	0.000	0.000	0.000	0.800	0.800	n/a
Carrara Stadium	Athletics	27.500	5.347	32.847	0.000	-32.847	-100.0%
Carrara Precinct works	Precinct works	0.000	0.000	0.000	35.974	35.974	n/a
Carrara Stadium	Stadium works	0.000	0.000	0.000	7.127	7.127	n/a
Broadbeach Bowls Club	Lawn Bowls	1.800	0.284	2.084	2.735	0.651	31.2%
Belmont Shooting Centre	Shooting	8.199	2.048	10.247	13.950	3.703	36.1%
Gold Coast Aquatic Centre	Aquatics	33.000	5.390	38.390	41.391	3.001	7.8%
Gold Coast Hockey Centre	Hockey	7.905	2.184	10.089	16.742	6.653	65.9%
Runaway Bay Sports Centre	Squash	7.800	1.565	9.365	12.293	2.928	31.3%
Carrara Athletics Centre	Athletics warm Up	5.046	1.426	6.472	7.692	1.220	18.9%
Carrara Sports and Leisure Centre	Badminton	26.100	4.872	30.972	41.697	10.725	34.6%

		$ million					
Venue name	**Purpose**	**Bid book $ 2011**	**Indexation**	**Indexed budget** Nominal	**Revised budget** Nominal	**$ Variance** Nominal	**% Variance** Nominal
Hinze Dam	Mountain biking	2.000	0.431	2.431	3.191	0.760	31.3%
Queensland State Velodrome	Track cycling	34.900	7.237	42.137	57.809	15.672	37.2%
Coomera Sport and Leisure Centre	Wrestling	14.200	3.081	17.281	0.000	-17.281	-100.0%
Carrara Sports and Leisure Centre	Wrestling	0.000	0.000	0.000	23.707	23.707	n/a
Oxenford Studios	Boxing/ Table tennis	2.200	0.748	2.948	0.538	-2.410	-81.8%
Southport Broadwater/Parklands	Triathlon/ Marathon/ Walks	0.000	0.000	0.000	0.000	0.000	n/a
Southport Broadwater/Parklands	Road Cycling	0.000	0.000	0.000	0.000	0.000	n/a
Gold Coast Sports Arena	Gymnastics/ Basketball Finals	22.100	7.516	29.616	0.000	-29.616	-100.0%
Coomera Sport and Leisure Centre	Gymnastics/ Basketball finals	0.000	0.000	0.000	39.873	39.873	n/a
Runaway Bay Sports Centre	Weightlifting	1.000	0.340	1.340	0.000	-1.340	-100.0%
Carrara Indoor Stadium	Weightlifting	0.000	0.000	0.000	8.000	8.000	n/a
Carrara Southern Precinct		0.000	0.000	0.000	6.000	6.000	n/a
Training/ QPS Deployment Centre/ Para/ Legacy/ Public Domain		0.000	0.000	0.000	11.507	11.507	n/a
Ecological Sustainable Development (ESD) Initiatives		15.000	3.710	18.710	0.000	-18.710	-100.0%
Program costs		0.000	0.000	0.000	0.036	0.036	n/a
Contingency		39.760	9.408	49.168	4.735	-44.433	-90.4%

		Bid book $ 2011		Indexed budget	Revised budget	$ Variance	% Variance
Venue name	Purpose		Indexation	Nominal	Nominal	Nominal	Nominal
Total venue capital budget		251.01	56.44	307.45	339.02	31.570	10.3%
		Venue overlay					
Belmont Shooting Centre		2.700	0.524	3.224	3.224	0.000	0.0%
Broadbeach Bowls Club		2.500	0.485	2.985	2.985	0.000	0.0%
Cairns Convention and Exhibition Centre		1.700	0.330	2.030	2.030	0.000	0.0%
Carrara Indoor Stadium		8.500	1.649	10.149	6.049	-4.100	-40.4%
Carrara Sports and Leisure Centre and Precinct works		5.100	0.990	6.090	6.089	-0.001	-0.0%
Carrara Stadium		21.130	4.101	25.231	25.231	0.000	0.0%
Coomera Sports and Leisure Centre		10.090	1.958	12.048	12.047	-0.001	-0.0%
Elanora/Currumbin Valley		0.400	0.078	0.478	0.478	0.000	0.0%
Gold Coast Aquatic Centre		5.900	1.145	7.045	7.045	0.000	0.0%
Gold Coast Convention and Exhibition Centre		6.800	1.319	8.119	8.119	0.000	0.0%
Gold Coast Hockey Centre		2.500	0.485	2.985	2.985	0.000	0.0%
Mountain Biking Trails Nerang National Park		1.100	0.213	1.313	1.313	0.000	0.0%
Oxenford Studios		6.100	1.184	7.284	7.284	0.000	0.0%
Queensland State Velodrome		8.150	1.582	9.732	9.732	0.000	0.0%
Robina Stadium		0.750	0.146	0.896	0.896	0.000	0.0%
Runaway Bay Sports Centre—Squash		3.100	0.602	3.702	3.702	0.000	0.0%

Venue name	Purpose	Bid book $ 2011		Indexed budget	Revised budget	$ Variance	% Variance
				$ million			
			Indexation	Nominal	Nominal	Nominal	Nominal
Southport Broadwater Parklands		1.300	0.252	1.552	1.552	0.000	0.0%
Townsville Entertainment and Convention Centre		1.600	0.310	1.910	1.910	0.000	0.0%
Training/QPS Deployment/Para/Leg acy/Public Domain		27.500	5.336	32.836	19.179	-13.657	-41.6%
Contingency		23.384	4.538	27.922	27.102	-0.820	-2.9%
Total venue overlay budget		**140.304**	**27.227**	**167.53**	**148.95**	**-18.579**	**-11.1%**

Source: Queensland Audit Office

Auditor-General Reports to Parliament

Reports tabled in 2014–15

Number	Title	Date tabled in Legislative Assembly
1.	Results of audit: Internal control systems	July 2014
2.	Hospital infrastructure projects	October 2014
3.	Emergency department performance reporting	October 2014
4.	Results of audit: State public sector entities for 2013–14	November 2014
5.	Results of audit: Hospital and Health Service entities 2013–14	November 2014
6.	Results of audit: Public non-financial corporations	November 2014
7.	Results of audit: Queensland state government financial statements 2013–14	December 2014
8.	Traveltrain renewal: Sunlander 14	December 2014
9.	2018 Commonwealth Games progress	December 2014

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