LETTER FROM LIZ HUNTER, DIRECTOR OF EQUALITIES, SOCIAL INCLUSION AND SPORT TO THE CLERK TO THE PUBLIC AUDIT COMMITTEE, 6 MAY 2010.

My letter of 22 February indicated that I would provide a further response to you when two pieces of outstanding information requested by the Committee became available. Once again I am writing on behalf of all the Games delivery partners and am pleased to include the information you requested with this letter. You have requested this information in time to circulate to members in advance of the next meeting of the Committee. The information contained in this letter and in the Business Plan is not in the public domain at this stage. I would be grateful if you and the Committee members would respect the confidentiality of these papers until the Business Plan is published by the Organising Committee on 20 May.

The draft Business Plan of the Organising Committee for 2010/11 was considered by the Glasgow 2014 Strategic Group when it met on 29 March. The Plan has since been finalised and will be forwarded to the Commonwealth Games Federation and placed on the Organising Committee’s website on 20 May. The Plan sets out what the Organising Committee intend to deliver in the coming year and the resources that will be used to achieve this. As the Chief Executive states in his introduction, 2010/11 will be a year when the pace of our preparations picks up rapidly. The handover of the Flag of the Commonwealth Games Federation from Delhi to Glasgow during the XIX Commonwealth Games this autumn will mark a significant moment for us, with Glasgow and Scotland formally taking up the status as hosts. Our planning to ensure that the Delhi handover is a successful launch-pad for the next 4 years, and that we maximise the learning to be gained from the preceding Games, will feature strongly over the next 6 months. The Business Plan contains a lot more detail around individual functional areas.

At the evidence session on 27 January, the Committee expressed an interest in the spend profile of the Games Budget. The work to calculate when the planned expenditure will occur over the period to 2014/15 was started by the Organising Committee after the Games budget announcement last November and has now been completed. The resultant expenditure profile is included in the 2010/11 Business Plan. This detailed piece of work has provided further reassurance to the funding partners that the Games remain on course to be delivered within the agreed Budget announced on 16 November 2009.

Profiling the expenditure allows estimates for inflation to be applied to each future year to give an indication of the maximum cost of staging the Games in cash terms on the basis of current inflation projections. Whilst this is not an exact science (inflation trends are notoriously unpredictable) it does allow the funding partners to make informed decisions about the level of expected provision required in future years. Some items of future expenditure will not be subject to inflation e.g. all agreed contractual payments. For the majority of expenditure, however, we have estimated future inflation rates by applying the GDP deflator series published regularly by the Treasury. Although official figures are not available at present for 2014/15, the Organising Committee has extrapolated the trend from the preceding years to produce figures to cover the full period of our Games preparations. The profiling exercise suggests that, with current inflation estimates, the agreed Games Budget would translate to £524m in cash terms i.e. this would be the maximum outturn applying estimated cost of living increases to the Games budget.

My letter of 22 February explained the process whereby proposals to allow for inflation are considered by the Strategic Group and factored into the funding provided to the Organising Committee by the Scottish Government and Glasgow City Council. In addition to reflecting the possible effect of inflation over the period, the final expenditure from public funds on the Games will, of course, also depend upon our success in raising commercial revenue and managing contingency. The budget review process last year led to a strengthening of the
level of contingency funding within the Games Budget and this is being governed tightly to ensure that it is only accessed with the approval of the Strategic Group. The Games partners are determined to work within the agreed budget which remains unchanged from that announced in November i.e. £454m at 2007 prices (including contingency provision).

The successful management of the Games Budget is a critical part of delivering a successful Games and all of the partners recognise their responsibilities to the taxpayer and the Council Tax payer. Equally important is the need to make the Glasgow 2014 Commonwealth Games a catalyst for significant change which will generate enormous sporting, social and economic benefits, not just for Glasgow but for the whole of Scotland. Securing those benefits remains a challenge which we are determined to respond to.

I hope this provides the Committee with the information it requires.

Yours sincerely

LIZ HUNTER

Copies to: Robert Black (Audit Scotland), George Black (GCC), Jon Doig (Commonwealth Games Scotland) and John Scott (Glasgow 2014 Organising Committee)