



VAGO

Victorian Auditor-General's Office

Withdrawal from 2026 Commonwealth Games

March 2024

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2023–24:13

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Withdrawal from 2026 Commonwealth Games

The Hon Shaun Leane MLC
President
Legislative Council
Parliament House
Melbourne

The Hon Maree Edwards MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of the *Audit Act 1994*, I transmit my report *Withdrawal from 2026 Commonwealth Games*.

Yours faithfully



Andrew Greaves
Auditor-General
20 March 2024

The Victorian Auditor-General's Office (VAGO) acknowledges the Traditional Custodians of the lands and waters throughout Victoria. We pay our respects to Aboriginal and Torres Strait Islander communities, their continuing culture, and to Elders past and present.

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Audit snapshot

What we examined

We examined the cost of securing, planning for and then withdrawing from the 2026 Commonwealth Games (the Games) and the quality of agencies' advice to the government.

We examined the Department of Jobs, Skills, Industry and Regions (DJSIR), Department of Premier and Cabinet (DPC), Department of Treasury and Finance (DTF), Department of Transport and Planning, Visit Victoria, the Victoria 2026 Organising Committee also known as Victoria 2026 Pty Ltd, Development Victoria and 5 local councils.

Why this is important

In April 2022 the Victorian Government signed the contract to host the Games in regional Victoria based on an expected gross cost of around \$2.6 billion.

Host cities typically have 7 or 8 years to prepare for the Commonwealth Games. But Victoria only had 4 years to deliver the event. This included building sports venues and athletes' villages.

In July 2023 the government decided that the Games no longer represented value for money and withdrew. It said the cost of hosting had increased to more than \$6 billion.

There is significant public interest in understanding the amount of public money spent on the Games, the reasons for the increased cost and the quality of advice the public service gave to the government.

What we concluded

The total cost of the Games to Victorians is over \$589 million. This waste would have been avoided if agencies had worked together better to give frank and full advice to the government before it decided to host the Games.

The government relied on DJSIR's business case when it decided to host the Games and determined the budget. The business case raised the risks associated with hosting the Games. But it underestimated the costs and overstated the benefits. DJSIR, DPC and DTF knew this but did not advise government to delay a decision on hosting until a fit-for-purpose business case could be provided.

DPC and DTF consistently raised cost and other risks during 2022 and early 2023. But they did not advise government that hosting the Games might be unfeasible until June 2023.

The cost estimate for the Games that the government publicly released in August 2023 of \$6.9 billion was overstated and not transparent. It added significant amounts for industrial relations and cost escalation risks. But it did not disclose that the budget already included \$1 billion in contingency allowances to cover these and other cost risks.

After the government decided to withdraw from hosting, DPC quickly settled the state's liabilities.

What we recommended

We made 2 recommendations to DPC and DTF about:

- reviewing the issues with advice to the government that we identified in this report
- further supporting and guiding the public sector in providing frank, full and timely advice to the government.

[→ Full recommendations](#)

Key findings



The gross Games budget estimate rose from **\$2.7 billion** in March 2022 to around **\$4.9 billion** in mid-2023



The estimated cost to government for the athletes' villages doubled to more than **\$500 million**



The estimated costs of major competition venues doubled to around **\$442 million**

Source: VAGO.

Our recommendations

We made 2 recommendations to address the issue we identified. The relevant agencies have accepted one of these recommendations in part.

Key issue and corresponding recommendations	Agency response(s)	
Issue: Agencies did not work together effectively to give frank, full and timely advice to the government		
Department of Premier and Cabinet, and Department of Treasury and Finance	<p>1 Work with the Victorian Public Sector Commission to conduct a review into why the public sector's advice to the government on the 2026 Commonwealth Games did not always meet the standards required by the <i>Public Administration Act 2004</i> and key guidance documents. This should include identifying what changes are needed, including behavioural, to enable the public sector to make sure this is not repeated in similar circumstances in the future (see Section 3).</p>	Not accepted
	<p>2 As part of this review:</p> <ul style="list-style-type: none"> • comprehensively analyse all key documents that provide guidance to the public sector on giving frank, full and timely advice to the government, and identify any gaps or potential barriers • update documents to close any gaps and remove barriers • ensure that changes are communicated extensively to inform the broader public sector of its obligations (see Section 3). <p>Key documents include, but are not limited to the:</p> <ul style="list-style-type: none"> • <i>Cabinet Handbook</i> • <i>Secretaries guide for informing and advising ministers</i> • <i>Investment Lifecycle and High Value High Risk Guidelines</i>. 	Accepted in part

What we found

This section summarises our key findings. Sections 1, 2 and 3 detail our complete findings, including supporting evidence.

When reaching our conclusions, we consulted with the audited agencies and considered their views. The agencies' full responses are in Appendix A.

Why we did this audit In April 2022 the government signed the contract to host the 2026 Commonwealth Games (the Games) in the regional cities of Geelong, Ballarat, Bendigo, Latrobe and Shepparton.

Typically, Commonwealth Games hosts have 7 or 8 years to prepare. But Victoria committed to hosting the Games in 4 years.

In July 2023 the government announced its withdrawal from hosting the Games due to unexpected cost increases. The state finalised its withdrawal in August 2023. At the time we finalised this report, the government had not announced what the cost of bidding for and then withdrawing from the Games was.

We did this audit to make the cost of the Games transparent. We also wanted to understand if public sector agencies gave comprehensive advice about the Games to support the government's decision-making.

Our key findings Our findings fall into 4 key areas:

1	The Games cost Victoria over \$589 million.
2	The Department of Jobs, Skills, Industry and Regions' (DJSIR) business case for the Games was inadequate to support an informed decision by the government on the likely costs and benefits of hosting.
3	Agencies did not always work together effectively to give frank, full and timely advice to the government.
4	The original Games budget was unrealistically low, but the \$6.9 billion cost estimate the government publicly released when it withdrew from the Games was overstated.

Key finding 1: The Games cost Victoria over \$589 million

Overall cost The decisions to bid for, plan and then withdraw from the Games have cost Victoria over \$589 million with no discernible benefit.

This waste of taxpayer money on an event that will not happen is significant, especially considering the state's recent sustained operating deficits and rising debt levels.

The costs fall into 4 major areas, with most related to withdrawing:

Of the \$589 million ...	Was or will be incurred by ...	On ...
\$112 million (19%)	DJSIR	employee and operating costs, including fees paid to the Commonwealth Games Federation (the Games Federation) but excluding payments to Development Victoria for venues and athletes' villages.
\$38 million (6%)	the Victoria 2026 Organising Committee (the Organising Committee)	employee and operating costs.
\$42 million (7%)	Development Victoria	detailed planning and delivery cases for venues and villages, including due diligence, design work, site investigations, early works planning, employee costs and professional services.
\$380 million (64%)	the Department of Treasury and Finance (DTF) on behalf of the state	settling the cancellation of the host contract with the Games Federation.

Settling the withdrawal from the host contract

In August 2023 Victoria agreed to pay \$380 million and signed a settlement agreement with the Games Federation, Commonwealth Games Australia (CGA) and the Commonwealth Games Federation Partnerships.

We refer to these 3 bodies collectively throughout the report as the Commonwealth Games parties.

The Department of Premier and Cabinet (DPC) led the settlement negotiations on behalf of the state. It achieved a quick settlement that resolved the state's liabilities from the decision to withdraw.

Key finding 2: DJSIR's business case for the Games was inadequate to support an informed decision by the government on the likely costs and benefits of hosting

Weaknesses in the Games business case

DJSIR's business case did not make a convincing argument that the benefits of hosting the Games outweighed the costs and risks.

DJSIR highlighted that its cost estimates required significant further work.

Due to time constraints from deciding to host the Games later than usual, the business case did not include all the steps required by DTF's *Investment Lifecycle and High Value High Risk Guidelines*. Despite this, DJSIR still recommended hosting the Games.

DJSIR based its costings on desktop research and information about how much previous Commonwealth Games cost. There was no consultation with the regional councils that controlled most of the venues that would be required for the Games.

This approach was not reasonable given that a regional, multi-city delivery model had never been used before and would have to be delivered in an extremely short timeframe.

The costings also assumed that the government would receive funding from the Australian Government and local councils, despite having no firm commitments from either.

Due to these limitations DJSIR presented its cost estimates in 'ranges' from best to worst-case scenarios rather than providing a best estimate, which is the standard format for a business case.

Presenting different options to the government

DTF's guidelines say that a business case should include analysis of different options to deliver a project. However, DJSIR only considered 2 options: to host or not to host.

The business case did not analyse any other possible and potentially lower-cost options, such as:

- holding some events in Melbourne, which CGA had proposed, where the required sports venues and accommodation already existed
- a model with most events in a single regional city.

While the idea of Victoria hosting the Games was first suggested by CGA, Visit Victoria developed the regional multi-city concept.

It was the government's decision to support this concept. And DJSIR should have presented a range of delivery options. DJSIR told us it did not do this because the government provided a clear direction that it was only interested in a regional Games.

Overstating the benefits of hosting the Games

DJSIR's business case presented a high-level preliminary assessment of the benefits of hosting the Games.

Major predicted benefits for regional cities included increased tourism and converting the athletes' villages into social or affordable housing.

DJSIR also estimated that around 20 per cent of the benefits would come from avoided health costs due to increased physical activity and civic pride in regional areas. DTF assessed these benefits as speculative and overstated and advised DJSIR to remove them just before the government considered the business case. But DJSIR included them in its benefit–cost ratio.

DJSIR told us it did not have time to consider and respond to DTF's concerns and that it estimated the benefit–cost ratio using established practices and it stands behind its analysis.

DJSIR accurately predicted risks to the delivery costs

The Games business case identified a range of risks that eventuated and contributed to cost pressures.

These risks included:

- a lack of time to build venues and athletes' villages
- supply chain constraints
- limited availability of labour and resources in regional areas
- limited accommodation in regional areas for visitors and the Games workforce
- a lack of time to undertake due diligence before signing the binding host contract.

The business case acknowledged these risks. But it only presented very high-level suggestions on how to mitigate them.

Given the preliminary nature of DJSIR's analysis it is not clear how it ultimately determined that delivering the Games within 4 years was 'high risk but achievable'.

DJSIR told us it based this advice to government on its professional judgement and experience delivering other infrastructure projects.

Missed opportunity to improve the business case

In February 2022 the government announced that Victoria was in exclusive negotiations with the Games Federation for a regional-led Games. This gave DJSIR an opportunity to refine the business case.

Before this, DJSIR was not able to consult widely because the fact that Victoria was considering a bid was not public knowledge.

DJSIR could have used the announcement to do more detailed work and consultations to improve the accuracy of the business case's budget and delivery timelines.

This would have been consistent with the government's decision when it first considered the draft business case at the end of January 2022 that DJSIR would further refine it in consultation with DTF. This could have included engineering site inspections for proposed sports venues.

DJSIR also could have consulted with local councils about how they could contribute to the Games.

The updated business case provided to the government in March 2022 was largely the same as the draft. However, Figure 1 shows that the updated business case did include a higher budget range and a lower benefit–cost ratio.

Projects with a benefit–cost ratio of less than 1.0 do not usually proceed.

Figure 1: Estimated benefit–cost ratio and net cost in the draft and updated business cases

	Draft business case (January 2022)	Updated business case (March 2022)
Estimated benefit–cost ratio	1.2–1.8	0.7–1.6
Estimated net cost	\$1.4–\$1.6 billion	\$1.5–\$2.5 billion

Source: VAGO, based on information from DJSIR.

Despite these changes, there is no evidence that the revised figures were more accurate.

This is because the updated business case used the same assumptions and disclosed the same limitations about it being preliminary as the January 2022 draft.

Differences between DJSIR's advice to the Minister and the Minister's advice to the government on costs

In early March 2022 DJSIR briefed the Minister for Tourism, Sport and Major Events (the Minister) and recommended that they seek approval from the government for a gross budget of up to \$3.2 billion.

This reflected the high-cost scenario in the business case. The Minister accepted DJSIR's advice and approved the submission recommending this funding amount on 10 March 2022.

However, the final submission, which was dated the same day, recommended that the government approve a Games budget consistent with the low-cost option, which was a gross budget estimate of \$2.7 billion.

DJSIR has given us evidence that suggests this change was made at the request of the Minister's office. The 2022–23 state Budget, which was released in May 2022, disclosed \$2.6 billion of approved funding for the Games.

This was slightly less than the \$2.7 billion approved in March 2022 because the government agreed to remove funding of around \$51 million allocated for additional sports that had not been selected yet.

Key finding 3: Agencies did not always work together effectively to give frank, full and timely advice to the government

Delays in sharing information

DTF and DPC told us that throughout the planning for the Games, DJSIR did not always:

- work cooperatively with them to make sure they had enough time to review key briefings and submissions
- provide requested information.

This limited DTF and DPC's ability to provide timely and comprehensive advice to the government on the risks and cost of the Games.

These departments raised their concerns with DJSIR. DJSIR's responses indicated that its approach reflected the Minister for Commonwealth Games Delivery's (minister for Games delivery) wishes.

Victoria's system of government requires departments to respond to and implement government policies, priorities and decisions in a manner consistent with the public sector values set out in the *Public Administration Act 2004*. This includes implementing reasonable directions from ministers.

The *Public Administration Act 2004* requires public officials to provide frank, impartial and timely advice to the government. This will sometimes require public officials to give the government advice that it may not want to receive.

Public sector agencies can give advice in a range of ways, including by:

- preparing briefs
- developing business cases
- drafting submissions for ministers to present for the government's consideration.

It is standard practice that an agency seeks input from DTF and DPC when it drafts a submission.

DTF and DPC's role is to consider the quality and accuracy of the draft submission, highlight any risks and state if they support the agency's recommendations.

It is important that agencies give DTF and DPC enough time to review their work and incorporate feedback into their draft submission.

DPC and DTF told us that DJSIR's engagement, collaboration and information sharing improved from April 2023.

Weaknesses in DTF's and DPC's advice about the Games

DTF's and DPC's advice to the government about the Games was clear about the risks. But their advice was not always sufficiently comprehensive and frank.

This is because, at key stages, both departments formally recommended that the government proceed with the Games despite significant and unresolved concerns.

For example, in March and April 2022, before the state signed the host contract, DTF identified material concerns and risks for the state relating to the reliability of DJSIR's estimated costs for the Games.

DTF suggested that the actual costs were likely to exceed the quantifiable benefits from the Games. This meant that the benefit–cost ratio for the Games was likely below 1.0.

Despite these concerns DTF:

- supported recommendations that the state host the Games and underwrite the costs
- recommended that the Treasurer support signing the host contract.

DPC had similar concerns about the reliability of the Games costs. But it placed no emphasis on these concerns when it briefed the Premier in April 2022 in support of the state signing the host contract.

Despite consistently raising risks, DTF and DPC did not advise the government that hosting the Games might be unfeasible until June and July 2023.

Managing time pressure All agencies involved in the Games were under extreme time pressure, especially between February and April 2022. This is when the government considered the business case and signed the host contract.

However, as Victoria was the sole bidder for the Games, the government (through DJSIR) could have used its position to seek more time from the Games Federation to conduct comprehensive due diligence. The Games Federation faced pressure of its own because it had not identified a host yet.

Instead, DJSIR, with the government's agreement, worked within the Games Federation's stated timeframe, even though DTF advised DJSIR that there were serious delivery risks and unresolved issues with the host contract.

Key finding 4: The original Games budget was unrealistically low, but the final estimated cost of \$6.9 billion was overstated

Increases in cost estimates As planning and delivery work for the Games progressed, agencies refined their budget estimates to more accurately reflect the expected costs.

In April 2023 the minister for Games delivery advised the government that delivering the Games would require an increased gross budget of \$4.5 billion, up from \$2.6 billion. They based this advice on a submission prepared by DJSIR.

This advice indicated that the revised gross budget excluded around \$240 million in transport costs and \$300 million in policing costs. Including these costs meant the Games was projected to cost around \$5 billion.

The \$2.6 billion gross budget the government approved for the Games in 2022 included provisions for transport and some police costs.

The submission overstated the level of funding the state could reasonably expect from the Australian Government and local councils. This meant the net cost of the Games to the state was also understated.

DJSIR's revised budget assumed the Australian Government would contribute \$1.3 billion towards the Games even though:

- the Australian Government had not committed to this
- DTF had advised DJSIR and the government that the Australian Government's contribution would likely not exceed \$300 million.

In its brief for a June 2023 submission to the government, DJSIR advised the minister for Games delivery that it was 'highly possible' the Australian Government would not contribute \$1.3 billion.

DJSIR said that \$200 million to \$600 million was a more likely contribution based on previous events.

The minister for Games delivery's submission to the government noted that funding from the Australian Government was not confirmed and the net cost of the Games would increase if it was not secured. However, the submission did not mention the high likelihood it would not be obtained.

When the government announced that Victoria was withdrawing from hosting the Games in July 2023 it said the cost of hosting was certain to exceed \$6 billion.

In August 2023 the government released budget information that indicated the final cost could have been around \$6.9 billion.

Unrealistic costs in the business case

The business case made key assumptions about how much various aspects of the Games would cost.

Some of these assumptions, including assumptions about costs for venues, temporary infrastructure and athletes' villages, were unrealistic even at the time the government agreed to host the Games.

Other expected costs increased over time due to more detailed planning work and government decisions, including its decision to add more sports.

The business case assumed that ...	But ...	This meant that the expected cost of ...
the Games would include at least 16 sports and up to 5 more sports to be decided.	an additional 4 sports and 3 cycling disciplines were added in October 2022, which required changes to villages and venues.	the Games increased by \$247 million.
private developers would build the villages and sell the dwellings after the Games.	there was not enough time to find, negotiate with and appoint developers. So the state needed to develop the villages itself (and take on the risk of selling them after the Games).	villages increased from \$212 million to a net cost of \$576 million, based on a total cost of \$1.0 billion to build the villages.
<ul style="list-style-type: none"> Eureka Stadium in Ballarat would host the athletics events using mainly temporary infrastructure aquatics and gymnastics would be co-located in the same existing venue. 	the scope for the athletics venue at Eureka Stadium was expanded to provide more lasting benefit to the community. The government decided to build 2 new separate venues for aquatics and gymnastics.	major competition venues increased by \$220 million from \$222 million to \$442 million.
temporary infrastructure, such as portable buildings and temporary grandstands, would cost around \$283 million.	this initial estimate was unrealistic and additional sports and venue changes increased costs.	temporary infrastructure increased by \$216 million to an estimated \$499 million when the government withdrew from the Games.

The government approved a revised gross budget of up to \$3.6 billion in April 2023

On 5 April 2023 the government discussed the Games budget and agreed in principle to a revised gross target budget of \$3.6 billion.

The government asked the minister for Games delivery to prepare options to achieve this.

On 20 April 2023 the minister for Games delivery presented a submission to the government that DJSIR drafted to inform the government about the Games budget and expected costs. This submission sought approval for a revised gross budget of \$4.5 billion.

The government did not accept this request and agreed to a revised gross budget of \$3.6 billion. It requested further advice from the minister by June on how the Games could be delivered in regional Victoria for that budget.

DJSIR prepared a draft submission for the minister in June 2023 and sought approval for a revised gross budget of at least \$4.2 billion. But DPC and DTF did not support this draft submission and it did not proceed to the government for consideration.

Unsubstantiated risks in the July 2023 budget estimate

In July 2023 the minister for Games delivery made a submission to the government that advised the Games could not be delivered for \$3.6 billion without abandoning the principle of a wholly regional Games or significantly reducing the number of sports, venues and villages.

The minister sought approval for a revised budget of \$4.2 billion to host the Games.

This submission included advice on what DJSIR described as significant 'black swan' risks, including industrial relations issues and what was described as 'hyper-cost escalation', which had not been identified in previous advice to the government.

Black swan risks are generally understood as risks with extreme impacts that could not have reasonably been predicted based on past experience. The risks DJSIR identified did not meet this accepted understanding of a black swan risk because industrial relations issues and the potential for cost escalation are routinely considered when planning and delivering any government-funded project.

DJSIR's advice in the minister's submission in relation to these risks was not comprehensive because it did not clearly outline:

- how it calculated the risks' financial impact
- the extent to which contingency allowances already built into the budget could mitigate the risks' potential financial impacts.

DTF told us that it did not have enough time or information supporting the costed risks to verify what DJSIR based them, and the estimated cost impacts, on.

The final cost estimate was overstated

In August 2023 the government suggested that the Games could cost around \$6.9 billion.

This figure is overstated because it double counts costs relating to industrial relations risks and cost escalation risks.

The \$6.9 billion estimate included:

- a \$1 billion contingency allowance, including \$551 million of estimates for individual cost items and a project-wide contingency provision of \$450 million
- \$2 billion for additional cost pressures primarily relating to industrial relations risks and cost escalation risks.

The contingency amounts were intended to cover risks, including industrial relations risks and cost escalation risks. But these risks were also costed and included in the \$2 billion estimate for additional cost pressures as part of the total budget estimate of \$6.9 billion.

The total contingency allowance in the overall cost estimate of \$1 billion should have been deducted from the total estimate of potential cost pressures.

Fairly presenting the contingency allowance and additional costs would have resulted in a gross estimated cost of around \$5.9 billion instead of around \$6.9 billion.

The minister for Games delivery's July 2023 submission to the government noted that with additional police and transport costs and the potential for emerging risks to be realised, the total gross cost to deliver the Games was likely to be between \$5 billion and \$6 billion.

DJSIR advised us that:

- it did not provide the advice that the Games could cost around \$6.9 billion, which the government publicly released. It understands that DPC and DTF prepared this advice
- DPC and DTF did not consult with DJSIR or seek its advice on the accuracy of the July 2023 cost estimate in the document the government publicly released
- the cost estimates for individual risks comprising the \$2 billion for additional cost pressures identified as part of the July 2023 cost estimate of around \$6.9 billion were not necessarily mutually exclusive and were not intended to be added together.

DJSIR did not make it clear in the July 2023 submission to government that it did not intend for the additional cost pressures to be added together. DPC and DTF relied on this submission to compile the final cost estimate for the Games. This resulted in the cost estimates for individual risks being added together despite DJSIR's intentions.

1.

Context

The Commonwealth Games is an international multi-sport event involving athletes from Commonwealth nations and territories. It was first run in 1930 and has taken place every 4 years since 1950. Victoria was selected as the host for 2026.

Background to Victoria's bid for and withdrawal from the Games

The need for a 2026 host The Games Federation, which oversees the Commonwealth Games, selects the host cities and controls the sports program.

Host cities typically have 7 or 8 years to plan for the Commonwealth Games:

- The bid to host the 2018 Commonwealth Games at the Gold Coast was launched in 2010 and was announced as successful in November 2011.
- In 2015 the South African city of Durban was awarded the 2022 Commonwealth Games.

In 2017 the Games Federation removed Durban as host for the 2022 Games. Birmingham and the UK government stepped in to host the 2022 Games. Birmingham had intended to bid for the 2026 Games.

Birmingham hosting the 2022 Games meant the Games Federation needed to identify a host for the 2026 Games.

During 2019 CGA was working with the Government of South Australia and City of Adelaide on a possible bid for the 2026 Games.

The Games Federation was expected to announce the 2026 host city in 2019. But the decision was postponed until 2020, and further to 2021 and finally to 2022.

These circumstances meant that Victoria had less time than usual to plan for the Games.

Visit Victoria's regional Games concept CGA approached Visit Victoria in the first half of 2021 to discuss a potential bid for the 2026 Games.

CGA put 2 proposals to Visit Victoria – one in June and the other in July 2021. These proposals included options for events in regional Victoria with Melbourne and Geelong as co-host cities.

Visit Victoria did not formally respond to either of these proposals. But it saw the potential to host the Games in regional Victoria. It began working on this concept in mid-2021 without involving CGA.

Visit Victoria approached the Games Federation with a proposal to host the Games in regional Victoria in November 2021 after discussions with the Minister, Premier, Treasurer and DPC.

In early December 2021 the Minister wrote to the Games Federation authorising Visit Victoria to engage directly with it to present the proposal and indicating an intent to ask for an exclusive negotiation period.

Visit Victoria presented the proposal to the Games Federation in London on 8 December 2021.

On 15 December 2021 Visit Victoria signed an agreement with the Games Federation and CGA to secure an exclusive negotiation and due diligence period for the regional Games concept.

Host contract negotiation and Games budget

The government did not formally consider a potential bid for the Games until it received a draft business case in January 2022.

On 15 February 2022 the government signed a heads of agreement with the Games Federation and CGA. The next day the government announced that it was in exclusive negotiations to bring the Games to regional Victoria.

In March 2022 the government considered an updated version of the business case and approved a gross cost estimate of around \$2.7 billion for the Games budget. This was subsequently reduced slightly and the 2022–23 state Budget disclosed a budget of \$2.6 billion.

In April 2022 the Games Federation awarded the Games to Victoria and the state signed the host contract.

Withdrawal and termination

On 14 July 2023 the government considered, but did not support, a submission from the minister for Games delivery that:

- requested a revised gross budget of \$4.2 billion
- highlighted that additional police and transport costs and the potential impact of emerging risks meant the total gross cost to deliver the Games would be between \$5 billion and \$6 billion.

The next day the government decided that it would seek to terminate its host contract with the Commonwealth Games parties.

On 17 July 2023 the government agreed to a regional support package of investments worth \$2.0 billion comprising of various housing, tourism, sporting and development initiatives to deliver legacy benefits for the state, support Victorian communities and affected local councils and deliver wind-up activities required to conclude the Games planning activities.

On 18 July 2023 the Premier publicly announced that the government had decided not to proceed with hosting the Games based on the estimated cost exceeding \$6 billion. The Premier said the costs were too high, at more than double the estimated economic benefits for Victoria.

The Premier said the government:

- had told the Games Federation and CGA about its decision to terminate the host contract
- was seeking to quickly and amicably resolve the contract and settle costs.

The Premier simultaneously announced the regional support package.

As we discuss in Section 2, the government also publicly released a document that detailed the budget increases between the March 2022 business case and July 2023, which prompted its decision to withdraw.

On 19 August 2023 the government and the Commonwealth Games parties issued a joint statement.

The statement said they had confidentially negotiated and reached an agreement, with the assistance of mediators, to settle all disputes relating to the cancellation of the multi-hub regional Victoria Games.

The State of Victoria agreed to pay the Commonwealth Games parties \$380 million to settle all remaining liabilities.

Timeline of key events Figure 2 highlights key events from the date the memorandum of understanding was signed by Visit Victoria to the date the State of Victoria settled with the Commonwealth Games parties.

Figure 2: Timeline of key events



Source: VAGO.

Roles and responsibilities

Key agencies Figure 3 shows the key agencies involved in planning the Games and their roles and responsibilities.

Figure 3: Agencies involved in the Games

Agency or body	Key role and responsibilities for the Games
Commonwealth Games Australia (CGA)	CGA is an Australian membership-based non-government organisation. It represents the sports that participate in the Games. The state's bid for the Games required CGA's endorsement.
Commonwealth Games Federation (the Games Federation)	The Games Federation is an international London-based organisation that holds the rights to, and is responsible for directing, the Games.
Department of Jobs, Skills, Industry and Regions (DJSIR)	<p>DJSIR was the main agency tasked with delivering the Games. It was established on 1 January 2023 and took over the work of the former Department of Jobs, Precincts and Regions. For consistency we refer to DJSIR in this report when referring to both the current and former department.</p> <p>A new secretary was appointed to DJSIR at the end of March 2023.</p> <p>DJSIR seeks to support a strong and resilient Victorian economy by supporting businesses and industries to grow and build vibrant communities and regions.</p> <p>The Office of the Commonwealth Games (the Games Office) was established within DJSIR to lead coordination and oversight of the Games planning and budget.</p> <p>Sport and Recreation Victoria was part of DJSIR during the planning for the Games.</p>
Department of Premier and Cabinet (DPC)	<p>DPC leads whole-of-government policy and performance. It supports the government to achieve its objectives and effective public administration.</p> <p>DPC provided advice to the government about the Games and reviewed advice prepared by other agencies.</p>
Department of Treasury and Finance (DTF)	<p>DTF provides economic, financial and resource management advice to help the government deliver its policies.</p> <p>DTF provided advice to the government about the Games, particularly its financial impact, and reviewed advice prepared by other agencies.</p>
Department of Transport and Planning (DTP)	<p>DTP is responsible for transport and land use planning.</p> <p>It was the lead agency responsible for planning and delivering transport for Games spectators and the Games workforce, including trains, buses, and park and ride or walk sites, and managing the road network.</p>
Development Victoria	<p>Development Victoria is a property developer for the government. It seeks to deliver homes and communities and revitalise major activity centres and urban precincts.</p> <p>Development Victoria led the planning and delivery for the Games villages and major competition venues.</p>
Victoria 2026 Pty Ltd, which is known as the Victoria 2026 Organising Committee (the Organising Committee)	<p>The Organising Committee was established to deliver the Games event. It was previously part of DJSIR but was transferred to the government-controlled company Victoria 2026 Pty Ltd on 5 December 2022.</p> <p>It was responsible for:</p> <ul style="list-style-type: none"> managing venues and services, including transport for Games athletes and officials logistics partnerships community engagement ceremonies ticket sales media, broadcasting and communications ensuring competitions are held according to the relevant rules.

Agency or body

Key role and responsibilities for the Games

	<p>The Organising Committee's board included representatives from the Games Federation and CGA.</p>
Visit Victoria	<p>Visit Victoria is a not-for-profit government-controlled company. The Premier is its sole member. It has a board of directors and delivers tourism marketing and event procurement for Victoria.</p> <p>DJSIR funds Visit Victoria and has portfolio responsibility for the company. But it is not involved in its operational decision-making.</p> <p>Visit Victoria approached the Games Federation in November 2021 about a potential bid for Victoria to host the 2026 Games in regional cities. It was also involved in early feasibility work and preparing marketing strategies for the Games.</p>
Local councils: <ul style="list-style-type: none">• City of Greater Geelong• City of Greater Bendigo• City of Ballarat• Latrobe City Council• Greater Shepparton City Council Source: VAGO.	<p>The government engaged these local councils after the state made its bid public. They were expected to help the government plan and deliver the Games in their local municipalities and make financial contributions.</p>

2.

The cost of the Games

In March 2022 the government approved a gross cost budget of \$2.7 billion for the Games with an estimated net cost of \$1.6 billion.

When the government announced that Victoria would withdraw from hosting the Games in July 2023, it stated that the cost of hosting was certain to exceed \$6 billion.

But both of these cost estimates were unreliable – the first estimate was understated and the final one was overstated.

There were better cost estimates available that should have been used both when making the case for the Games and for subsequently withdrawing.

Government projects with a benefit–cost ratio of less than 1.0 usually do not proceed. The business case provided to the government in March 2022 said the Games had benefit–cost ratio of between 0.7 in the worst case and 1.6 in the best case.

However, if all of the speculative benefits and questionable cost reductions were removed, the benefit–cost ratio would have been 0.59 to 0.95.

Background

Our analysis In this section we analyse the estimated and budgeted gross and net incremental costs of the Games from a public finance perspective. We also evaluate the actual costs incurred using this framework so that we are comparing like with like.

Importance of net incremental cost

In the context of the state Budget, the cost of hosting the Games is best understood and evaluated in terms of the net incremental cost to public finances.

The net incremental cost is the additional (gross) operating and capital outlays required to deliver the Games minus:

- the externally generated revenue that flows to the state directly from the Games
- any funds contributed by other governments.

In other words, the net incremental cost is how much the state needs to spend to host the Games compared to not hosting them.

This can then be compared to the incremental benefits expected from the Games to determine if the benefits exceed the costs.

The *Commonwealth Games Value Framework*, which was published by the Games Federation in December 2019, also recommends using the net incremental cost approach.

Operating costs The *Commonwealth Games Value Framework* notes that games-related operating costs are driven primarily by factors such as the:

- number of sports
- number of participating athletes and officials
- security requirements, which impact police and security costs
- desired service levels, such as:
 - the standard of venues
 - the experience of athletes, media and the Games Family, which includes officials, dignitaries and guests accredited by the Games Federation
 - sport presentation
 - the standard of the opening and closing ceremonies.

Operating costs can be examined and usefully compared over time and between Commonwealth Games. This is because differences in gross and net costs can be reasonably attributed to and understood in terms of the decisions the host makes in relation to these factors.

Capital costs Games-related capital spending, primarily on venues and villages, is generally not comparable between Commonwealth Games.

This is because the scale of capital expenditure varies significantly depending on the extent and quality of host cities' existing infrastructure, their objectives and their appetite to invest.

Estimated gross and net costs

2022–23 state Budget In March 2022 the government approved a gross cost estimate of \$2.681 billion and a net cost of \$1.638 billion for the Games.

It did this knowing that these figures were presented to it as the best possible scenario. The worst-case scenario assumed comparatively higher costs and lower revenue.

The government used the best-case estimate, with a minor adjustment, for the 2022–23 state Budget.

The basis on which the numbers were estimated, and the cost ranges provided, was severely constrained by both:

- the time available for DJSIR to compile them
- a lack of consultation and necessary detailed planning.

This meant that using the best-case estimate reflected, at best, an unwarranted optimism bias. At worst it was simply unrealistic and misleading.

That these estimates were unreliable and likely to change was made clear in the advice provided to the government by DJSIR, DPC and DTF at the time. The risk was only in one direction – higher costs and lower revenue.

2023–24 state Budget By April 2023 the government was told that the most likely gross cost of the Games would be \$4.5 billion with a net cost of \$2.4 billion.

By this time the higher operating cost estimates were more reliable because DJSIR and other delivery agencies had done a more thorough and considered analysis.

The higher estimated capital costs also were more reliable. But these costs were not directly comparable to the March 2022 estimates.

This was largely because:

- the delivery model for the villages had changed to the state being the developer and taking on all the costs and revenue risks
- of decisions the government made about increasing the number of sports and changing the location of venues.

The 2023–24 state Budget included an updated gross output cost estimate of \$3.6 billion.

This estimate was not shown separately in the budget papers because it formed part of a general contingency allowance in the state Budget. It also was not referred to in evidence given to the Public Accounts and Estimates Committee in its May and June 2023 hearings into the Budget.

July 2023 estimates

By July 2023 the estimated gross cost had increased to \$4.86 billion and the net cost to \$3.76 billion. This was driven mainly by increases in operating cost estimates for security and transport, which had been significantly underestimated.

When it compiled the final Games budget for public release in August 2023, DPC added another \$2.005 billion to these estimates for 'additional cost pressures' based on advice to the government from DJSIR in July 2023. But this amount was not allocated to specific line items. This brought the gross cost estimate to \$6.865 billion and the net cost to \$5.764 billion.

Changes to budget estimates

Figure 4 shows how agencies' advice to the government on the Games budget changed during 2022 and mid-2023.

We analyse the reasons for changes in each major line item in this section.

Figure 4: Changes to the Games budget estimates between March 2022 and July 2023 (\$ nominal)

	March 2022		April 2023	July 2023
	Worst case (\$ million)	Best case (\$ million)	DJSIR revised (\$ million)*	DTF advice (\$ million)
Capital costs	1,069	680	1,710	1,674
Athletes' villages	265	212	1,024	1,024
Major competition venues	455	222	442	442
Community competition venues	339	237	244	208
Other – public domain	10	10	0	0
Operating costs	2,160	2,001	2,798	3,186
General operations – the Organising Committee and the Games Office	1,142	1,116	1,475	1,357
Temporary infrastructure – villages and venues	321	283	519	499
Transport	120	120	68	306
Police and security	219	219	204	492
Games fees	85	85	82	82
Contingency	273	178	450	450
Total (gross) costs	3,229	2,681	4,508	4,860
Operating revenue	254	268	176	176
Broadcast rights and sponsorship income	140	140	92	92

	March 2022	April 2023	July 2023	
	Worst case (\$ million)	Best case (\$ million)	DJSIR revised (\$ million)*	DTF advice (\$ million)
Ticket sales	69	83	74	74
Interest and other income	45	45	10	10
Other sources of funding	249	775	1,925	925
Australian Government	217	229	1,300	300
Victorian Government sport infrastructure funding	0	227	0	0
Development Victoria debt to be recouped by selling village dwellings	n/a	n/a	447	447
Victorian Government social housing funding	0	211	71	71
Local councils	32	108	107	107
Total operating revenue and funding	503	1,043	2,101	1,101
Net incremental cost to the state Budget	2,726	1,638	2,407	3,759

Note: The cost estimates for the athletes' villages are not directly comparable between 2022 and 2023. The 2022 estimates assumed that the state would only need to pay to construct the affordable and social housing dwellings planned in each location, with private developers funding the villages' construction cost. The 2023 estimates assumed that the state would fund the full cost of constructing the villages.

In April 2023 DJSIR reported lower budget figures for transport and security because they were to be partly funded under other funding requests to the government. DTF's advice added these costs back in to give the government a more comprehensive whole-of-government cost estimate. In July 2023 DJSIR also reduced the villages budget by \$39 million based on the government charging reduced land tax for village sites. Again, DTF saw this as cost shifting and added the cost back in its advice to the government.

Figures may not add due to rounding.

Source: VAGO, based on information from DJSIR, DTF and DPC.

Major changes in estimates

Between March 2022 and April 2023 DJSIR's estimates for the Games:

- total gross capital costs for competition venues and public domain improvements increased by 46.2 per cent from a best-case estimate of \$469 million to \$686 million
- total operating revenue fell by 34.3 per cent from \$268 million in the best-case estimate to \$176 million. The biggest decline was in broadcast rights and sponsorships
- other external (non-state) funding sources fluctuated. But these changes were not based on any negotiations or substantive agreements with either the Australian Government or local councils.

Capital costs and funding offsets for the villages

Contractual obligations

Under the host contract, the state needed to provide accommodation for 7,000 athletes, para-athletes and teams officials during the Games in March 2026.

To satisfy these requirements the government planned to build villages in 4 host hubs – Ballarat, Bendigo, Geelong and Morwell – consisting of approximately 1,300 dwellings.

This would have involved a mix of permanent and relocatable dwellings.

Private developer model

In the March 2022 business case DJSIR assumed that private developers would finance the villages and recover their costs by selling the dwellings afterwards.

This was like the model used in the Melbourne 2006 Commonwealth Games.

The Gold Coast 2018 Commonwealth Games used a public–private partnership model where the state gave additional support to private contractors.

However, the March 2022 model was not informed by market soundings. Specific sites had not been identified and secured and no other options had been explored.

The model was cost neutral from the perspective that it would not require additional government funding.

The business case assumed that the state would only need to pay to construct the affordable and social housing dwellings planned in each location as part of its legacy program.

The initial Games budget assumed that Homes Victoria would fund these costs, which were estimated to be between \$212 and \$265 million, from its budget allocations under the Big Housing Build program.

The business case treated these funds as offsets when arriving at the net cost of the Games.

State developer model

Development Victoria started planning work for the athletes' villages in June 2022. It found that there was not enough time before the Games to find, negotiate with and genuinely transfer risks to private developers before construction needed to start.

Instead, the state would need to fund the whole cost of building the villages and seek to recover the cost by selling the dwellings after the Games.

There were a number of constraints specific to the Games, which do not typically apply to conventional housing developments, that affected the commercial feasibility of the village developments. The state developer model was implemented to manage these constraints and emerging risks, including:

- market demand risks, including risks relating to the types of dwellings to be constructed for the villages, that created the potential for development revenue to be lower than forecast
 - site-specific risks, including obtaining planning approvals and managing latent conditions, contamination, and flora and fauna
 - timeline risks, with the state having a shorter timeframe than previous Commonwealth Games to plan and construct the villages while also delivering them across 4 sites and against an immovable deadline.
-

Incomparable changes to estimated gross cost of athletes' villages

In April 2023 DJSIR advised the government that the estimated gross cost under the state developer model to build the villages would be \$1.024 billion. It said this would be financed by:

- Development Victoria borrowing \$448 million
- Homes Victoria contributing \$71 million for social and affordable dwellings
- \$505 million in output funding added to the state Budget.

The apparent significant increase to the estimated development cost is not comparable with the cost in the Games business case because the delivery model changed.

For comparative purposes only, in the 2023 figures DJSIR included an estimate of \$489 million for construction costs, which would have been financed by the private sector under the private developer model assumed in the March 2022 business case and initial Games budget.

When we add in the \$212 million assumed in the initial Games budget for social housing costs, this implies that the total development cost was originally expected to be around \$700 million.

The villages delivery case that Development Victoria prepared for the government in 2023 listed factors that contributed to the cost increases, including:

- 55 per cent of the village dwellings would be temporary due to site and timeframe constraints. Temporary dwellings would:
 - cost 10 per cent more to build per square metre than permanent dwellings
 - sell for 50 per cent less
 - provide reduced legacy benefits to communities
- village dwellings would be higher density than commonly found in regional areas, which would likely lead to slower sales
- the tight timeframes reduced the state's bargaining power and meant that Development Victoria embedded 17.5 per cent contingency into its estimates for the cost of building the villages (13.7 per cent of the total project cost) when similar projects delivered to more standard timelines would have a 10 per cent contingency.

Athletes' villages estimated incremental cost to the state

The state originally estimated that it would need to pay between \$212 million and \$265 million for village dwellings that would be used for affordable and social housing.

This was shown as a revenue offset from Homes Victoria in the best-case estimate. But it should not have been.

This is because the site locations and the number and configuration of the dwellings were determined by the host contract requirements. This means it may have not aligned with Homes Victoria's strategic priorities, plans and timelines under the Big Housing Build.

In comparison, after accounting for social and affordable housing, the incremental cost to the state under the state developer model was \$505 million, which Figure 5 shows. This was the additional amount that the government needed to subsidise. When considering the net cost of the Games, it is this amount and Homes Victoria's costs of \$71 million that are relevant, which add up to \$576 million, not the gross development cost.

Figure 5: Estimated incremental cost to the state and funding sources for athletes' villages under state developer model

Athletes' villages	March 2022		April 2023	July 2023
	Worst case (\$ million)	Best case (\$ million)	DJSIR (\$ million) ²	DTF advice (\$ million)
Construction cost	265	212	1,024	1,024
Funded by:				
• Development Victoria debt to be recovered through sales	n/a	n/a	447	447
• Homes Victoria contribution for social housing	0	212	71	71
• Government subsidy to DJSIR	265	0	505	505

Note: Figures may not add due to rounding.
Source: VAGO, based on information from DJSIR, DTF and DPC.

Figure 6 shows the number and types of dwellings during and after the Games and Development Victoria's expected loss from sales of dwellings.

Figure 6: Development Victoria's expected net proceeds from selling dwellings

Location	Dwellings during the Games		After the Games (permanent dwellings only)		Nominal (\$ million)		
	Total	Relocatable	Affordable/ social	Market	Cost	Sales	Loss
Geelong	487	202	72	213	397.91	239.64	-158.26
Ballarat	456	456	0	0	321.45	160.46	-160.99
Bendigo	232	9	56	167	197.18	107.11	-90.07
Morwell	136	56	10	70	106.99	51.28	-55.71
Total	1,311	723	138	450	1,023.53	558.49	-465.03

Note: Development Victoria expected to sell 450 dwellings to the market and 138 to Homes Victoria at a loss of \$465.03 million. It based this on combined sales proceeds of \$558.49 million. The sales price to Homes Victoria was estimated to be \$71 million excluding GST.

Sales revenue for relocatable dwellings did not include transport or site preparation costs and was estimated to be just their direct construction costs with no margin.

Figures may not add due to rounding.

Source: VAGO, based on the villages delivery case considered by the government in April 2023.

On a like-for-like basis, the increase in the incremental cost to the state between the original private developer model and the state developer model is around \$364 million based on the projected sales income.

However, this cost may have increased because of uncertainty about future sale proceeds due to low buyer demand in regional areas for the types of housing in the villages.

This uncertainty prompted Development Victoria to seek assurance from DTF that the state would cover any shortfall.

Future plans for the athletes' villages

Before the government withdrew from the Games Development Victoria began several procurement processes to appoint contractors to construct the villages.

These processes were at different stages. They involved selecting potential contractors to prepare sites and build the dwellings.

The procurements have been paused since July 2023.

Capital costs and funding offsets for competition venues

Major and community competition venues

The original business case for the Games distinguished between the estimated capital costs for major competition venues and community competition venues.

A major competition venue was a venue that required a total estimated investment of more than \$50 million.

The government planned 3 major competition venues to host 4 sports – athletics, aquatics, gymnastics and weightlifting.

The capital costs for the community competition venues were largely for 10 of the 16 remaining sports – badminton, boxing, Twenty20 cricket, hockey, lawn bowls, netball, Rugby Sevens, squash, table tennis and shooting.

Incremental cost of venues

The March 2022 business case included a low-cost estimate of \$458.5 million for all competition venues and a high-cost estimate of \$794.2 million.

The low-cost scenario comprised \$222.0 million for major competition venues and \$236.5 million for community competition venues. This included \$194.5 million for up to 21 sports, plus an additional \$41.9 million for other venues.

The approved low-cost scenario also included an assumed 'revenue' offset of \$227 million, which was to be funded from state sporting infrastructure programs delivered by Sport and Recreation Victoria. This appeared to reduce the net cost of the Games by \$227 million.

However, this was misleading because Sport and Recreation Victoria was not going to fund this revenue offset from its existing programs. Instead, it was expected to seek additional funding from the state Budget.

In April 2023 DJSIR advised the government that Sport and Recreation Victoria had not requested any additional funding for this purpose and had no unallocated funding available.

This led to DJSIR removing the revenue offset from the Games cost estimates.

Changes to the estimated cost of major competition venues

The approved low-cost estimate of around \$222.0 million for major competition venues involved:

- hosting athletics at Eureka Stadium in Ballarat for a capital upgrade cost of \$10.6 million
- co-locating gymnastics and aquatics at Kardinia Park in Geelong, with an estimated investment of \$211.4 million.

In October 2022 DJSIR submitted draft delivery cases to the government with recommendations that it expand the scope for the major competition venues and note that this scope had an estimated cost of \$442.1 million.

The increased costs were driven by the government's decisions to approve venue scope and location changes to boost their legacy benefits to the community. These changes included:

- more extensive and higher-cost improvements to Eureka Stadium, which were expected to cost around \$150 million
- moving gymnastics and aquatics from Kardinia Park to new venues in Waurin Ponds and Armstrong Creek respectively at a total cost of around \$292 million, despite a lack of support from the local council.

The relevant councils still expect the government will invest in these major competition venues.

This is due to commitments the government made when it announced it was withdrawing from hosting the Games.

Operating costs

General operating expenses

General operating expenses related to operating costs that are not included in other budget line items for temporary infrastructure, transport, police and security, Games fees and contingencies.

Costs in this category included the costs to run the Organising Committee and Games Office and for:

- opening and closing ceremonies
- event workforces
- sports equipment
- marketing
- broadcasting.

The Games Office and the Organising Committee split the responsibility for these costs.

When the government approved the Games budget in March 2022 it approved the low-cost estimate for general operating costs, which was \$1.116 billion.

This estimate was primarily based on the costs of the Gold Coast 2018 Commonwealth Games, adjusted for inflation and the multi-site regional delivery model.

On 6 March 2023 DJSIR briefed the minister for Games delivery and indicated the need to seek an increased budget to deliver the Games. In April 2023 DJSIR advised the government that the original estimate for general operating expenses was insufficient to deliver the Games.

DJSIR's revised estimate was \$1.475 billion. This was an increase of \$360 million, or 32 per cent, from March 2022.

Increase to general operating expenses for the Games Office

The Games Office's general operating costs increased by around \$79 million from the \$234 million approved by the government as part of the Games budget in March 2022 to \$313 million in April 2023.

The main increase was \$32.9 million for additional staff to bring resourcing in line with the Gold Coast 2018 Commonwealth Games.

DJSIR advised the government that the initial budget for Games Office staffing was based on incorrect information about staffing levels for the 2018 games.

Increase to general operating expenses for the Organising Committee

The Organising Committee's estimated general operating expenses increased by \$281 million from the \$882 million approved by government as part of the Games budget in March 2022 to \$1.16 billion in April 2023.

The Organising Committee followed an original budget that was higher than the cost estimate approved by the government in March 2022. This is because the committee's budget was based on the host contract, and was \$1.26 billion, not \$882 million. The \$1.26 billion also included temporary infrastructure, police and security costs.

In February 2023 the Organising Committee advised the Games Office that it needed \$1.94 billion for gross operating costs. This was an increase of \$678 million from its original budget of \$1.26 billion.

The Organising Committee considered this the minimum amount it needed to meet its obligations in the host contract and deliver the government's vision and risk appetite.

The Organising Committee told the Games Office that the increased costs were because:

The original cost estimate ...	This meant the Organising Committee needed ...
did not include sufficient provision for inflation.	to include higher provisions for inflation between 2022 and 2026 in its cost estimates.
seemed unreasonable after detailed budget work.	more funding to: <ul style="list-style-type: none"> • hold the opening and closing ceremonies in different locations • have the opening ceremony meet the standard of the 2022 Birmingham Commonwealth Games rather than the 2018 Gold Coast Commonwealth Games • bring cost estimates in line with spending for the 2018 Gold Coast Commonwealth Games • adjust for pay rates in the Victorian Public Service • include spending for initiatives specific to First Nations people.
did not fully reflect the complexity of delivering the Games across 5 regional areas.	more funding to run multiple villages and non-competition venues, such as media centres and Games headquarters.
did not consider the additional sports added to the Games program.	more funding for broadcasting, the Games workforce and other costs, such as technical officials and sport equipment.

Cost reductions Alongside the request for increased funding for the Games Office and Organising Committee, the minister for Games delivery's April 2023 submission to the government also proposed scope reductions to reduce the overall cost of the Games. The government agreed to scope reductions that reduced the Games Office's and Organising Committee's general operating costs by \$134.5 million.

In July 2023 the minister for Games delivery proposed a further \$100 million reduction in general operating costs, but did not specify which areas this reduction would impact. The minister committed to report back to government on this later in 2023.

DTF's advice to government correctly identified that these savings could end up increasing cost pressure because the Organising Committee was responsible for delivering critical Games services.

Temporary infrastructure costs

Changes to temporary infrastructure costs

Temporary infrastructure, or overlay, was required to support new and existing competition venues and villages during the Games. It included seating, broadcast lighting and portable buildings that would be removed after the Games.

The budget for temporary infrastructure also included the cost to restore permanent facilities back to their original state.

When the government approved the Games budget in March 2022 it approved the low-cost estimate for temporary infrastructure in the business case, which was \$283.4 million.

The original budget for temporary infrastructure was based on the cost for the 2018 Gold Coast Commonwealth Games adjusted for the multi-site model.

In April 2023 DJSIR provided high-level cost estimates to government. It said that the cost for temporary infrastructure would increase to around \$519 million.

DJSIR's advice indicated that the reasons for the cost increase included:

- the estimate in the business case was too low because it underestimated the type, extent and cost of temporary infrastructure required to deliver the Games
- extra temporary infrastructure was needed to support additional sports that were not originally planned.

When the government decided to withdraw from the Games in July 2023 the estimated cost for temporary infrastructure was \$499 million.

Impact of adding sports to the Games

In its *2026/30 Strategic Roadmap*, which it published in October 2021, the Games Federation recommended that approximately 15 sports feature at the Commonwealth Games. This was to provide continuity and certainty for hosts and athletes. It also expanded the list of core sports to choose from.

The program of sports included in each edition of the Games is one of the many elements a host negotiates and agrees on with the Games Federation.

When the government signed the host contract in April 2022 it agreed to run 16 sports across multiple disciplines and events, with up to 5 more sports to be decided.

In October 2022, the government added 4 additional sports and 3 more cycling disciplines. This followed an open submission process where all sports with a recognised international federation were invited to submit an expression of interest.

The sports added to the Games program were assessed by a panel that included representatives from the Organising Committee, the Games Office, Sport and Recreation Victoria and Visit Victoria. The panel assessed submissions received against criteria that addressed:

- Games Federation requirements including universality and quality of competition and alignment with the Federation's values
- economic impacts
- community impacts
- deliverability issues including costs, timelines and athlete numbers.

CGA and the Games Federation were also consulted on the selections, which the host contract required.

The panel recommended the selected sports, which were then endorsed by the government and the Games Federation board.

The government's decision to expand the sporting program added an estimated \$247.4 million to the expected cost of the Games.

These extra costs related to venue and temporary infrastructure changes. This included building a temporary velodrome for track cycling, which would provide no legacy benefits for the community. By April 2023 the estimated cost of the temporary velodrome was \$54.9 million.

In comparison, the high-cost scenario in the March 2022 business case included \$105.9 million for a new permanent velodrome in regional Victoria, which did not have any suitable existing venues for track cycling.

In its media release responding to the government's decision to withdraw from the Games the Games Federation said:

'Since awarding Victoria the Games, the Government has made decisions to include more sports and an additional regional hub, and changed plans for venues, all of which have added considerable expense, often against the advice of the Commonwealth Games Federation (CGF) and Commonwealth Games Australia (CGA)'.

Operating costs for transport and security

What the transport and security budget was based on

The Games business case and budget considered by the government in 2022 both included provisions for transport and police costs on a net additional outlays or net incremental costs basis.

This meant the approved Games budget was intended to cover the additional or non-business-as-usual costs that Victoria Police and DTP expected to incur to provide Games-related police and transport services. This was confirmed in:

- DJSIR's advice to the government in March 2022 about the business case and budget
- the April 2022 host contract, which said the Organising Committee's budget allowances for transport and security included Victoria Police and DTP costs based on net additional outlay assumptions consistent with the Gold Coast 2018 Commonwealth Games.

The minister for Games delivery, who was appointed in June 2022, made a submission to the government on the Games budget in July 2022.

This submission included broad implications about the transport and security budget allocations. It also recommended that the government agree that activities supporting the Games, which were not specifically funded in the Games budget, would be funded from relevant departments' and agencies' existing budgets through business-as-usual activities, reprioritisations and leveraging planned activities.

This recommendation was not based on DJSIR's advice. The minister added it to the final submission when they lodged it.

This meant DTF and DPC were not consulted on the recommendation. The Treasurer's private office advised DTF that:

- neither it nor the Premier's private office were consulted about the recommendation
- it had requested the minister's office to remove the recommendation.

The recommendation was not removed from the submission.

DTF did not support the recommendation because, in its view, the original budget presented to the government in March 2022 was intended to represent the total cost of hosting the Games, including the costs of additional activities for departments and agencies supporting the Games.

DTF proposed an alternative recommendation. The government:

- noted that the original budget presented to the government, including the budget in the business case, represented the total cost of hosting the Games across all departments and agencies
- agreed that wherever possible, contributions from relevant departments and agencies would be funded by business-as-usual activities, reprioritisations and leveraging other planned activities. If further resources were required in exceptional circumstances, the government would consider funding them through discussion with the minister for Games delivery.

The government did not fully approve the minister's recommendation. But this decision opened the door to shift responsibility for costs that were initially intended to be covered by the Games budget, such as non-business-as-usual costs for DTP and Victoria Police, onto other relevant departments and agencies.

From March 2023 DJSIR sought to:

- keep most of the funding approved in previous Games budget allocations for transport and security
- have most of the Games-related transport and police costs covered by separate funding bids from DTP and Victoria Police rather than from the Games budget.

Operating cost estimate for transport

Under the host contract, the state was responsible for providing Games-related transport to all participants, including spectators.

Transport expenses related to:

- providing a reliable, secure and efficient transport system for all participants, including spectators, athletes, officials, media, sponsors, the workforce and the Games family
- managing event traffic.

The March 2022 business case clearly said that the transport cost estimate was based on the government meeting the full costs of these expenses.

The business case also explicitly said that the cost estimate included DTP's expected costs for planning and supporting the Games.

DJSIR's business case indicated that the cost estimate considered transport-related issues associated with a regional multi-hub model. These issues included:

- longer travel distances
- limited accommodation in the regional areas, which meant that officials and media may need to travel to and from Melbourne
- buses would need to be brought from other locations to the hubs.

Both versions of the business case had the same operating cost estimate of \$120 million for transport in the best and worst-case scenarios.

The government approved this estimate as part of the Games budget in March 2022. The Organising Committee allocated \$48.2 million from this amount to cover transport costs for spectators and the Games workforce.

DJSIR changed its position on the estimate by mid-2023 and sought to:

- retain around \$66 million from the Games budget allocation for transport to cover transport costs for athletes, officials and the Games family
- have the costs of transporting spectators and the Games workforce covered by a separate funding submission to the government of around \$239 million from DTP.

This equated to a total transport budget of around \$306 million, which was more than double the estimate in the business case and original approved budget.

DJSIR calculated the revised estimated budget using the same conceptual basis – net additional outlays.

DJSIR's advice to the government about the increased transport costs claimed that it was not appropriate to use the 2018 Gold Coast Commonwealth Games as a benchmark in the business case and to set the original budget due to the regional multi-hub model.

However, the business case clearly indicated that the multi-hub model had been considered when the cost estimates were developed.

The key reasons for the higher expected transport costs should have been foreseen when DJSIR developed the business case, including:

- the need to procure a very large volume of Games-specific bus services to supplement existing public transport services
- Victoria's franchise-based public transport system, which meant that the additional and extended public transport services needed to support the Games would require significant additional payments to franchisees.

Operating cost estimate for security and police

Security and police expenses were for providing police and private contractors for physical security, protecting assets, access control, public safety, and protecting athletes and VIPs during the Games to meet the state's obligations under the host contract.

Both versions of the business case had the same operating cost estimate of \$219 million for security in the best and worst-case scenarios.

The business case said this estimate was based on the following assumptions:

- Costs for the Victoria Police would involve additional operational costs during the Games, including additional wages, allowances and accommodation costs, as well as the cost to set up and run security command centres.
- The state-funded salaries and on-costs of police working during the Games would be a normal or business-as-usual cost for Victoria Police and were not included in the Games operating expenses.

These assumptions indicated that the business case's cost estimate was developed on a net additional outlays basis where:

- the standard salary costs for police working during the Games were not funded from the Games budget but were a value-in-kind contribution by Victoria Police
- the Games budget would only meet the additional costs associated with allowances, travel and accommodation for police assigned to the Games.

The March 2022 version of the business case had attachments with advice on security and other issues from a consultant who specialised in major sporting and other events. The business case confirmed that the consultant was not a specialist in major event security planning.

The Games budget that the government approved in March 2022 was consistent with the business case. It included amounts for security that were intended to cover the additional costs for police officers assigned to the Games, including overtime, accommodation and meals and the non-business-as-usual costs for Victoria Police command associated with supporting the Games policing response.

However, by mid-2023 DJSIR adopted a similar approach to the one it had for transport. It sought to:

- retain \$142.7 million of the allocation in the original Games budget for security and police to use on private security
- have Games-related police costs covered by a separate and additional funding allocation of at least \$300 million from the government for Victoria Police.

This approach was not consistent with the business case or the budget that the government approved in 2022. DTF raised this concern in advice to the government between April and July 2023.

The estimates of how much additional funding Victoria Police would seek ranged from \$300 million to \$358.6 million.

DTF's final estimate of \$492 million for police and security costs included around \$349 million for police. We have seen no evidence that the government formally considered a separate funding submission in relation to the Games from Victoria Police in 2023.

DJSIR's advice to the government in July 2023 indicated that the Victoria Police submission sought funding for:

- additional police and non-sworn Victorian Public Service FTE staff to form a dedicated Commonwealth Games command to design, develop and oversee the policing operation across 5 regional hubs
- costs associated with the command's operations

- regional hub infrastructure and logistical requirements
- information technology requirements to facilitate inter-agency data sharing and counter surveillance capability to deliver the Games.

Victoria Police's response to the Victorian Parliament's Select Committee Inquiry into the 2026 Commonwealth Games Bid indicated that when the government announced it was withdrawing from the Games it had 74 FTE staff, including 70 police and 4 Victorian Public Service staff, in its Commonwealth Games command group.

Victoria Police advised the inquiry that these positions had been filled from within its existing resources and they would be redeployed within Victoria Police.

However, the fact that Victoria Police was expected to seek additional funding of at least \$300 million for Games-related costs indicates that it was not proposing to absorb base salary costs by redeploying existing resources.

Instead, it implies that Victoria Police intended to seek funding for new, additional and ongoing FTE positions that it would retain and deploy elsewhere after the Games.

Contingency allowances

Changes to contingency allowances

The gross budget approved by government in March 2022 included a contingency allowance of \$178 million. This was about 6.6 per cent of the gross operating and capital costs.

By April 2023 the proposed revised budget of \$4.5 billion included \$1.0 billion in contingency allowances.

Figure 7 shows the contingency allowances that DJSIR included in its proposed revised Games budget.

Figure 7: Contingency allowances in DJSIR's April 2023 proposed Games budget

Budget cost category	Proposed budget (\$ million)	Contingency embedded in project and operating budgets (\$ million)	Additional Games-wide contingency allowance (\$ million)	Total contingency allowance (\$ million)	Contingency allowance as percentage of budget
Athletes' villages	1,023.5	140.4	153.9	294.2	29%
Major competition venues	442.1	78.4	140.7	219.1	50%
Community competition venues	243.8	42.9	83.9	126.8	52%
Temporary infrastructure	519.3	65.0	0	65.0	13%
Organising Committee operating costs	1,434.3	224.5	0	224.5	16%
Games Office operating costs	395.1	0	71.5	71.5	18%
Total gross budget	4,058.1	551.2	450.0	1,001.1	25%

Note: The total proposed revised budget of \$4.5 billion comprised the proposed gross budget amount of \$4,058.1 million, which included \$551.2 million in embedded contingency allowances plus the additional Games-wide contingency of \$450 million.

Figures in the table may not add up due to rounding.

Source: VAGO, based on DJSIR advice to the government in April 2023.

Embedded contingency allowances specific to each project or line item were calculated to address its expected cost risks.

The additional Games-wide budget contingency allowance was intended to provide greater flexibility to address any emerging cost pressures. This is because it could be moved across the whole Games budget as required.

DTF analysed DJSIR's advice on the contingency allowances in the proposed revised budget in March and April 2023. Its analysis indicated:

- the total contingency allowance of \$1 billion was in addition to \$280 million already included in the budget estimates for inflation
- the Games Office had built in 3 layers of contingency across the budget, including:
 - embedded project contingency allowances
 - an embedded operating contingency
 - an additional Games-wide contingency allowance
- the Games Office had not provided a sufficient rationale for why additional contingency allowances were required for villages, venues and its own operating costs
- the contingency allowances for the Organising Committee's and Games Office's operating costs were apparently not based on a risk assessment. Instead, they were simply a general provision for operating expenses.

DJSIR told us that the \$280 million in allowances for inflation formed part of the overall \$1 billion contingency amount, but this was not reflected in relevant advice to government in April 2023.

DJSIR described the Games contingency as having 2 layers:

- embedded contingency amounts for both capital and operating costs
- a Games-wide contingency allowance.

DJSIR and the Games Office provided advice to the minister for Games delivery and Minister for Commonwealth Games Legacy in March 2023 about how DJSIR's submission to report back to the government on the Games budget was progressing.

This included advice on emerging risks to the Games budget and whether they were covered by contingency allowances. This advice:

- indicated that adverse construction and supply chain market conditions, including pressure from high inflation on infrastructure projects, were already covered in the existing contingency allowances
- did not identify industrial relations issues as a risk that could impact the Games costs over and above the risk allowances already included in project budgets and contingency allowances.

DJSIR told us that by mid-2023, further cost risks were emerging.

Additional cost pressures

Budget pressures identified in mid-2023

After the government announced that the state would not host the Games it publicly released a document from DPC with details on changes to the Games estimated cost between the business case in March 2022 and July 2023.

This document disclosed that the lowest or best-case gross cost estimate in the business case was around \$2.5 billion. And that by July 2023 the estimated gross cost was around \$6.9 billion.

This cost estimate included \$2 billion for 'additional cost pressures'. The document explained that these cost pressures included, but were not limited to:

- hyper-escalation of costs driven by compressed timelines
- regional supply constraints and broader inflation pressures across the economy

- accommodation shortfalls in the regions
- major sporting code displacement costs.

But the document did not disclose the largest cost pressure, which related to industrial relations risks to Games capital projects. DJSIR had costed these risks at up to \$630 million.

The \$2 billion in additional cost pressures referred to in the published document was based on advice to government from DJSIR in July 2023.

DJSIR's advice identified the following significant risks to the Games budget:

- previously identified risks with a total estimated cost of \$720 million that could be funded by the Games-wide contingency allowance as long as only 50 per cent of the risks eventuated
- major new risks that would require additional funding if they eventuated, which totalled \$1.9 billion and included:
 - \$630 million for industrial relations risks
 - \$655 million for hyper-escalation of costs due to compressed timelines
 - the Australian Government's funding contribution being \$650 million lower than what the Games budget assumed
- other potential Games-wide industrial relations risks, which had no estimated costs.

DJSIR did not total these risks in the submission or advise government about how likely they were to occur.

DJSIR told us that the risks:

- were not intended to be added together
- were not necessarily mutually exclusive
- represented the worst-case scenario.

But it did not make this clear in the submission.

The cost-side risks, which included the industrial relations risks, hyper-cost-escalation risks and other previously identified risks, totalled \$2.0 billion.

This amount was shown as additional cost pressures in the July 2023 Games cost estimate included in the Games budget document publicly released by government in August 2023.

This was more than double the maximum potential cost impact of the risks that DJSIR identified in a costed risk register, which it provided to the government in the minister for Games delivery's April 2023 advice. This advice identified that the most likely budget impact from the identified risks was \$463.2 million.

We found issues with the credibility of some of these additional cost pressures, which we discuss below and in Section 3.

Industrial relations risks

DJSIR's advice to the government in July 2023 on the Games budget identified an industrial relations risk to capital projects with an estimated cost impact of \$630 million. DJSIR described this as a black swan risk.

As described in Nassim Nicholas Taleb's 2007 book *The Black Swan: The Impact of the Highly Improbable*, a black swan risk or event is a risk that:

- is an outlier because:
 - it is outside the realm of regular expectations
 - nothing in the past could convincingly point to its possibility
- has an extreme impact

- despite being an outlier, encourages us to create explanations for it after it occurs to make it explainable and predictable.

Industrial relations issues and risks are foreseeable on government-funded capital projects and cannot credibly be cited as black swan risks.

While it was not a black swan risk, there is evidence that suggests the industrial relations risks DJSIR identified in July 2023 were real and likely to be realised.

However, DJSIR should have identified and dealt with the risk that unions may seek a special arrangement for Games construction projects earlier. This is due to the:

- scale of the proposed Games-related infrastructure program
- precedent set by the Melbourne 2006 Commonwealth Games, where the Victorian Government and construction unions signed a memorandum of understanding.

This oversight is concerning given that Development Victoria had started procurement processes for the Games villages and was ready to start procurement for major competition venue works.

Development Victoria would have needed to explain the potential for specific industrial relation conditions for these projects in the information it released to prospective contractors.

Development Victoria had explicitly identified, considered and allowed for general industrial relations risks in its April 2023 business case for the villages. Development Victoria's cost estimates to build the villages included a contingency allowance to cover industrial relations risks and other risks.

DJSIR met with building unions between May and July 2023 to discuss the unions' request for a memorandum of understanding to apply to all capital projects for the Games.

When the government announced it was withdrawing from the Games in July 2023 no substantive agreement had been reached between the parties and DJSIR was seeking legal advice.

DJSIR estimated that the union's demands could add up to 30 per cent to the estimated capital works budget.

This is in line with analysis by the Institute of Public Affairs, which found that a similar agreement for the Melbourne 2006 Commonwealth Games increased the cost of the athletes' village by 34 per cent.

Hyper cost escalation due to compressed timelines

DJSIR also identified 'hyper-escalation' cost risks, which were driven by compressed timeframes, regional supply constraints and broader inflation as an additional cost pressure.

These risks totalled an estimated \$655 million and included:

- a \$380 million impact on the budget for the villages and major competition venues' infrastructure and temporary infrastructure due to industry and supply chain issues potentially increasing prices by 15 to 20 per cent
- a \$275 million escalation of Games operations costs, excluding temporary infrastructure.

This hyper-cost-escalation risk was not a black swan risk and was not substantiated.

The compressed timelines to deliver the Games were well known before the government signed the host contract and approved the Games budget in 2022.

DJSIR considered the potential for the fixed timelines to increase costs when it developed the Games business case and budget in 2022. The timelines had not changed in 2023.

DTF told us that it did not have enough time or information on the costed risks to verify the basis for these risks and their estimated cost impacts before the government considered them in July 2023.

Internal emails within DJSIR on 18 and 19 June 2023:

- discussed the potential for unanticipated price escalation to impact the Games budget
- determined that the escalation rates already included in the villages, major competition venues and community competition venue programs would be sufficient to cover the expected rise in construction costs.

This was based on DJSIR's predictions during 2022 on construction cost movements from 2023–26 and was consistent with its advice to the minister for Games delivery and Minister for Commonwealth Games Legacy in March 2023.

In addition, the hyper-cost-escalation risks DJSIR identified in mid-2023 for the Games villages and major competition venues infrastructure may include significant double counting. This is because the delivery cases for the villages and major competition venues included cost estimates, which were based on specialist advice, that included cost escalation and contingency allowances.

The only market testing of capital works costs was for civil works in the villages. The raw pricing from the contractors that responded to Development Victoria's civil works procurement process did not provide conclusive evidence of hyper-escalation in the construction sector.

This procurement process was for a small part of the capital works on one component of the broader Games capital works program.

DJSIR did not state that this risk would eventuate. It told us that the risk was identified as a worse case and noted the increasing pressure on the Games delivery program and the immovable date of the Games in March 2026.

Development Victoria had not tested the pricing responses for completeness or compliance because the procurement process was paused when the government announced the state would not be hosting the Games.

Event revenue

Revenue sources

The original budget that the government approved in March 2022 estimated that the Games would make \$223 million in commercial revenue from ticket sales, sponsorships and broadcast rights.

DJSIR's advice to the government indicated that this estimate was based on the Games Federation's analysis, which was modified for the 2026 regional multi-site model.

The Games Federation holds the commercial rights to the Games. And the host contract entitled the Games Federation to keep the first GBP20 million in commercial revenue.

Through the Commonwealth Games Federation Partnerships, the Games Federation would then pay any additional revenue after costs and taxes to the host state's Organising Committee before it would flow back to the state.

The original operating revenue budget also included \$45.4 million in revenue from interest and other sources.

Ticket sales

The estimated revenue from ticket sales dropped by 11 per cent from \$83 million in March 2022 to \$74 million in April 2023.

DJSIR's advice to the government indicated that the updated estimate reflected more accurate forecasting by the Organising Committee based this on a better understanding of the competition schedule, venue capacity and historic games ticket pricing and sales.

The Organising Committee advised the minister for Games delivery in January 2023 that ticket prices would need to be high to achieve revenue targets, which would reduce the accessibility of the Games.

In June 2023 DTF advised the government that it was likely revenue from ticket sales would drop further. This was because the original budget was based on 10 per cent of seats not generating revenue. But:

- at previous Commonwealth Games 20 to 25 per cent of seats did not generate revenue
 - there was a shortage of 13,000 accommodation beds for spectators in Ballarat, Bendigo and Morwell, which would reduce spectator numbers.
-

Sponsorship and broadcast rights

The amount the state expected to receive from the Games Federation for broadcast and sponsorship fees decreased from \$140 million to \$92 million in April 2023.

DJSIR's advice to government in April 2023 indicated that this was because the Organising Committee had undertaken a more detailed exploration of media and broadcast opportunities for the regional Games.

In its notes in a brief for the minister for Games delivery in January 2023, the Organising Committee advised that:

- a regional Games was less attractive to sponsors
- achieving the revenue targets would require aggressive pursuit of opportunities, including accepting sponsorships from markets such as mining and energy companies.

On 3 July 2023 the Organising Committee warned the government that the government's delay to approve the launch of the Games branding was jeopardising its ability to attract preferred sponsors and produce sufficient licensed merchandise.

It was the Commonwealth Games Federation Partnerships' responsibility to enter into sponsorship or broadcast deals for the Games in consultation with the state.

Interest and other operating revenue

The original budget expected the state would make \$45.4 million in interest and other revenue from the Games. This included \$4.7 million in licensing and merchandising revenue.

In April 2023 DJSIR revised this down to \$10 million. This estimate included \$5 million in interest and \$5 million in other revenue, including hospitality services and accommodation office commissions.

DJSIR's advice to the government indicated that the revised estimate was based on benchmarking against revenue received in previous Commonwealth Games.

DJSIR also decreased the interest revenue estimate because the Organising Committee would not receive its funding upfront, which the original business case assumed. This meant the Organising Committee would earn less interest on these funds.

Funding from the Australian Government and local councils

Original budget The original Games budget included estimates for:

- \$229 million of funding from the Australian Government
- \$108 million from local councils.

The state had no binding commitments for this funding from either level of government when the budget was approved in March 2022.

DJSIR's advice to the minister for Games delivery from July 2022 identified that budgeted funding from the Australian Government and local councils had not been confirmed and that engagement and negotiations were needed to secure the funding.

DTF's and DPC's advice and concerns

During 2022 and 2023 DTF consistently advised the government about the need to secure binding funding commitments from the Australian Government and local councils.

In July 2022 DTF advised government on the critical need for a funding strategy due to:

- the significant cost of the Games
- the risk to the state's financial position if these funding contributions and other budgeted revenue could not be secured.

Both DTF and DPC also provided advice to the government and DJSIR that:

- precedents set by Australian Government funding for the Gold Coast 2018 Commonwealth Games and the Brisbane 2032 Summer Olympics indicated that any Australian Government contribution would be limited to 50 per cent of the costs for permanent sporting infrastructure built for the Games
- local councils could be expected to provide in-kind support before and during the Games but faced constrained financial circumstances and were unlikely to make direct financial contributions.

We spoke to relevant local councils during this audit. They all confirmed that they had not committed to provide any direct financial contributions to the government for Games costs and advised us that they did not have the financial capacity to do so.

Australian Government contribution

The best-case scenario in the March 2022 business case, which the government adopted as the Games budget, assumed that the Australian Government would fund only 50 per cent of the capital cost of sporting infrastructure.

In October 2022 the Premier wrote to the Prime Minister with a request consistent with this assumption.

In December 2022 the Prime Minister asked the Premier to discuss this request with the Minister for Sport and other Australian Government officials.

In February 2023 the minister for Games delivery advised the government on a revised strategy to ask the Australian Government to contribute 50 per cent of the total cost of the Games.

The minister wrote to the Australian Government Minister for Infrastructure, Transport, Regional Development and Local Government to seek this contribution on 2 March 2023.

The letter estimated that the Australian Government contribution would be \$1.3 billion based on the published Games budget of \$2.6 billion.

This request was unrealistic given the Australian Government's previous funding commitments for similar events. It also understated the expected total cost of the Games.

At the time the letter was sent cost pressures were building across the Games budget, which were being discussed at governance groups and within agencies involved in the Games.

DJSIR had also briefed the minister for Games delivery in January 2023 about cost pressures relating to villages, inflation, increased operational costs due to additional sports and the increased costs from the government's decision to change the scope of the major competition venues.

Seven weeks after sending the letter, the minister for Games delivery advised the government that the cost of the Games would increase to \$4.5 billion.

On 6 March 2023 DJSIR advised the minister for Games delivery that there was a key risk that the Australian Government would limit its contribution to around \$300 million based on the contribution it made to previous games.

Similarly, DTF estimated the contribution would be a maximum of \$230 million in its notes for the Treasurer ahead of a government expenditure meeting on 3 April 2023.

Despite this advice, the revised cost estimates that the minister for Games delivery presented to the government from 20 April 2023 onwards assumed that the Australian Government's contribution would be \$1.3 billion.

In its brief for a June 2023 submission to the government, DJSIR advised the minister for Games delivery that it was 'highly possible' the Australian Government would not contribute \$1.3 billion. DJSIR advised that a contribution of between \$200 million and \$600 million was more likely based on previous events.

The 2023–24 Federal Budget included an 'unquantifiable contingent liability' disclosure in relation to Australian Government guarantees:

'The Australian Government has provided guarantees for the Victorian Government's hosting of the 2026 Commonwealth Games in Regional Victoria. The financial implications of this support are not quantifiable at this time'.

The amount of any Australian Government contribution for the Games remained unknown when the state announced it was withdrawing from hosting.

Reliability of the final cost estimate for the Games

July 2023 Games cost estimate Figure 8 shows an extract of the Games cost estimates document, which the government publicly released in August 2023 after it announced that the state would not host the Games.

Figure 8: Games budget changes from the original business case to July 2023

	Original business case – worst case (\$ million)	Original business case – best case (\$ million)	July 2023 estimate (\$ million)
Infrastructure	1,004	639	1,673
Athletes' villages	250	200	1,023
Competition venues	745	430	650
Other capital investments	9	9	–
Operations	2,001	1,855	3,187
General operations	1,149	1,124	1,440
Temporary overlay	291	257	499
Transport	110	110	306
Police and security	201	201	492
Contingency	250	163	450
Additional cost pressures	–	–	2,005
Total	3,005	2,494	6,865

Note: The original budget estimates shown in this figure were based on the original business case. The cost estimates in the business case were shown in real terms. This means they had been adjusted for expected inflation.

Source: VAGO, based on information publicly released by the government.

The July 2023 total cost estimate of \$6.865 billion included:

- \$1 billion in contingency allowances, including:
 - \$551 million embedded in the cost estimates for infrastructure, temporary overlay infrastructure and operating costs
 - a project-wide overall Games contingency provision of \$450 million
- \$2 billion for additional cost pressures relating to industrial relations risks and cost escalation risks.

The \$1 billion contingency amount was intended to cover potential costs associated with industrial relation and cost escalation risks. But these risks were also costed and included as part of the \$2 billion estimate for additional cost pressures in the total budget estimate of \$6.865 billion.

To be transparent, the total contingency allowance of \$1 billion should have been deducted from the additional cost pressures estimate when the government presented the total estimated cost of the Games in July 2023.

Fairly presenting the contingency allowance and additional cost pressure amounts would have resulted in a gross estimated cost of \$5.9 billion instead of \$6.9 billion.

The publicly released Games budget document also:

Notes that ...	But ...
market responses for the athletes' villages had indicated that cost escalation would further increase the required budget	the evidence that Development Victoria gave us did not necessarily support this assertion.
The Games Office had identified significant additional cost pressures to the budget that had been reviewed by DTF and DPC	while DJSIR shared the additional cost pressures with DTF and DPC on 5 July 2023 we have not seen evidence that the DTF and DPC reviewed them.

The minister for Games delivery's July 2023 submission to the government noted that with additional police and transport costs, and potential for emerging risks to be realised, the total gross cost to deliver the Games was likely to be between \$5 billion and \$6 billion.

In addition, DJSIR advised us that:

- it did not provide the advice that the Games could cost around \$6.9 billion, which the government publicly released. It understands that DPC and DTF prepared this advice
- DPC and DTF did not consult with DJSIR or seek its advice on the accuracy of the July 2023 cost estimate in the document the government publicly released
- the costs estimates for individual risks comprising the \$2 billion for additional cost pressures identified as part of the July 2023 cost estimate of around \$6.9 billion were not necessarily mutually exclusive and were not intended to be added together.

DJSIR did not make it clear in the July 2023 submission to government that it did not intend for the additional cost pressures to be added together. DPC and DTF relied on this submission to compile the final cost estimate for the Games. This resulted in the cost estimates for individual risks being added together despite DJSIR's intentions.

Benefit–cost ratio

Benefits of hosting the Games

Projects with a benefit–cost ratio of less than 1.0 do not usually proceed.

Despite advice from DTF that some of the benefits listed in the Games business case were speculative, DJSIR still used them to calculate the benefit–cost ratio presented to the government.

This made it difficult to accurately assess the net benefit of hosting the Games.

DJSIR's business case included estimates for a range of economic and other benefits, including:

- increased tourism before, during and after the event
- increased business investment and exports.

Around 20 per cent of the benefits identified in the business case related to civic pride in regional areas and avoided health costs due to increased physical activity.

DTF assessed these benefits as speculative and overstated. It advised DJSIR to remove the avoided health costs benefits from the benefit–cost analysis.

DTF advised the government that:

- avoided health costs are difficult to attribute to hosting an event
- an evaluation of the Glasgow 2014 Commonwealth Games found no health improvements in the local population.

DJSIR advised us that it presented benefits in the business case in line with established approaches and methods.

In addition to overstating the benefits of the Games, the business case understated the costs.

This is because the business case's benefit–cost analysis reduced costs by deducting funding expected to be sourced from other state government allocations for social housing and sporting infrastructure.

This funding was not 'free'. It was still a cost to the state and should not have been used to reduce the Games costs. The business case should have provided comprehensive information on whole-of-government costs.

The business case provided to the government in March 2022 disclosed a benefit–cost ratio ranging between 0.7 in the worst-case scenario and 1.6 in the best-case scenario.

Adjusting this analysis to remove the impact of speculative benefits and questionable cost reductions results in a benefit–cost ratio of 0.59 to 0.95.

The results would have been more reliable, and less favourable, if the business case had included more realistic cost estimates.

The business case also wrongly suggested that the Gold Coast 2018 Commonwealth Games had achieved a benefit–cost ratio of 1.3. This was a forecast return and had not been verified as actually achieved.

However, DJSIR included it in the business case and its related advice to the government in March 2022. This is despite DTF requesting DJSIR to correct its advice.

Actual costs

Actual costs The decisions to bid for, plan and then withdraw from the Games have cost Victoria over \$589 million with no discernible benefit.

These costs fall into 4 major areas, with most related to withdrawing:

Of the \$589 million ...	Was or will be incurred by ...	On ...
\$112 million (19%)	DJSIR	employee and operating costs including fees paid to the Games Federation but excluding payments to Development Victoria for venues and athletes' villages.
\$38 million (6%)	the Organising Committee	employee and operating costs.
\$42 million (7%)	Development Victoria	detailed planning and delivery cases for venues and villages, including due diligence, design work, site investigations, early works planning, employee costs and professional services.
\$380 million (64%)	DTF on behalf of the state	settling the cancellation of the host contract with the Games Federation.

In July 2023 the government committed to publicly disclose the costs it incurred for the Games after it finished negotiating with the Commonwealth Games parties to withdraw from the host contract. It completed these negotiations in August 2023.

At the time we finalised this report the government had not publicly released any consolidated information on whole-of-government costs for the Games.

DJSIR advised us that the processes to wind-up the Games were still being finalised and the government would consider DJSIR's advice on the final costs in due course.

Figure 9 shows our assessment of the actual and forecast costs to the state for its involvement in bidding for, securing, planning and withdrawing from the Games.

Some of these costs relate to projects that may still proceed under the \$2 billion regional support package, which the government announced when it withdrew from the Games. This includes projects to build or upgrade permanent sporting infrastructure.

Figure 9: The state's costs for the Games (\$'000)

Agency and/or cost category	Actual 2021–22	Actual 2022–23	Actual and forecast cost 2023–24	Total cost
DJSIR – employee costs, grants and other operating costs excluding fees paid to the Games Federation	9,506.8	37,862.3	20,942.1	68,311.2
Victoria 2026 (the Organising Committee) – employee costs and other operating costs		21,529.3	16,707.7	38,237.0
Development Victoria – work on villages and major competition venues	5,000.0	23,255.0	13,424.4	41,679.4
Games fees paid by DJSIR	21,417.5	22,757.2	0	44,174.7
Visit Victoria – bid costs, destination marketing program and Regional Events Fund	377.0	1,978.5	85.3	2,440.8
DPC – employee costs and costs associated with managing the host contract termination		544.0	1,266.0	1,810.0
DTF – employee and other direct costs		1,021.0		1,021.0
DTP – costs for transport and other planning work		1,803.0	338.8	2,141.8
Victoria Police*		6,061.0		6,061.0
Councils – estimated costs				3,742.7
Termination settlement payments to the Games Federation			380,000.0	380,000.0
Total	36,301.3	116,811.3	432,764.3	589,619.6

Note: *Victoria Police was not included in the scope of this performance engagement. We understand that it used resources to engage with the Organising Committee on its involvement for the Games and was in the process of developing a budget bid. The costs shown for Victoria Police are based on its submissions to the Victorian Parliament's Select Committee Inquiry into the 2026 Commonwealth Games Bid. The costs shown for DTF and DPC include amounts that the Treasurer allocated to these departments to cover their costs to provide advice on the Games and information from other departments. Source: VAGO, based on evidence provided by the agencies in this audit and advice by Victoria Police to the Inquiry into the 2026 Commonwealth Games Bid.

Fees paid to the Commonwealth Games parties

Under the host contract various fees totalling AUD85.6 million were payable by the state to the Commonwealth Games parties between 2022 and 2026.

DJSIR had paid AUD44.2 million towards these fees when the state announced it would not host the Games.

The host contract also identified a further GBP20 million (about AUD38 million) that the Games Federation and Commonwealth Games Federation Partnerships were entitled to retain from any commercial rights income and commercial revenue that they generated or actually received.

Settling the host contract

In August 2023 Victoria agreed to pay \$380 million and signed a settlement agreement with the Commonwealth Games parties to withdraw from the host contract.

3.

Advice to the government

Public sector agencies did not always work together to provide comprehensive and timely advice to the government to inform its decision to host the Games.

While agencies did highlight risks, DJSIR overstated the benefits of hosting and did not provide reliable cost estimates. This meant that from the start, the government had unrealistic expectations of the cost and effort it would take to deliver the Games within 4 years.

Background

The public sector's role in advising the government

Giving advice to support the government's decision-making is a core role of public sector agencies.

The *Public Administration Act 2004* requires public officials to provide frank, impartial and timely advice to the government. This may require public officials to give advice that a government does not want to receive.

Public sector agencies can give advice in a range of ways, including by:

- preparing briefs
- developing business cases
- drafting submissions for ministers to present for the government's consideration.

DPC publishes the *Cabinet Handbook*, which outlines the government's expectations for submissions and meetings for ministers, ministerial staff and public officials. The handbook:

- makes clear that ministers:
 - are responsible for the submissions they present to the government
 - are supported by relevant departments and agencies in developing submissions
 - must ensure appropriate consultation on submissions
- provides detailed guidance on writing submissions
- emphasises the importance of early and ongoing consultation on submissions with the central agencies – DPC and DTF
- sets minimum expectations on the timing for lodging draft and final submissions.

DJSIR, DPC and DTF were the main agencies that advised the government about the Games.

Advice informing the decision to host

Study by regional councils

In June 2021 the Minister met with a group of regional councils that were involved in a study, which ended in September 2019, about a potential bid for the 2030 Commonwealth Games in regional Victoria.

DJSIR's advice to the Minister for the meeting indicated that the study found a regional Commonwealth Games bid may not be successful because:

- many venues did not comply with the Games Federation's standards
 - there was no athletics stadium in regional Victoria with 40,000 seats
 - delivering the Commonwealth Games across multiple, dispersed regional hubs would involve significantly higher costs than a traditional single-host-city model due to additional costs associated with:
 - the temporary infrastructure in and around venues to support Commonwealth Games events
 - housing athletes in multiple villages
 - limited spectator seating would reduce potential ticket sale revenue
 - travel time requirements may not be met without improvements to road and/or rail infrastructure
 - regional Victoria lacked the necessary volume and standard of accommodation.
-

Visit Victoria's advice on the regional Games concept

Visit Victoria progressively briefed the Minister and then the Premier and Treasurer in late 2021 on the work it had been doing on a regional Games concept.

Visit Victoria advised us that there were no notes taken at any of its briefings with the Minister, Premier and Treasurer in October and November 2021.

In these briefings Visit Victoria provided an indicative net cost estimate of \$1 billion, which was compiled by a consultant.

Visit Victoria's briefings were clear that this high-level estimate was based on the publicly disclosed operating cost to the Queensland Government for hosting the Gold Coast 2018 Commonwealth Games and did not include any significant investment in sporting infrastructure.

Visit Victoria also made it clear that its high-level analysis needed to be properly validated by a more detailed business case.

DJSIR's business case for the Games

DJSIR's business case for the Games was developed over about 6 weeks and was based on:

- limited high-level information, including costs from previous Commonwealth Games
- no consultation with relevant local councils.

In late January and early February 2022 DTF and DJSIR jointly identified 10 areas of the business case that needed further work, including villages, venues and operating costs.

The list of external parties that DJSIR needed to consult with to inform further work in these areas included the Australian Government, local councils, other state departments, architects, transport and security consultants, and an economic modeller.

In January 2022 the government authorised DJSIR to engage directly with delivery partners, including the Australian Government and local councils.

However, on 10 February the Games steering committee, which included officials from DJSIR and Visit Victoria, decided to only engage with architectural firms and an economic modeller.

The steering committee made this decision to maintain the bid's confidentiality. However, we note that the bid was made public by the government 6 days later.

DJSIR told us that timeframe constraints were another reason why it did not engage with councils.

This lost opportunity meant that DJSIR did not get input from key stakeholders, including the relevant local councils, before the government made a decision about the updated business case.

The updated business case, which DJSIR gave the Minister to present to the government in March 2022, was largely the same as the draft business case from January 2022.

But as Figure 10 shows, the updated business case did include a higher budget range and a lower benefit–cost ratio.

Figure 10: Estimated benefit–cost ratio and net cost in the draft and updated business cases

	Draft business case (January 2022)	Updated business case (March 2022)
Estimated benefit–cost ratio	1.2–1.8	0.7–1.6
Estimated net cost	\$1.4–\$1.6 billion	\$1.5–\$2.5 billion

Source: VAGO, based on information from DJSIR.

DJSIR made it clear in both versions of the business case that significant further work was required. It also highlighted the following key risks to its cost estimates:

- a lack of time to build venues and athletes' villages
- supply chain constraints
- limited availability of regional labour and resources
- limited accommodation in the regions for visitors and the Games workforce
- a lack of time to undertake due diligence before signing the binding host contract.

Consequently, DJSIR prudently included a range of cost estimates in the business case. In early March 2022 it recommended to the Minister that:

- Victoria host the Games
- they present the upper-bound gross cost estimate of up to \$3.2 billion for the government's approval.

DJSIR's position was incongruent because the upper-bound cost estimate produced a benefit–cost ratio of 0.7, which should have led to it recommending the government not proceed with hosting the Games.

DJSIR told us that it recommended the upper-bound cost estimate to give the government flexibility to respond to the results of due diligence on the Games sports program and venues.

However, its brief to the Minister did not explicitly address the fact that the upper-bound cost estimate resulted in a benefit–cost ratio below 1.0.

The government decided to use and announce the lower-bound (or best-case) cost estimate as the Games budget in full knowledge of its limitations and that all the risks pointed to higher costs and lower revenue.

DTF's and DPC's advice about the decision to host

Between January and April 2022, at key points where the government needed to decide if it should proceed with the proposal to host the Games, DTF's and DPC's advice was supportive. But they urged the government to be cautious given the lack of certainty around costs and the estimated funding from other levels of government.

While DTF's and DPC's advice to the government about the Games business case and contract was clear about cost, funding and delivery risks, it was not always comprehensive and frank.

This is because at key stages both departments supported recommendations that the government proceed with hosting the Games despite identifying significant and unresolved concerns on whether this was the best use of public resources. For example:

- in March 2022 DTF supported recommendations that the state proceed with its bid to host the Games and underwrite the cost despite its concerns:
 - about the reliability of the estimated costs
 - that the costs were likely to exceed the quantifiable benefits, which meant the benefit–cost ratio for the Games was likely below 1.0
 - in April 2022 DTF recommended that the Treasurer support the government signing the host contract, despite identifying material issues and risks for the state that had not been resolved because DJSIR had refused to meet with DTF
 - in April 2022 DPC's brief to the Premier, which supported the government signing the host contract, lacked comprehensiveness because it:
 - said that hosting the Games was projected to generate significant benefits for regional Victoria but lacked any advice on the credibility of the projected benefits
 - placed no emphasis on the lack of assurance about what the Games would actually cost the state and simply referenced the budget in the contract being consistent with previous government approvals
 - mentioned the host contract listed issues that the Games Federation identified as unresolved but did not include any advice on their large number and potential cost and risk implications, other than pointing out that the Games Federation believed that some proposed costs, including security costs, were not sufficient compared to recent Commonwealth Games.
-

Coordination between departments advising the government on the Games

Coordination and cooperation between departments

DJSIR did not always make sure that DPC and DTF had enough time to review its work on the business case, proposal to the Games Federation to host the Games and the host contract.

DTF and DPC told us that throughout the planning for the Games DJSIR did not always:

- work cooperatively with them to make sure they had enough time to review the business case, host contract and other key submissions to the government on the budget
- provide requested information for review.

This limited DTF and DPC's ability to provide timely and comprehensive advice to the government on the risks and cost of the Games.

While we did not directly review the Cabinet's office lodgement records, we have seen evidence indicating that DJSIR consistently and repeatedly failed to meet the standard timeframes required by the *Cabinet Handbook* for lodging draft and final submissions.

This impeded DTF and DPC's capacity to give the government timely and comprehensive advice about Games-related costs, risks and governance.

DPC and DTF told us that DJSIR's engagement, collaboration and information sharing improved from April 2023.

Cooperation in the lead-up to signing the host contract

When the government reviewed the initial draft Games business case at the end of January 2022 it required the Minister to provide a report-back submission to seek approval to submit the state's binding proposal for the Games.

The Games Federation expected this proposal in mid-March 2022. The Games Federation required the binding proposal to include a copy of the host contract and a commitment from the state to sign it.

DJSIR told us that the government expected it to work to this timeframe.

DTF and DPC sought relevant information and documentation from DJSIR in February and early March 2022 on both the draft host contract and the draft report-back submission for the government.

Evidence DTF gave us indicates that DJSIR shared drafts of the host contract and its key attachments. But, at times, the timing of this limited DTF's capacity to provide comprehensive advice.

For example, DJSIR did not give DTF updated versions of key attachments to the host contract, including attachments on the state's undertakings and guarantees, until late on the day before the government considered the Minister's report-back submission on 10 March 2022.

This meant DTF had little time to comprehensively review complex documents with potentially significant implications for the state before finalising its advice to the government.

DTF raised questions, comments and concerns with DJSIR about the draft host contract and its implications for the state before the government considered it. This included DTF raising questions about the extent, risks and potential costs associated with the state's guarantees in the contract.

DTF also had low confidence in the reliability of the business case cost estimates and was concerned that the state would sign a contract requiring taxpayers to fully underwrite the cost of the Games in circumstances where it did not have sufficient control over those costs.

DTF told us that DJSIR did not fully address the issues it raised and, in some cases, did not provide any written response to DTF's questions.

DJSIR also did not give DTF and DPC a draft of the Minister's report-back submission until around 3 days before the government considered it on 10 March 2022.

Following the government's consideration of the report-back submission, the state lodged its formal proposal to host the Games in mid-March 2022. The Games Federation accepted this proposal. The state signed the host contract on 12 April 2022.

Cooperation after the host contract was signed

Cooperation and information-sharing between DJSIR, DPC and DTF remained inconsistent after the government signed the host contract.

This was largely due to DJSIR's actions, which limited DPC's and DTF's ability to provide accurate and timely advice to the government on the Games budget.

In June 2022 a senior DTF officer highlighted an emerging risk of significant financial management failure in relation to the Games due to concerns that DJSIR had not allocated sufficient resources to further developing the budget and was not sharing costing and other information with DTF.

We saw significant evidence that DJSIR did not substantively engage with and seek input, feedback and advice from DTF between October 2022 and early 2023 when a report back to the government on the Games budget was due.

There was undoubtedly ongoing contact. But DJSIR's engagement was not effective because it consistently delayed giving information to DTF that was critical to its capacity to provide:

- input and feedback to DJSIR
- comprehensive and timely advice to the Treasurer and the government.

DPC told us that it shared these concerns.

In March 2023 DTF and DPC both raised concerns internally and at Games governance groups that DJSIR and the Games Office had not been giving them timely access to budget and other information about the Games.

This was despite DJSIR's commitment that it would complete a comprehensive breakdown of the Games budget by early 2023.

DTF raised these issues with the Treasurer's private office. It advised:

'While there is a detailed Games governance arrangement which includes DTF at multiple levels, limited information is being provided by the Games Office. Material is only provided once cleared by the Games Office CEO/Minister, which makes departmental level influencing very difficult'.

DPC told us that this lack of engagement on the budget was not mitigated by other oversight activities because between the November 2022 state election and 18 April 2023 the key committee overseeing the Games delivery did not meet. Three subsequent committee meetings were also deferred after it met in April 2023.

DJSIR's limited engagement with DPC and DTF on the budget continued until the minister for Games delivery provided the required report-back submission to the government on the Games budget on 20 April 2023.

DPC told us that DJSIR's engagement improved after this, with the Games Office actively engaging in weekly meetings to provide updates and seek advice on budget issues.

Despite raising concerns about DJSIR's actions and continuing to highlight delivery and budget risks to the government throughout 2022 and the first half of 2023, it was not until June 2023 that DTF and DPC indicated to the government that hosting the Games may not be feasible.

DTF and DPC provided formal advice that the Games was becoming unfeasible in July 2023.

Effectiveness of Games governance groups

Cross-agency governance groups

In addition to the lack of coordination between DJSIR, DPC and DTF, the cross-agency governance groups designed to coordinate planning and delivery for the Games and its budget also failed to operate as intended.

These groups missed opportunities to alert the government to unsustainable increases to the Games costs.

Figure 11 describes the 2 budget-focused governance groups for the Games and their responsibilities.

Figure 11: Games governance groups and their responsibilities

Governance group	Members	Responsibilities
Budget, Finance and Procurement Working Group (the working group) (established August 2022)	DPC, DTF, DJSIR, the Games Office and the Organising Committee	<ul style="list-style-type: none"> Oversee and provide leadership, control and direction on any budget, finance and procurement matters Review financial information before it is referred to the government for decision Respond to emerging financial and non-financial risks
Commonwealth Games Oversight Group (established February 2023)	CEOs of the Games Office and the Organising Committee and relevant deputy secretaries from DPC and DTF	Review budget planning and related processes prior to submissions to the government

Source: VAGO.

Despite their key budget oversight roles and the clear and progressively worsening cost and budget risks the Games was facing, the working group and the Commonwealth Games Oversight Group did not meet regularly.

Both groups were also impacted by the fact that DJSIR and the Games Office did not provide regular, timely budget updates.

The working group

The working group was responsible for providing leadership and oversight for Games-related budget, finance and procurement issues. But it only met 5 times.

At its final meeting in January 2023 DTF and DPC raised concerns about the Games budget and the timing of the required submission reporting back to the government on the budget.

DJSIR advised the working group that it expected to complete a draft of the report-back submission for the group to review at its February 2023 meeting. But this would be subject to approval from the minister for Games delivery's office.

This advice was not consistent with the agreed terms of reference for the group, including its responsibility to review and provide feedback on budget, finance and procurement matters before they are referred to ministers or the government.

The Games Office, as chair, cancelled the working group's February meeting without providing a reason. Members were advised that meetings would be scheduled after March 2023. But no further meetings were scheduled.

In June 2023 the minister for Games delivery's office removed a recommendation from a submission drafted by DJSIR to the government that all Games budget reporting and proposals would be supported by the working group, which would meet monthly. DTF advised us that this recommendation was:

- drafted collaboratively by senior DTF, DPC and DJSIR executives to address the government's request for further advice on how the Games could be delivered in regional Victoria for \$3.6 billion
 - intended to improve the provision of timely budget and financial information as the Games progressed.
-

Commonwealth Games Oversight Group

The Commonwealth Games Oversight Group met 6 times between February and May 2023, with 3 meetings in March 2023.

DTF raised concerns in these meetings about the need for:

- more detailed budget and cost information
- DJSIR to give DTF and DPC more time to consider draft submissions and recommendations about the Games budget before they went to the government.

DTF was concerned that the lack of timely information was limiting its capacity to:

- review and provide feedback to DJSIR
- provide comprehensive advice to the government.

For example, at the group's meeting on 21 March 2023 DTF noted that the Games Office had not provided a copy of the lengthy draft Games budget report-back submission for discussion until 2 hours before the meeting started.

At its final meeting in May 2023 the group decided to meet fortnightly until the budget report-back submission occurred, which was in July 2023. But no further meetings were scheduled.

Interdepartmental committee

An interdepartmental committee was established by the government in early 2022 to oversee whole-of-government communication, coordination, issue resolution and stewardship in relation to the Games.

This committee included all Victorian government department secretaries, the Chief Commissioner of Victoria Police and the CEOs of the Games Office and the Organising Committee.

The interdepartmental committee was jointly chaired by DPC and DJSIR's secretaries. It met regularly during 2022 and 2023.

One of the committee's key roles was to resolve critical issues that had not been successfully dealt with in other groups and provide strategic advice on mitigating critical risks.

By early 2023 it was clear that delivering the Games within the approved budget was at significant risk. However, the interdepartmental committee did not function effectively to mitigate this risk. This was partly due to DJSIR and the Games Office's apparent reluctance to provide and discuss detailed budget information.

At interdepartmental committee meetings in March and April 2023 the 2 most senior public servants in the state expressed the following concerns:

- DPC's secretary highlighted the need for early submission of meeting papers to enable adequate consideration and advice.
- DTF's secretary emphasised that the Games budget was the most important issue that the committee faced but there was no discussion of the budget in the papers submitted for review by the committee.

Senior Games Office and DJSIR officials' responses to these concerns indicated that sharing budget and financial information would remain subject to instructions from the minister for Games delivery.

At the interdepartmental committee meeting on 5 July 2023 DTF's secretary raised further issues, including:

- the lack of detailed financial reports on the Games to the interdepartmental committee and the government in 2022–23 despite the government requesting quarterly financial reports
- the working group had not met since January 2023 and there was no visibility of actual expenditure against the Games budget or an update on emerging cost pressures.

The interdepartmental committee's meeting minutes for 5 July 2023 record that DTF's secretary:

‘noted the potential utility of greater IDC [interdepartmental committee] engagement in financial discussions moving forward, noting centrals were well engaged. Keen to ensure whole of Victorian government costs are visible to government across VicPol, DTP etc’.

Advice informing the decision to withdraw

DJSIR's advice in April 2023 In April 2023 DJSIR advised the government that it needed a gross budget of \$4.5 billion to deliver the Games. But DJSIR's advice understated the costs because it excluded around \$240 million in transport costs and \$300 million in policing costs.

Including these costs meant that the estimated cost of the Games was approximately \$5 billion. The original Games budget approved by the government in 2022 was intended to cover transport and some police costs.

On 5 April 2023 the government discussed the Games budget and agreed in principle to a revised gross target budget of \$3.6 billion. The government requested the minister for Games delivery to prepare options to achieve this.

DJSIR told us it was not aware of the \$3.6 billion target until after a further government expenditure meeting on 20 April 2023.

However, an internal DTF email sent on 12 April 2023 noted that DJSIR's Games Office had advised DTF that meeting the \$3.6 billion target was not possible and that it would not work towards this budget until directed to do so by the minister for Games delivery's office.

The minister for Games delivery presented a submission, which DJSIR prepared, to the government on 20 April 2023 to inform it about the Games budget and expected costs. This submission sought approval for a revised gross budget of \$4.5 billion.

The government did not accept the budget request. It agreed to a revised gross budget of \$3.6 billion and requested further advice from the minister for Games delivery by June on how the Games could be delivered in regional Victoria for that budget.

DJSIR's advice in June and July 2023

DJSIR prepared a draft submission for the minister for Games delivery in June 2023. This submission again sought approval from the government to fund a revised gross budget of at least \$4.2 billion.

But DPC and DTF did not support this submission and it did not proceed to the government for consideration.

On 14 July 2023 the minister for Games delivery made a submission to the government to advise it that the Games could not be delivered for \$3.6 billion without abandoning the principle of a wholly regional Games or significantly reducing the number of sports, venues and villages.

This submission sought approval for a revised budget of \$4.2 billion, excluding separate funding requests to meet police and transport costs.

The submission also identified major 'black swan' risks including \$630 million for industrial relations risks and \$655 million for hyper-escalation of capital and operating costs. We discuss these risks in Section 2. The government:

- did not approve the minister's request for a revised gross budget of \$4.2 billion
- noted that large and unforeseen cost escalation meant that delivering the Games was no longer feasible
- requested the Premier to bring a submission to the government outlining a proposed way forward.

On 15 July 2023 the government formally agreed that it would seek to terminate its host contract with CGA and the Games Federation based on a submission from the Premier.

The government publicly announced its decision to withdraw from hosting the Games on 18 July 2023. At this time the government said that the cost of hosting was certain to exceed \$6 billion.

Settlement with Commonwealth Games parties

Following the government's announcement that it was withdrawing from hosting the Games, DPC led the settlement negotiations with the Commonwealth Games parties on the state's behalf.

In August 2023 Victoria signed a settlement agreement with the Commonwealth Games parties. It agreed to pay \$380 million to withdraw from hosting.

If the state had not reached a settlement by agreement there was the potential that litigation to resolve the matter could:

- be brought in multiple jurisdictions
- last multiple years
- result in substantial additional costs in both public sector resources and legal fees.

DPC achieved a quick settlement that resolved the state's liabilities from deciding to withdraw.

Appendices

[Appendix A: Submissions and comments](#)

[Appendix B: Abbreviations, acronyms and glossary](#)

[Appendix C: Audit scope and method](#)

Appendix A:

Submissions and comments

We have consulted with DJSIR, DPC, DTF, DTP, Development Victoria, Visit Victoria, the Organising Committee and the City of Ballarat, City of Greater Bendigo, City of Greater Geelong, Greater Shepparton City Council and Latrobe City Council, and we considered their views when reaching our audit conclusions. As required by the *Audit Act 1994*, we gave a draft copy of this report, or relevant extracts, to those agencies and asked for their submissions and comments.

The submissions and comments provided are not subject to audit nor the evidentiary standards required to reach an audit conclusion. Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

Responses received

Agency	Page
DJSIR	A-2
DPC and DTF	A-4
DTP	A-10
City of Ballarat	A-11
City of Greater Bendigo	A-13
Former CEO of the Victoria 2026 Organising Committee also known as Victoria 2026 Pty Ltd	A-14

OFFICIAL



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Ref: CSEC-2-24-23330

Mr Andrew Greaves
Auditor General
Victorian Auditor General's Office
Level 31, 35 Collins Street
MELBOURNE VICTORIA 3000

By email: [REDACTED]; [REDACTED]

Dear Mr Greaves

Proposed Performance Audit Report: Withdrawal from Commonwealth Games 2026

Thank you for your letter of 23 February 2024 inviting the Department of Jobs, Skills, Industry and Regions (the department) to provide a response to the proposed performance audit report on the withdrawal from the Commonwealth Games 2026 (proposed report).

From late 2021, the department understood the government was primarily interested in hosting the 2026 Commonwealth Games due to the legacy benefits it could create for regional Victoria. This established the policy parameters in developing the business case.

As the report acknowledges, the business case was developed under significant time and confidentiality constraints. The department worked diligently to complete the business case, working within the authorising environment at the time.

The department maintains the business case was prepared based on an established methodology for economic impact and cost benefit assessment, aligned with the Games Value Framework used for previous Commonwealth Games, and assessment of large sporting events.

Importantly, the business case identified assumptions, limitations and risks, including that further assessment of cost estimates would be required following the finalisation of the sports program and venues. Given these significant limitations, the department considered that the presentation of the benefit cost ratio as a range was not unreasonable at that time.

The department accepts the multi-regional-city delivery model proved more costly than initially anticipated and acknowledges that with more time and the ability to consult more widely, the business case could have included more detailed cost estimates.

Consistent with the need identified in the business case, from late 2022 to early 2023, following the government's decisions on the sports program and venues during 2022, the department undertook a detailed budget analysis to determine the revised Games budget requirements. As the requirements and specifications were clarified and costed, increases in forecasted operating and infrastructure costs were identified.



Response provided by the Secretary, DJSIR – *continued*

While this budget analysis was being undertaken, the department and its delivery partners continued to work diligently to prepare for the Games in 2026. Pressure on delivery timelines increased the potential for cost escalation risks given the immovable Games delivery date.

During the period from May to June 2023, as the proposed report notes, it also became clear other cost risks were emerging, beyond what had been initially provisioned for.

The department advised the government of these risks but did not attribute a likelihood of them occurring, nor were they intended to be added together. These risks were intended to serve as potential worst-case scenarios.

The proposed report acknowledges there was ongoing engagement between the department and central agencies. While the department acknowledges Games-related engagement could have been more effective at some points, the department believes the engagement and information sharing was better overall than characterised by the report, noting that all departments were working to compressed timelines.

The proposed report also suggests the department should have acted on and incorporated the advice of central agencies in a more fulsome manner. In some instances, this was because of compressed timeframes, but it is also important to recognise the differing roles and responsibilities of line departments and central agencies and the role ministers have – as decision makers – in determining the content of their submissions.

Despite the delineation in responsibilities and accountabilities, departments work together to advise on and support the effective delivery of the government's agenda. As the Secretary of the Department of Jobs, Skills, Industry and Regions, I expect the department to collaborate openly and constructively with all other departments.

To this end, as a standard practice, the department seeks to share draft submissions and associated information with central agencies as soon as it is able.

The department acknowledges the important role and need for the public service to provide frank and fulsome advice to ministers, and it seeks to do this consistently.

I thank the Victorian Auditor-General's Office for the quality of engagement with the department during this Audit. The report raises a number of important matters which we note and will inform the department's future actions. The department is committed to continuous improvement.

Finally, and importantly, I wish to acknowledge all staff in the department and delivery partner agencies who worked on the Games from late 2021 until cancellation. These staff members worked with dedication, including in increasingly difficult circumstances in 2023.

Thank you again for the opportunity to comment on the proposed report.

Yours sincerely



Tim Ada
Secretary

8/3/2024



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Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
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MELBOURNE VIC 3000

BSEC-240200855

Dear Mr Greaves

Thank you for your letter dated 23 February 2024 enclosing VAGO's proposed performance audit report into the Withdrawal from the 2026 Commonwealth Games. A joint Department of Premier and Cabinet (DPC) and Department of Treasury and Finance (DTF) response to the report's two recommendations is at Attachment A.

DPC and DTF consider the report provides a reasonable summation of the total costs incurred by the State but disagrees with some of VAGO's description and findings regarding the circumstances that led to the decision to host the Games and later cancel them. We are particularly concerned there is a disconnect between the evidence cited, the report's narrative and its key findings, and the framing of its recommendations.

Specifically:

- DPC and DTF faithfully supported delivery of the Government's public commitments while providing frank, impartial and timely advice as required under the *Public Administration Act 2004 (the Act)*.
- At all times DPC and DTF complied with their obligations under the Act and the VPS Code of Conduct.
- DPC and DTF do not support Recommendation 1 as we are strongly of the view that the advice given by DPC and DTF to Government on the Games was comprehensive, frank, impartial and timely, and met the standards required under the *Public Administration Act 2004*.
- At no point prior to receiving updated costs and risks in mid-2023 did DPC and DTF consider it likely that the Government would reach the point where cancellation was recommended.
- All agencies were continuing to work diligently to ensure the Games could be delivered and to fully understand the overall costs and risks right up to the time that a decision by the Government was made to withdraw from hosting the Games.
- DPC and DTF advised the Government against continuing to proceed with the Games at the point in July 2023 when it became clear that the costs had increased significantly, and that the investment in the Games was no longer in the best interests of the State.
- The basis of this position was the costings and risks presented to Government, which DPC and DTF considered represented an upper bound estimate of the potential costs of the Games.

Your details will be dealt with in accordance with the *Public Records Act 1973* and the *Privacy and Data Protection Act 2014*. Should you have any queries or wish to gain access to your personal information held by this department please contact our Privacy Officer at the above address.



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We have provided more detail on these issues below.

Recommendation 1

Consistent with our comments below on the key findings, DPC and DTF do not support this recommendation. We note that VAGO's comprehensive audit, with the benefit of complete access to all relevant documents, has not identified any failures of process internal to DPC and DTF requiring remediation, nor recommendations or suggestions for how processes could be improved. We note that there is also a Select Committee Inquiry into the 2026 Commonwealth Games Bid underway which may also set out recommendations for Government on these matters.

As stated previously, DPC and DTF consider the advice provided to Government was comprehensive, frank, timely and impartial, and was clear about the risks and financial impact of hosting the Games. Even in hindsight, both DPC and DTF stand by the advice that was provided regarding the decision to host the games given all of the known circumstances in the first half of 2022. As such, we do not believe there is sufficient reason to undertake a further review of public sector guidance as proposed in this recommendation as the advice would have been the same.

Recommendation 2

DPC and DTF support this recommendation in part as there are existing protocols in place for reviewing these documents that we consider are adequate.

DPC and DTF understand that the Victorian Public Sector Commission (VPSC) does not have a strict schedule of when it reviews all of its guidance, but reviews materials when it becomes aware of any relevant change that will have an impact on particular guidance. The Cabinet Handbook is reviewed at the start of the term of each Government, including in the event of a returning government. A dedicated review of the Handbook in light of the withdrawal from the Commonwealth Games will not be undertaken, for reasons provided above in response to Recommendation 1.

We are confident that, should any relevant and actionable findings be proposed in the future (e.g. via the Select Committee Inquiry into the 2026 Commonwealth Games Bid), the above processes are appropriately equipped to incorporate these.

DPC and DTF are both driven by an ethos of continuous improvement, and we are confident that ordinary work to ensure the guiding documents remain up-to-date is an appropriate avenue to incorporate any changes that may be necessary.



Key Finding 3

The report makes a number of claims about the manner in which DPC and DTF (and other departments) conducted themselves during the planning for the delivery of the 2026 Commonwealth Games.

DPC and DTF worked diligently throughout 2022 and 2023 to fulfill their duties in overseeing the planning for and delivery of the Games. At all times DPC and DTF complied with their obligations under the *Public Administration Act 2004* and VPS Code of Conduct. DPC and DTF provided frank, impartial and timely advice, despite the many challenges presented by limited or incomplete information and short lead times.

We disagree with the suggestion that DPC and DTF failed to provide frank and fearless advice to government on the decision to host the Games and to sign the host contract. Our departments have provided ample evidence that, based on the information available at the time, we supported signing the host contract, while making it clear that assumptions around expenditure and revenue would need to be market tested and an updated budget considered after further planning was undertaken. Every major event at this scale comes with these risks as evidenced by Queensland's previous hosting of the Commonwealth Games and indeed their challenges related to the 2032 Summer Olympics.

In our view, the claim that *'despite consistently raising risks, DTF and DPC did not advise the government that hosting the Games might be unfeasible until June and July 2023'* is also misplaced. It was implicit in the risks raised by DPC and DTF that, if they eventuated, the Games might not be able to be delivered within the approved funding envelope. Crucially though, no decision was necessary until the revised Games budget came forward for formal approval in July 2023. At this point, DPC and DTF advised the Government that it no longer supported hosting the Games on the basis that the significant increase in costs meant that the investment could no longer be justified.

Key Finding 4

DPC and DTF disagree that the \$6.865 billion cost estimate was 'likely overstated'. No party can definitively provide an accurate total cost for the Games given the risks that were still emerging and largely untested at the time the revised budget was considered.

The \$6.865 billion figure was published, consistent with the advice of DPC and DTF provided to the Premier and Treasurer prior to the decision to cancel the Games. In providing this advice, DPC and DTF did not present the figure as a 'closest estimate', but as an upper limit in the event all known and costed risks transpired. The published figures should be treated in the same way.

As this was an upper bound estimate, even at the lower figure, DPC and DTF note the cost would have well exceeded the anticipated economic benefits of \$3 billion and would have raised concerns about the feasibility of hosting the Games.



Response provided by the Secretaries, DPC and DTF – continued

Finally, in the paragraph titled *Settlement with Commonwealth Games parties* the report states that DPC achieved a 'quick settlement that resolved the state's liabilities from deciding to withdraw' in the face of numerous and substantial litigation risks. DPC and DTF consider that the decision to withdraw and the settlement amount, although significant, were made in the best interests of the State. Yours sincerely



Jeremi Moule
Secretary, DPC



Chris Barrett
Secretary, DTF

8 / 3 / 2024

cc



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Department of Premier and Cabinet and Department of Treasury and Finance action plan to address recommendations from *Withdrawal from the Commonwealth Games 2026*

No.	VAGO recommendation	Acceptance	Agreed management actions	Target completion date
1	Work with the Victorian Public Sector Commission to conduct a review into why the public sector's advice to the government on the 2026 Commonwealth Games did not always meet the standards required by the <i>Public Administration Act 2004</i> and key guidance documents. This should include identifying what changes are needed, including behavioural, to enable the public sector to make sure this is not repeated in similar circumstances in the future (see Chapter 3).	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	N/A	N/A
2	As part of this review: comprehensively analyse all key documents that provide guidance to the public sector on giving frank, full and timely advice to the government, and identify any gaps or potential barriers update documents to close any gaps and remove barriers ensure that changes are communicated extensively to inform the broader public sector of its obligations (see Chapter 3). Key documents include but are not limited to the:	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> In part <input type="checkbox"/> In principle	- The Government regularly reviews materials that provide advice and guidance to the public sector in relation to the provision of giving frank, full and timely advice to the government. - The public service will continue to undertake these reviews as part of its normal processes.	Ongoing

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	<i>Cabinet Handbook</i> <i>Secretaries guide for informing and advising ministers</i> <i>Investment Lifecycle and High Value High Risk Guidelines.</i>			
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Department of Transport and Planning

GPO Box 2392
Melbourne, Victoria 3001 Australia

Ref: BSEC-1-24-842

Mr Andrew Greaves
Auditor-General of Victoria
Victorian Auditor-General's Office
Level 31, 35 Collins Street
MELBOURNE VIC 3000

Dear Mr Greaves

Victorian Auditor-General's Office - Withdrawal from the Commonwealth Games 2026 - Proposed report

Thank you for your letter of 23 February 2024 enclosing the proposed report for the *Withdrawal from the Commonwealth Games 2026* performance audit (the Report).

The Department of Transport and Planning acknowledges the conclusions of the Report and the need to ensure that the public service works together to provide frank, full and timely advice.

Thank you for the opportunity to comment on the Report.

Yours sincerely


Paul Younis
Secretary
Department of Transport and Planning

7 March 2024



PO Box 655
Ballarat Vic 3353
AUSTRALIA

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Facsimile: 03 5333 4061
Email: info@ballarat.vic.gov.au



Date: 4 March 2024
Direct Phone: 0409 865 093
Email: [REDACTED]

Victorian Auditor-General
Level 31, 35 Collins Street
Melbourne Victoria 3000
Australia

RE: VAGO Audit into the Withdrawal of the Commonwealth Games 2026

Dear Auditor-General,

Thank you for providing the City of Ballarat with the opportunity to participate in the VAGO audit into the Withdrawal of the Commonwealth Games 2026.

In April 2022, Ballarat was announced as one of four regional hubs to host the Victoria 2026 Commonwealth Games (the Games). Our city was to host athletics, marathon and boxing events.

The announcement was welcomed by Council and residents as a great opportunity for Ballarat. Council was disappointed to hear of the cancellation on 18 July 2023.

Despite the cancellation Ballarat is set to benefit from one of the biggest investments by any government in our city – resulting in a generational investment into sporting and transport infrastructure.

Investment in Legacy Infrastructure

The number of hours spent in good faith on Games' planning was considered an investment in ensuring an enduring infrastructure legacy for Ballarat.

Council is committed to working with the Victorian Government to deliver the sporting and community infrastructure previously committed.

Specifically:

- Ballarat Railway Station - upgrades to make the station fully DDA compliant, including passenger lifts on both platforms and a connecting pedestrian overpass
- Eureka Stadium - 5,000 new permanent seats
- Eureka Stadium - new athletics track adjacent to the stadium
- Miners Rest - new community sports facility
- Ballarat Sports and Events Centre - accessibility works, upgrades to the show court.

Legacy infrastructure was, and still is, a critical priority for Council.

Saleyards/athletes village site

Council continues to work with Development Victoria to ensure base infrastructure works at the old saleyards site are delivered.

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Delivery of a precinct plan for the saleyards site and surrounds remains a high priority for Council.

Funding

The City of Ballarat continues to work to access all available Commonwealth Games-related legacy funding and looks forward to attracting our fair share of the available funding as one of the regional hubs.

\$1 billion Regional Housing Fund - social and affordable housing

Ballarat is experiencing significant housing pressure; however, it has significant potential for social and affordable infill housing opportunities.

Ballarat wants funding support so it can be an integral part of easing the housing crisis.

Thank you again for the opportunity to submit to the Auditor-General through a written statement.

Yours sincerely,



Cr Des Hudson OAM
Mayor
City of Ballarat

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6 March 2024

Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31/35 Collins Street
Melbourne VIC 3000
[Redacted]

Dear Mr Greaves

Proposed Performance Audit Report: Withdrawal from the Commonwealth Games 2026.

I refer to your letter dated 23 February, 2024, regarding the above and provide this letter as the City of Greater Bendigo's formal response to the report.

The City appreciated the opportunity to be involved in the audit. The proposed report accurately reflects the role of Local Government in the Games. Whilst proud to be selected as a Host City for the Games, the City of Greater Bendigo did not have a role in the bidding for the 2026 Commonwealth Games or the decision to withdraw from the 2026 Commonwealth Games.

The costs incurred by the City of Greater Bendigo during the Games preparation were employee costs which were largely attributed to time involved in contributing to the scopes for the facility upgrades that were being planned to host the sports.

As part of the announcement to withdraw from the Games, the Victorian State Government announced that these community and events facility upgrades projects will be funded and proceed. This announcement was welcomed by the City and our community. The City staff time incurred in contributing to the development of the project scopes is a valuable investment and will lead to improved project outcomes that represent the needs of our community and the venue operators.

Yours sincerely



Andrew Cooney
Chief Executive Officer

Hearing or speech impaired?
Call us via the National Relay
Service on 133 677 or
www.relay.service.com.au
and ask for 03 5434 6000

City of Greater Bendigo
Address: 189-229 Lyttleton Terrace, Bendigo
Postal Address: PO Box 733, Bendigo VIC 3552
T: 1300 002 642
E: requests@bendigo.vic.gov.au
W: www.bendigo.vic.gov.au
ABN 74 149 638 164

Response provided by the former CEO of the Victoria 2026 Organising Committee also known as Victoria 2026 Pty Ltd

Andrew Greaves
Auditor-General
VAGO
35 Collins Street
Melbourne VIC3000

31 January 2024

Dear Mr Greaves

Re: Provisional Draft VAGO report “Withdrawal from 2026 Commonwealth Games”

As the former CEO of Victoria 2026 Pty Ltd (also known as the “Organising Committee”) I would like to thank you for VAGO’s engagement audit into the withdrawal from the 2026 Commonwealth Games.

Thank you for the opportunity to review a redacted version of your provisional draft report. I have made a few minor comments relating to the use of terminology but in all material aspects, the parts of the report that I have seen are factually correct.

I would like to underscore that the Organising Committee was established in September 2022 and within five months had:

- built the team to deliver the 2026 Commonwealth Games;
- created the detailed operational plan for the Games; and
- delivered a detailed four year operating budget for the Games.

As Peggy O’Neal (the former Chair of the Organising Committee) and I made clear to the Victorian Upper House Select Committee into the 2026 Commonwealth Games, the Organising Committee delivered its comprehensive budget assessment in February 2023. This budget was submitted to the Audit and Risk Committee of the Organising Committee Board on 15 February 2023 and to the full Board on 27 February 2023. The Board included representatives from the Commonwealth Games Federation and Commonwealth Games Australia.

The Organising Committee also submitted this budget requirement to the Office of the Commonwealth Games on 22 February 2023.

Response provided by the former CEO of the Victoria 2026 Organising Committee also known as Victoria 2026 Pty Ltd – *continued*

Between March and July 2023, the Organising Committee Board and staff worked constructively and transparently with Government officials to explore a range of options for the delivery of the 2026 Commonwealth Games.

Thank you again for the opportunity to review the draft report.

Yours sincerely



Jeroen Weimar
Former CEO, Victoria 2026
Melbourne

Appendix B: Abbreviations, acronyms and glossary

Abbreviations We use the following abbreviations in this report:

Abbreviation

the Games	2026 Commonwealth Games
the Games Federation	Commonwealth Games Federation
the Games Office	Office of the Commonwealth Games
the Minister	Minister for Tourism, Sport and Major Events
the minister for Games delivery	Minister for Commonwealth Games Delivery
the Organising Committee	Victoria 2026 Organising Committee
the working group	Budget, Finance and Procurement Working Group

Acronyms We use the following acronyms in this report:

Acronym

CGA	Commonwealth Games Australia
DJSIR	Department of Jobs, Skills, Industry and Regions
DPC	Department of Premier and Cabinet
DTF	Department of Treasury and Finance
DTP	Department of Transport and Planning
VAGO	Victorian Auditor-General's Office

Glossary This glossary includes an explanation of the types of engagements we perform:

Term

Reasonable assurance	We achieve reasonable assurance by obtaining and verifying direct evidence from a variety of internal and external sources about an agency's performance. This enables us to express an opinion or draw a conclusion against an audit objective with a high level of assurance. We call these audit engagements. See our assurance services fact sheet for more information.
Limited assurance	We obtain less assurance when we rely primarily on an agency's representations and other evidence generated by that agency. However, we aim to have enough confidence in our conclusion for it to be meaningful. We call these types of engagements assurance reviews and typically express our opinions in negative terms. For example, that nothing has come to our attention to indicate there is a problem. See our assurance services fact sheet for more information.

Appendix C: Audit scope and method

Scope of this audit

Our audit objective

To determine the costs associated with securing, planning for and exiting from the 2026 Commonwealth Games and assess the quality of relevant advice to the government.

Assessing performance

To form our conclusion against our objective we used the used the following lines of inquiry and associated evaluation criteria:

Line of inquiry	Criteria
1. What are the actual costs to date and likely expected total costs to Victoria?	1.1 The costs of bidding, planning and preparing for, and closing out the state's involvement in hosting the Games have been comprehensively and reliably measured, recorded, tracked and reported.
	1.2 The financial risks to the state associated with exiting from the Games contract have been identified and managed.
	1.3 Public communication and reporting on relevant estimated, actual and expected final costs have been accurate and fairly presented.
2. Was advice provided by relevant departments and agencies that informed key government decisions on securing, planning, preparing for and withdrawing from the Games hosting arrangements timely, full, frank and impartial?	2.1 Advice provided to the government conformed to the requirements of the <i>Financial Management Act 1994</i> , the <i>Public Administration Act 2004</i> and <i>Code of Conduct for Victorian Public Sector Employees</i> .
	2.2 A comprehensive business case and sound budget for the Games was developed and approved covering delivery options and their feasibility, financial and operational risks and expected whole-of-state costs and revenues.
	2.3 The conceptual basis for determining, capturing and reporting Games costs was appropriate and applied consistently over time.
	2.4 The reasons for significant movements in budgeted costs and income were clearly identified and justified and updated budgets were approved.
	2.5 Comprehensive advice was provided to the government on the proposed approach to withdrawing from the Games, including on settlement terms and related costs and risks.

To answer these questions we examined the 7 public sector agencies and 5 local councils involved in the Games.

What we examined

This engagement focused on the actual and expected costs for planning, securing and exiting from the Games and the quality of advice that departments provided to the government, primarily on the expected net cost of the Games.

Our methods

As part of the audit we:

- analysed documentation related to the Games held by audited agencies, including:
 - planning documents
 - submissions considered by Cabinet committees and Cabinet decision extracts
 - correspondence between public officials
 - relevant business cases and delivery cases
 - interviewed officials from audited agencies, DJSIR's former secretary and the former Minister for Tourism, Sport and Major Events
 - reviewed self-reported estimates of costs to date and expected costs related to the Games.
-

Compliance

We conducted our audit in accordance with the *Audit Act 1994* and ASAE 3500 *Performance Engagements* to obtain reasonable assurance to provide a basis for our conclusion.

We complied with the independence and other relevant ethical requirements related to assurance engagements.

Unless otherwise indicated, any individuals named in this report are not the subject of adverse comment or opinion.

Cost and time

The full cost of the audit/review and preparation of this report was \$780 000.

The duration of the audit/review was 8 months from initiation to tabling.

Auditor-General's reports tabled during 2023–24

Report title	Tabled
<i>Cybersecurity: Cloud Computing Products (2023–24: 1)</i>	August 2023
<i>Responses to Performance Engagement Recommendations: Annual Status Update 2023 (2023–24: 2)</i>	August 2023
<i>Eloque: the Joint Venture Between DoT and Xerox (2023–24: 3)</i>	October 2023
<i>Domestic Building Oversight Part 1: Regulation (2023–24: 4)</i>	November 2023
<i>Employee Health and Wellbeing in Victorian Public Hospitals (2023–24: 5)</i>	November 2023
<i>Reducing the Illegal Disposal of Asbestos (2023–24: 6)</i>	November 2023
<i>Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2022–23 (2023–24: 7)</i>	November 2023
<i>Contractors and Consultants in the Victorian Public Service: Spending (2023–24: 8)</i>	November 2023
<i>Major Projects Performance Reporting (2023–24: 9)</i>	November 2023
<i>Fair Presentation of Service Delivery Performance – 2023 (2023–24: 10)</i>	November 2023
<i>Reducing the Harm Caused by Drugs on Victorian Roads (2023–24: 11)</i>	December 2023
<i>Results of 2022–23 Audits: Local Government (2023–24: 12)</i>	March 2024
<i>Withdrawal from 2026 Commonwealth Games (2023–24: 13)</i>	March 2024

All reports are available for download in PDF and HTML format on our website at <https://www.audit.vic.gov.au>

Our role and contact details

The Auditor-General's role

For information about the Auditor-General's role and VAGO's work, please see our online fact sheet [About VAGO](#).

Our assurance services

Our online fact sheet [Our assurance services](#) details the nature and levels of assurance that we provide to Parliament and public sector agencies through our work program.

Contact details

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