

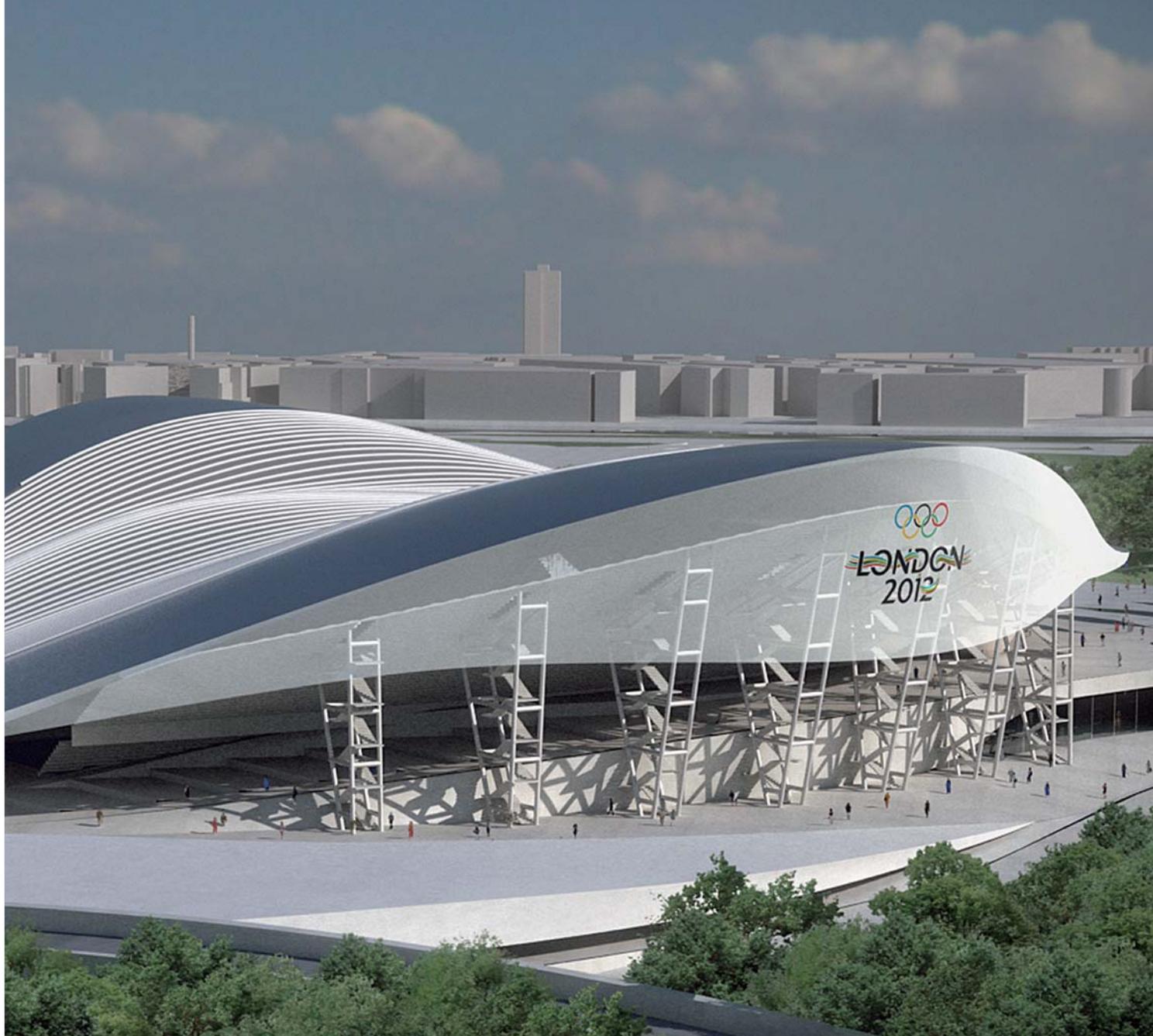


National Audit Office

Preparations for the London 2012 Olympic and Paralympic Games – Risk assessment and management

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SUMMARY

1 This is the first in a series of National Audit Office reports on the preparations for hosting the London 2012 Olympic and Paralympic Games. It is an early look at the progress that has been made to put in place the necessary delivery and financial arrangements since London was chosen as the host city on 6 July 2005. In most areas the arrangements are still being developed or are bedding down, and the report therefore identifies key risks and challenges going forward.

2 In future reports we will examine how the delivery and financial arrangements are working in practice and track progress in preparing for the Games. In addition, we will be reviewing the work to establish the budget for the Olympic programme, with a view to reporting our findings when the budget has been finalised.

- 3 Our main findings are as follows.
- Progress has been made in putting in place the key delivery structures, including setting up the Olympic Delivery Authority, the London Organising Committee of the Olympic Games and Paralympic Games (LOCOG), and the Olympic Lottery Distributor, and work is ongoing to develop underpinning practices and procedures. The delivery structures are complex, however, and this does bring the risk of cumbersome decision making.
 - The layout of the Olympic Park has been finalised, nearly all the land has been acquired, and work on the physical site is underway. The Olympic Delivery Authority has published a draft Transport Plan for consultation and is preparing the Olympic planning applications. Work is also ongoing to finalise proposals for the legacy use and ownership of the venues, and to develop plans for delivering and measuring the wider benefits of the Games, a key driver behind London's bid.
 - There has been a good deal of work on the cost estimates for the Olympic venues, associated infrastructure and other non-staging costs. In November 2006 the Secretary of State for Culture, Media and Sport reported that, although some offsetting savings have been identified, overall the cost estimates for the the Olympic Park have increased by some £900 million. A number of areas of uncertainty remain and there continues to be no final agreed budget, with implications for budgetary planning and control. Substantial further public funding is likely to be required in addition to the public sector funding package of £2.375 billion that was agreed before the bid. The Government is also to provide £1.044 billion towards the costs of infrastructure on the site of the Olympic Park. LOCOG has a budget of £2 billion for staging the Games. As required by the International Olympic Committee, the Government has underwritten the costs of the Games.
 - Across the Olympic programme as a whole, the Olympic Programme Support Unit has been set up to track progress and key risks, and provide the Olympic Board with the information it needs to make decisions. Within central government, the Government Olympic Executive will play a key role in co-ordinating the various contributions that government departments will make to the Games and in overseeing the Olympic Delivery Authority, LOCOG and the Olympic Lottery Distributor.

4 Our overall conclusion is that the key relationships and working arrangements to deliver the Olympic programme are still being developed. There are a number of areas of risk that will need to be managed but a major risk is the lack of final agreed cost estimates and an accompanying funding package, and this will inevitably have a detrimental impact on the programme if it is allowed to continue.

Recommendations

5 The main areas of risk that need to be managed for the successful delivery of the Games are set out in **Figure 1**. The risks are, of course, interdependent – failure in any one area will impinge on others. At the end of each section of the report are boxes setting out what we see as the key actions required to manage the risks. These points do not imply a lack of attention on the part of those involved; indeed much has been done and is being done. Nevertheless, with 18 months of the timetable of 84 months now elapsed, it is essential to keep the momentum up so that progress is maintained.

1 Main areas of risk that need to be managed for successful delivery of the Games

- 1 Delivering the Games against an immovable deadline.
- 2 The need for strong governance and delivery structures given the multiplicity of organisations and groups involved in the Games.
- 3 The requirement for the budget to be clearly determined and effectively managed.
- 4 Applying effective procurement practices.
- 5 Planning for a lasting legacy.
- 6 The installation of effective progress monitoring and risk management arrangements.

Source: National Audit Office

- 6** Within the key actions required to manage risk, we have identified four aspects which require particular attention now.
- a** **Finalising the cost estimates and funding package.** Establishing a robust lifetime budget for the venues and infrastructure for the Games would allow the programme to move forward with greater confidence and certainty, and with a better basis for financial control. There are clearly some difficult decisions and judgements to be made in finalising the budget but the Department for Culture, Media and Sport needs to work with the Treasury, the Greater London Authority, and other parties as necessary, to resolve this as a matter of urgency.
 - b** **Delivering clear and quick decision making on individual projects and at programme level.** Reflecting in part the multiple stakeholders and sources of funding, and the requirements of the International Olympic Committee, responsibility for decision making rests not with any one individual but with all those organisations involved in delivering and funding the Games. In any programme where there are multiple stakeholders, a pre-requisite for achieving smooth decision making is establishing a common understanding of how the motivations and actions of individual bodies impact on the programme as a whole so that possible areas of tension can be identified early.
 - c** **Maintaining an effective Olympic Programme Support Unit.** Although only a small team, the Unit has a pivotal role to play in supporting the Olympic Board in its oversight of the programme. To be in a position to provide independent and authoritative advice, the Unit needs to have the necessary skills and authority to probe and engage actively with the individual stakeholders, who in turn must support the Unit by sharing information and being open to challenge.
 - d** **Achieving effective government oversight.** To be in a position to exercise effective oversight of the Olympic Delivery Authority and LOCOG, the Government Olympic Executive needs the necessary authority and technical expertise to monitor and challenge on an equal footing. As we were finalising this report, and following a review initiated by the new Permanent Secretary in November 2006, the Department announced it would be appointing a new Director General and Financial Director for the Government Olympic Executive with high-level commercial and financial experience and expertise in major, complex infrastructure programmes. The Permanent Secretary also announced that he would be taking on the Accounting Officer function for the Games which has previously sat with the Chief Executive of the Government Olympic Executive. A key question for the Government Olympic Executive will be judging how 'hands on' it is appropriate to be at any particular time and getting the right balance between allowing the experts in these organisations to get on and deliver and providing the degree of challenge which is a key part of good governance and accountability for public money.