National Audit Office

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

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The London 2012 Olympic Games and Paralympic Games: post-Games review

Key facts

£9,298m
the Public Sector Funding Package

£377m
potential underspend if no further cost pressures emerge

£8,921 million	anticipated final cost to the Public Sector Funding Package
£23 million	reduction in anticipated final cost since our December 2011 report
£8,099 million	funding originally available to the Olympic Delivery Authority
£6,714 million	anticipated final cost of the Olympic Delivery Authority's part of the programme
£514 million	anticipated final cost of venue security being met from the Public Sector Funding Package

Summary

1 The 2012 Olympic Games and Paralympic Games were awarded to London in July 2005. The government's preparations and management of the £9.3 billion Public Sector Funding Package have been led by the Department for Culture, Media and Sport (the Department) through its Government Olympic Executive. The Department has worked with a range of delivery bodies, in particular:

- the Olympic Delivery Authority, which constructed the new venues and infrastructure required to host the Games, and had transport responsibilities;
- the London Organising Committee of the Olympic Games and Paralympic Games Limited (LOCOG), the liaison point for the International Olympic Committee and the International Paralympic Committee on the preparations for the Games, and responsible for staging the Games;
- the Greater London Authority – the Mayor of London is a signatory to the Host City Contract with the International Olympic Committee;
- the London Legacy Development Corporation, responsible for the transformation, development and long-term management of the Olympic Park and venues; and
- other government departments, notably the Home Office, the Department for Communities and Local Government, and the Department for Transport.

2 We have published six reports examining the progress being made with the government's preparations. Our work has not reviewed every detail. We have focused on the broader picture in terms of the successes, costs, risks, and potential benefits.

3 In this post-Games report, we review how the preparations came together in the summer of 2012 (Part One), the structures in place for delivering the legacy (Part Two), and the costs forecasts (Part Three).

4 In the light of our previous work, we have considered lessons to be learned to inform the successful delivery and financial management of other major projects overseen by government (Part Four). A unifying theme is the management action which can be taken to reduce uncertainty and manage risks on projects and programmes.

Key findings

On staging

5 The successful staging of the Games has been widely acknowledged. Any list of particularly successful aspects risks being incomplete, but we highlight the following:

- **For the opening and closing ceremonies, a new company was created specifically designed to balance effective project management with creative freedom.** The ceremonies met with widespread praise (paragraph 1.5).
- **LOCOG sold 11 million tickets for the Olympics and Paralympics combined** (paragraph 1.6).
- **LOCOG met the huge logistical challenge of recruiting and deploying 70,000 volunteers, known as 'Games Makers'**. In addition, the Greater London Authority and transport operators organised thousands of volunteers. The contribution of volunteers has been widely praised (paragraphs 1.8 and 1.9).
- **Both Team GB and Paralympics GB exceeded their overall medal targets.** In the London 2012 Olympic cycle, UK Sport, an arm's-length body of the Department, provided a total of £313 million of funding for Olympic and Paralympic athletes. Of the 28 Olympic and Paralympic sports which had a target to win at least one medal, 24 met or exceeded their minimum target (paragraphs 1.10 to 1.13).

6 **As the programme moved from its planning to the operational phase, the government's oversight arrangements changed to reflect the need for quick resolution of any issues that might arise.** In the year or so before the Games, there was intensive testing of a range of potential scenarios across the programme, enabling delivery bodies' to refine their plans, and identify risks and mitigating actions. In May 2012 the main decision-making body during the planning stage handed over to a Cabinet Committee for the period of the Games (paragraphs 1.14 to 1.18).

7 **The planning for venue security at the Games did not go smoothly.** The final size of the venue security requirements only emerged in 2011 as venue plans and operational plans were finalised. During 2011 the number of guards required increased to over 20,000, from the previous estimate of 10,000. The 2007 Public Sector Funding Package contained no provision for venue security until 2010 and has since had to cover costs of over £500 million. This was only possible because contingency funds had become available from within the Funding Package (paragraphs 1.19 to 1.24).

8 When it became clear that G4S could not provide the full number of venue security guards required, effective contingency plans were implemented. On 11 July 2012 G4S told LOCOG and the Olympic Security Board that it would not be able to provide the full number of guards it had contracted to supply, which had potentially serious implications for security at the Games. Additional military and police personnel were rapidly deployed to fill the gap and the security operation passed off without any major problems. G4S has accepted responsibility for its failure to deliver fully on the contract, and acknowledged a series of failings in its project management and execution (paragraphs 1.27 to 1.30).

On delivering the legacy

9 The government is putting in place new arrangements for the coordination and oversight of delivering the promised legacy. The Cabinet Office is now responsible for coordinating and assuring delivery of the legacy. The Prime Minister now chairs a Cabinet Committee to oversee delivery while the Secretary of State for Culture, Media and Sport remains the lead Minister. The effectiveness of the new arrangements remains to be seen. Numerous organisations are responsible for particular aspects of the legacy, but the new arrangements are a positive step towards maintaining focus and direction (paragraphs 2.12 to 2.13).

10 While there is still uncertainty over the future use of the Olympic Stadium, the majority of venues and facilities on the Olympic Park now have an agreed long-term use and legacy tenant. At the time of our last report in December 2011, negotiations with the preferred bidder for the £429 million Olympic Stadium had been terminated. The new process to secure tenants has not yet been concluded and the timing of the reopening of the Stadium is unresolved. The London Legacy Development Corporation has now reached preferred bidder status on the £297 million Media Centre and secured tenants on the remaining venues and facilities. The Corporation also has outline planning permission on 7,000 new homes planned for the Park (paragraphs 2.6 to 2.9).

On the cost of the Games

11 After taking into account identified cost pressures, the anticipated final cost to the £9,298 million Public Sector Funding Package is £8,921 million, which would leave a £377 million underspend if that were to be the final position. The anticipated final cost includes £103 million of contingency to cover remaining quantified risks. The Funding Package agreed in 2007 included £2.7 billion of contingency, since when it has absorbed work and additional costs not previously covered. There are some remaining areas of uncertainty, for example on the final cost of converting the Athletes' Village, prior to completion of the agreed sale, and settling outstanding contracts with suppliers (paragraphs 3.3 to 3.4 and 3.10).

12 The National Lottery stands to be reimbursed with funds that will be available to distribute to good causes, though the amount and timing are uncertain. The 2007 Public Sector Funding Package included £2,175 million from the Lottery, £675 million more than the Lottery's previously agreed contribution. In return for this additional funding, there is an agreement for the Lottery to receive a share in future receipts, up to a total of £675 million, from the sale of land on the Olympic Park. In addition, the Lottery will receive £71 million in repayment for funding additional costs of the Athletes' Village. Unused Lottery money in the Public Sector Funding Package will be returned to the Lottery (paragraphs 3.11 to 3.13).

13 LOCOG forecasts that its final costs will be covered by its income. LOCOG raised over £700 million in sponsorship, hitting its upper sponsorship target during difficult economic conditions. Consistent with its guarantee to cover shortfalls in LOCOG revenue, LOCOG's income includes £27 million from the Public Sector Funding Package, which the government provided to enable LOCOG to move forward more confidently. The Government Olympic Executive has also made a provision of £30 million which is potentially available to LOCOG to meet risks that might materialise after the Games, for example when closing out its remaining contracts. Separate from its core budget, LOCOG has received £989 million from the Funding Package, largely for additional work not previously covered by the Funding Package (paragraphs 3.8 to 3.9 and 3.16 to 3.20).

Conclusion on value for money

14 By any reasonable measure the Games were a success and the big picture is that they have delivered value for money. LOCOG sold 11 million tickets and our athletes excelled. The contribution of the ceremonies and the volunteers was a huge part of the success and we do not underestimate the work involved. Crucially, the Games passed off without major transport disruption or security incident. The scale of the construction programme and the fact that it was completed on time and within budget is impressive. The government's preparations and management of the £9.3 billion Public Sector Funding Package have been led throughout by the Department for Culture, Media and Sport.

15 Although it looks as if not all of the Public Sector Funding Package will be used, there has been a marked increase in the operational costs that it has to cover. Around £1 billion of additional operational work was identified that had largely not been covered by the 2007 Funding Package. The largest cost increase, of some £500 million, was for venue security, where in addition to increases in the requirement for physical security infrastructure, the estimated requirement for guards increased during 2011 from 10,000 guards to over 20,000. The contractor was unable to deliver fully and additional armed forces and police had to step in to cover the shortfall. The contractor has accepted responsibility and undertaken to reimburse the costs. The financial settlement is still being negotiated. Most aspects of the Games were thought out and planned well in advance, while planning for venue security was characterised by underestimation of the scale and cost of the task.

16 Since our last report there has been progress on putting in place arrangements to strengthen coordination and oversight of delivering the planned legacy. Strong leadership will be required to deliver the longer term benefits on which basis the public spending was justified.

Recommendations

a **As the programme closes the Department must continue to keep tight financial control over remaining expenditure, with a view to maximising the final unspent figure.** On current projections, there will be a £377 million underspend against the Public Sector Funding Package. The final figure could be higher or lower depending on the accuracy of current assumptions about expenditure and how well remaining risks are managed.

b **In its new role of leading delivery of the legacy, the Cabinet Office must make the most of the momentum created by the success of the Games and will need to provide strong leadership and oversight of the progress made by the various organisations with legacy responsibilities.** The Cabinet Office's responsibilities are for coordinating and overseeing delivery of the legacy, but it is not delivering the various legacy projects itself. Given the diffuse responsibilities for individual projects it will be a challenge for the Cabinet Office to maintain a clear line of sight over progress.

c **The government should use the skills gained by officials who have worked on the Games, by deploying people to roles that use this experience.** In preparing for the Games, the public sector has gained valuable experience in project management, contracting, and risk management. These are skills shortages identified in the recent Civil Service Reform Plan. There is now an opportunity to make use of these skills on other projects.