



National Audit Office

REPORT BY THE
COMPTROLLER AND
AUDITOR GENERAL

HC 794
SESSION 2012-13

5 DECEMBER 2012

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

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National Audit Office

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

Report by the Comptroller and Auditor General

Ordered by the House of Commons
to be printed on 4 December 2012

This report has been prepared under Section 6 of the
National Audit Act 1983 for presentation to the House of
Commons in accordance with Section 9 of the Act

Amyas Morse
Comptroller and Auditor General
National Audit Office

30 November 2012

In this post-Games report, we review how the preparations came together in the summer of 2012, the structures in place for delivering the legacy, and the costs forecasts. We have also considered lessons to be learned to inform the successful delivery and financial management of other major projects overseen by government.

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Printed in the UK for the Stationery Office Limited on behalf of the Controller of Her Majesty's Stationery Office

2527571 12/12 7333

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This report can be found on the
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www.nao.org.uk/olympics-2012

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Key facts

<hr/> £9,298m <hr/>	<hr/> £377m <hr/>
the Public Sector Funding Package	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.

Part One

Staging the Games

1.1 LOCOG's staging of the Games was a huge logistical challenge which required the collaboration and support of a wide range of organisations. We do not underestimate the work required by the delivery organisations to, for example, manage the transport network during the Games, provide broadcast platforms for the world's media, and manage the entry into the UK of athletes, officials and spectators.

1.2 In this post-Games report we wanted to draw out some of the widely acknowledged successes of the Games. We have focused on aspects particularly in the public eye; the opening and closing ceremonies, ticket sales, volunteering and medal success. In view of our earlier work, we also look at arrangements behind the scenes for oversight, coordination and risk management. We also report on the background to the contract with the private sector to provide venue security, on which it is now well known that the security company did not deliver in full.

The ceremonies

1.3 The Games started with the 'Isles of Wonder' opening ceremony on 27 July, which met with widespread praise. We reviewed the national newspaper coverage on the day after each ceremony and found that, across all four ceremonies, only 5 per cent of articles were negative.

1.4 LOCOG was responsible for delivering the opening and closing ceremonies. LOCOG told us that the ceremonies cost a total of £110 million, including £41 million from the Public Sector Funding Package which, as we have previously reported, added to LOCOG's own budget to meet the government's ambitions and expectations for the ceremonies.

1.5 We asked LOCOG what it was about the mechanisms for delivering the ceremonies that they considered to have facilitated success. LOCOG told us that:

- It set up a delivery model specifically for the task. Production companies bid to set up a new company. Three directors of the company (London 2012 Ceremonies Ltd) were LOCOG staff. Thus LOCOG neither followed a traditional outsourcing model for the project nor retained in house a project not best suited to its core skills. The principle of creating a purpose-built delivery model, designed to draw on the best skills available for a specific task is a notable feature of other elements of the Olympic programme (see paragraphs 4.3 to 4.4).
- It considers that this approach allowed the production company to focus on 'putting on the show', employing their specialist technical and logistical skills to the full, while also allowing LOCOG to retain financial oversight and control.
- It appointed the Creative Directors and Senior Executive Producer and, while creative talent was allowed creative freedom, proposals were reviewed by government and approved by LOCOG. To increase control over the £41 million grant from the Public Sector Funding Package, £7 million of it was set aside and released only following ministerial approval.

Ticket sales

1.6 LOCOG recently provided information to the London Assembly on ticket sales which showed that:

- It had sold 8.2 million tickets for the Olympic Games and 2.8 million for the Paralympic Games – 97 per cent of the 11.3 million tickets LOCOG had made available.
- It raised £659 million of revenue from ticket sales.
- 2.5 million Olympics tickets and 2.1 million Paralympics tickets were available at £20 or less. (In March 2010 LOCOG told the Committee of Public Accounts that there would be tickets available in a price range that allowed a family of four to pay around £100.)
- LOCOG was unable to quantify the number of accredited seats for which tickets were not publicly available.

1.7 As the Olympics began there were unoccupied seats at events for which there were no remaining tickets available to the public. The empty seats were often in clusters, close to the competitors and highly visible on TV coverage. LOCOG has stated that the empty seats were due to accredited seat allocations – to the media, the International Olympic Committee and National Olympic Committees, International Sporting Federations and athletes – not being used fully. LOCOG told the London Assembly that to address this issue it allocated 6,000 seats to young people in London and 7,000 to the military and volunteers, free of charge, and sold a further 90,000 tickets to the UK public.

Volunteering

1.8 The contribution made by the volunteers has also been widely praised. LOCOG recruited, trained and deployed 70,000 volunteers, known as ‘Games Makers’. The Greater London Authority and transport operators provided thousands more volunteers.

1.9 We asked LOCOG what factors they considered to have been important in the planning leading up to the deployment of volunteers. LOCOG told us that:

- Before opening its recruitment campaign LOCOG made clear the commitment required. For example, clarifying that successful applicants could expect at least 10 shifts and to attend approximately 20 hours of training, and that many roles were not in the public eye. This acted as a sift to make sure that people knew what to expect before applying.
- Approximately one-third of the volunteers were specialists. LOCOG decided to recruit a high proportion of specialists, such as medical volunteers, and targeted its recruitment campaign accordingly.
- The recruitment campaign started in July 2010, but applicants would not know if they were successful until January 2012 at the earliest. LOCOG kept applicants engaged during this time by maintaining communication, and set up a dedicated website for applicants to access further information.
- All volunteers undertook three core segments of training – ‘orientation’, role specific and venue specific – with additional training, for example, in team leader roles. Orientation training was alongside paid staff and some contractors, and was designed to encourage team spirit and integration.
- LOCOG experienced low attrition rates between interview, selection and deployment. However, there was a contingency of some 5,000 volunteers who had made themselves available to step in if required.

Medal success

1.10 One of the successes of the Games was that the UK's Olympic and Paralympic teams exceeded their medal targets (**Figure 1**). UK Sport, the Department's arm's-length body responsible for delivering the government's high performance sport strategy, provides lottery funding to athletes and national governing bodies. UK Sport agrees targets for medal success at Olympic Games and Paralympic Games with national governing bodies. The funding provided by UK Sport is outside the Public Sector Funding Package for the Games.

Figure 1

Medals won by the UK's Olympic and Paralympic teams

	Medal target	Medals achieved	Gold	Silver	Bronze
Olympics	48	65	29	17	19
Paralympics	103	120	34	43	43

Source: UK Sport

1.11 In the London 2012 Olympic cycle (2009-2013),¹ UK Sport provided £264 million of funding for 27 Olympic sports. The team won 65 medals and finished third in the medals table, meeting its goal of top four. Fourteen sports had a minimum performance target of at least one medal and, of these, all but swimming met or exceeded their target. In the Beijing cycle, UK Sport awarded £235 million, and the team won 47 medals and came fourth.

1.12 For the London 2012 Paralympics, UK Sport provided £49 million for 18 Paralympic sports. The team won 120 medals and finished third in the medals table, one place below its goal of second. Fourteen sports had a minimum performance target of at least one medal and, of these, all but three – swimming, archery and wheelchair basketball – met or exceeded their target. In the Beijing cycle, UK Sport awarded £29 million, and the team won 102 medals and came second.

1.13 In August 2012 the Prime Minister announced that UK Sport will receive £125 million a year to support Olympic and Paralympic athletes for the period up to the Rio Games in 2016. UK Sport's strategy for funding Olympic and Paralympic sport is to target funding at those sports that it considers are medal contenders.

¹ UK Sport's funding periods go on until after the Games.

Games-time operations

1.14 In previous reports we have commented on the importance of the government having effective oversight arrangements across the programme, including coordination of the programme's various strands (for example, security, transport and communications) and arrangements for identifying and tracking key risks.

1.15 In the year or so before the Games, the plans for the Games were subject to an intensive programme of testing, including 42 test sporting events and a range of cross-programme exercises. These exercises tested and refined the delivery bodies' responses to a wide range of scenarios from a change in the wind direction at the sailing venue in Weymouth and Portland to a major terrorist incident in London.

1.16 In May 2012, the London 2012 Senior Responsible Owners Group – the main, high-level decision-making body during operational planning – met for the final time and discussed its final 'Games Readiness Report'. The report highlighted a number of risks to be managed, and mitigating actions. The main risks included the risk of excessive demand on London's transport network and the threat of a security incident.

1.17 With the start of the torch relay in May 2012, the programme moved into the operational phase. The London 2012 Senior Responsible Owners Group was disbanded, and the Cabinet Committee for the Olympics took the lead role in overseeing delivery, reflecting the need for timely responses to any issues that might arise during the Games. Day-to-day operations were overseen by operations centres for each of the five main operational areas: LOCOG's Games operations, security, transport, London city operations and government operations. The Cabinet Committee operated under similar structures to those in operation when the government responds to a crisis, known as Cabinet Office Briefing Room (COBR). The Group included representation from all the main operational delivery bodies.

1.18 In the event the Games passed off without major incident.

Venue security

Planning

1.19 LOCOG was responsible for venue security operations, the Home Office was responsible for setting security requirements and funding LOCOG's delivery of venue security. Security arrangements were overseen by the Olympic Security Board, chaired by the Home Office. We and the Committee of Public Accounts have previously commented on the planning for venue security, including the increased costs and the scale of the challenge to recruit the numbers of guards required in the time available.

1.20 In February 2010 we reported that the Home Office and LOCOG had not yet agreed the responsibilities, and therefore budget implications, for venue security. By the time of our February 2011 report, the government had, consistent with its guarantee to the International Olympic Committee to underwrite the cost of security, agreed, as part of the 2010 Spending Review, to provide an additional £282 million from the Public Sector Funding Package. There had previously been no provision in the Funding Package for venue security, and it had become clear that the £29 million in LOCOG's own budget was a significant underestimate. The £282 million included provision for physical security measures, such as search and screening equipment, perimeter fencing and CCTV, as well as for the costs of venue security guards.

1.21 In December 2010, LOCOG let a contract to G4S to recruit 2,000 personnel and manage a total security workforce of 10,000 (with the balance of 8,000 to come from 'Bridging the Gap').² LOCOG decided that the G4S contract should be flexible, and allow for variations to its 2006 estimate of 10,000 guards, should that be required.

1.22 The government has since stated that "The original level of guarding resource of up to 10,000 venue guards was based on the best information available at the time, namely from the Manchester 2002 Commonwealth Games with some Olympic information from the Turin Winter Olympic Games. However, the absence of comparable Games (one taking place in the heart of an urban area in a major Western capital city in a high threat environment) meant we had no suitable precedent on which to base planning."³ The Home Office, which is meeting the costs of providing venue security at the Games, has no record of contributing to this earlier estimate of the numbers required and has since described it as "slightly finger in the air".⁴

1.23 Detailed venue security workforce planning was undertaken by LOCOG and security partners once the competition schedule and venues were finalised in early spring 2011. This planning, and the revised security requirements flowing from the implementation of agreed security standards, increased the peak requirement of guards to 23,700, and the likely costs to be covered by the Public Sector Funding Package to £553 million at the time of our December 2011 report.

1.24 The anticipated final cost, to the Public Sector Funding Package, of venue security now stands at £514 million (Figure 4 on page 23) which, as well as the cost of the G4S contract, includes the costs of physical security infrastructure.

2 Bridging the Gap was a government-funded programme to recruit security guards for the Games through colleges of further education.

3 HC Committee of Public Accounts, *Preparations for the London 2012 Olympic and Paralympic Games*, Seventy-fourth Report of Session 2010–2012, HC 1716, 9 March 2012, written evidence pp. 26–27.

4 HC Committee of Public Accounts, *Preparations for the London 2012 Olympic and Paralympic Games*, Seventy-fourth Report of Session 2010–2012, HC 1716, 9 March 2012, oral evidence Q100.

The shortfall in guards from the private sector

1.25 On 15 December 2011, reflecting discussions with G4S since August 2011 about increasing the numbers of guards required, LOCOG and G4S agreed a contract variation for G4S to supply 10,400 guards itself and manage a total workforce of up to 23,700; with the balance including military personnel (5,000), volunteers (3,000), Bridging the Gap (3,700) and others (1,600).⁵ The precise mix of numbers from each source, other than from G4S itself, subsequently changed. The estimated cost of the contract in December 2011 was £284 million.

1.26 The Olympic Security Board had flagged the risk that the private sector would be unable to meet the needs of the security programme as ‘very severe’ by as early as May 2011, with a consequent need for close monitoring and assurance to scrutinise progress. In turn, the organisations responsible commissioned various pieces of assurance work, including a report which LOCOG commissioned from Deloitte in April 2012 which was the first time that LOCOG exercised its audit access rights to review the G4S programme directly.

1.27 It is now well known that two weeks before the Games G4S told LOCOG and the Olympic Security Board that it would be unable to provide, in full, the number of venue security guards required, despite previous assurances. There could have been serious implications from having insufficient security guards. A week before the start of the Games, the Committee of Public Accounts published a further report acknowledging that an effective contingency plan was being implemented.

1.28 Additional military and police personnel were deployed to fill the gap left by the G4S shortfall and the security operation at the Games passed off without any major problems. The precise extent of the shortfall is under discussion between LOCOG and G4S, but the Ministry of Defence has told us that it provided 135,000 additional days of military personnel time, at an estimated cost of £36 million. The Home Office told us that the police service provided some 12,000 additional police shifts at an estimated cost of £6 million.

1.29 Shortly after the Games the Home Affairs Committee report on venue security at the Games commented that “The blame for G4S’s failure to deliver on its contract rests firmly and solely with the company. There is no suggestion that LOCOG, the Home Office or anybody else involved in the process contributed to the problem in any way.”⁶

5 ‘Others’ includes incumbent staff at certain venues and those supplied by another contractor for the Athletes’ Village.

6 HC Home Affairs Committee, *Olympics Security*, Seventh Report of Session 2012-13, HC 531-I, 21 September 2012.

1.30 The Chairman of G4S has stated that “G4S has accepted responsibility for its failure to deliver fully on the Olympic contract.”⁷ The company has published the findings of its own review of the contract, which include: “The Review has concluded that the contract was unique and complex and the Company’s performance needs to be viewed against this background. The Review has found, however, that the Company was capable of fulfilling the Olympic contract. There were a series of project management and project execution failings.”⁸ G4S has confirmed that it will meet the additional costs relating to deployment of increased military and police personnel.

1.31 The Home Office is preparing a report on lessons learned on all aspects of Olympic safety and security including venue security.

Settling the G4S contract

1.32 LOCOG told us that it paid G4S £90 million on the contract before the Games began but that, in light of G4S’s actual performance, it has made no further payments pending settlement negotiations. The December 2011 contract variation between LOCOG and G4S was structured around reimbursement of G4S’s budgeted costs plus agreed profit margins. The contract provides a variety of means by which LOCOG can reduce the amount it pays G4S as a result of not fully delivering the contract, including:

- capped deductions in the event of under-performance based on a range of performance indicators;
- a clause to make good the costs of replacement services;
- LOCOG only pays for the hours delivered and the operational expenses incurred by G4S; and
- an additional deduction from the programme management fee if there was a shortfall in the agreed hours for which guards were to be deployed.

1.33 Aside from reimbursement of the costs for additional police and military personnel, key aspects of the ongoing settlement negotiations include:

- The extent to which G4S delivered the trained staff required and the effect of dealing with varying levels of disruption across particular events and venues.
- The extent to which service levels were met, for example, concerning the timely arrival of personnel at venues.
- Whether and to what extent programme management office costs are reimbursed. These are the costs of G4S scaling up its recruitment and management infrastructure to deliver the additional staff required when the contract was amended in December 2011.

⁷ G4S statement of 28 September 2012, available at: www.G4S.com

⁸ G4S statement of 28 September 2012, available at: www.G4S.com

Part Two

The Legacy

The legacy programme

2.1 The prospect of a legacy was a key element of London's bid to host the Games. In 2010 the government, led by the Department, established the four 'pillars' of its legacy promise: sport, economic growth, regenerating east London, and people (including volunteering). The government also aimed to improve the lives of disabled people and promote sustainability. The government's legacy plan comprises projects delivered and funded by a range of organisations. The Public Sector Funding Package includes an anticipated £296 million for the transformation of the Park after the Games (see Figure 4 on page 23), and in our last report we estimated that the costs of legacy programmes, outside the Funding Package, are likely to be at least £826 million in the 2011-15 spending period. The £826 million includes lottery grants and realignment of other 'business as usual' spending (see paragraph 3.14).

2.2 On sports participation, in March 2012 the Committee of Public Accounts reported poor value for money for £450 million spent by Sport England (an arm's-length body of the Department) on increasing sports participation, with only 109,000 additional people participating in sport three times a week against the original target of one million by 2013.⁹ Although the target was dropped in 2010, Sport England continued to assess progress. On the basis of information published by Sport England, in July 2012 the Committee reported an increase of 350,000 from October 2011 to April 2012. Sport England now uses the number of people taking part in sport once a week as its main measure, and told us that to April 2012 there had been an increase of around 1.3 million since 2005-06.

2.3 In addition, Sport England announced a revised strategy for increasing participation in January 2012, which focuses on promoting participation among young people through, for example, its legacy project 'Places People Play' – which includes improving sports facilities, recruiting volunteers and providing opportunities to play sport.

⁹ HC Committee of Public Accounts, *Preparations for the London 2012 Olympic and Paralympic Games*, Seventy-fourth Report of Session 2010–2012, HC 1716, 9 March 2012.

2.4 In November 2012, the Department published an interim report on legacy benefits. The report, about benefits delivered before the Games, includes:

- The Olympic Delivery Authority's construction programme supported 177,000 job years of employment from 2007 to the start of 2012.
- The Games-related London employment and skills programme helped 34,500 people into employment by the end of 2010-11.
- Over 5,000 Host Borough residents were employed in the building of the Olympic Park and 4,000 in the building of the Athletes' Village.

2.5 The Department plans to publish a report on the post-Games legacy benefits in the summer of 2013. As we have previously made clear, it will be important that any evaluation of benefits takes account, as far as practical, of the associated costs.

The Olympic Park legacy

2.6 Our previous reports have looked at progress on long-term plans for the Olympic Park. In October 2012, ownership of the Olympic Park land and assets, and responsibility for delivery of the legacy was transferred from the Olympic Park Legacy Company, to a Mayoral Development Corporation, the London Legacy Development Corporation. The government retains an interest in the Olympic Park legacy through: its spending on the Park through the Delivery Authority's programme; the transfer to the London Legacy Development Corporation of £296 million of funding from the Public Sector Funding Package to pay for transformation of the Olympic Park and venues; and a £292 million grant from the Department for Communities and Local Government to fund the Development Corporation's upfront investment in the Park and contribute to its associated running costs. The Department for Communities and Local Government has a grant agreement and system accountability statement in place, through which it intends to monitor use of the grant to the Legacy Development Corporation and the Olympic Park assets.

2.7 The majority of the Olympic venues and facilities on the Olympic Park now have an agreed long-term use and legacy operator. The events already scheduled include the 2015 European Hockey Championships and the 2017 World Athletics Championships. **Figure 2** overleaf outlines the current status and planned use of the Olympic Park and venues. The long-term success of the venues and facilities will not be known for some time and depends on the Legacy Development Corporation's programme to regenerate the Olympic Park. The Corporation's plans for the Park include up to 7,000 new homes for which it has received outline planning permission – and new schools, nurseries and health centres.

Figure 2
The planned legacy use of the main Olympic venues and facilities

Venue/facility	Cost (£m) ¹	Operator	Planned post-Games use
Olympic Stadium	429	No fixed user (paragraphs 2.8 to 2.9).	Multi-use arena, incorporating athletics.
Aquatics Centre	251	Greenwich Leisure Limited will operate the Aquatics Centre for ten years starting in 2013, on behalf of the Legacy Development Corporation.	For local and elite sport.
Multi-use arena (known as the Handball Arena or the 'Copper Box' during the Games)	41	Operated by Greenwich Leisure Limited after the Games on behalf of the Legacy Development Corporation.	Flexible sporting and cultural space.
Media Centre	297	The Legacy Development Corporation has awarded preferred bidder status, but the deal has not been finalised.	Aspiration to create 4,000 jobs in media, education, and research and development.
Velopark (incorporating the Velodrome)	88	Owned and operated by Lee Valley Regional Park Authority.	Performance athletes and local and regional community.
Lee Valley hockey and tennis centre (known as Eton Manor during the Games)	58	Owned and operated by Lee Valley Regional Park Authority.	Hockey, five-a-side football, tennis, and wheelchair tennis, for local and regional community.

NOTE

¹ Construction of all projects was funded from the Olympic Delivery Authority's budget, part of the Public Sector Funding Package. Costs quoted here are 'anticipated final costs' as they may be subject to some final fluctuation as contracts are closed out.

Source: *The London Legacy Development Corporation and the Olympic Delivery Authority*

2.8 In December 2011 we reported that the process of negotiating the lease of the Olympic Stadium to a consortium of West Ham United Football Club and Newham Borough Council had been terminated. In our report we noted that the Olympic Park Legacy Company – the London Legacy Development Corporation's predecessor – was starting a new process to secure tenants. In the meantime, after LOCOG's post-Games handover, the Legacy Development Corporation will be responsible for the running of the stadium, as it will be for the Media Centre.

2.9 At the time of negotiations between the Olympic Park Legacy Company and the West Ham United/London Borough of Newham consortium, the aim was for the Stadium to open for the beginning of the 2014/15 football season. However, the process to secure tenants has not been concluded and the opening date remains unresolved. The London Legacy Development Corporation has said that the opening date depends on the level of adaptation required: if the Stadium is to be home to a football club, the earliest it would reopen is August 2015, and it could possibly be 2016; for a non-football solution the Development Corporation expects the Stadium to be open by 2014, but it could be 2013.

Coordinating delivery of the legacy

2.10 Before the Games, the Government Olympic Executive's legacy team coordinated legacy planning. In our February 2011 report we noted that the diffuse delivery arrangements meant that the Government Olympic Executive had little control over delivery of the legacy and was dependent on the cooperation of other organisations to prioritise the legacy programmes for which they are responsible.

2.11 In March 2012 the Committee of Public Accounts concluded that it was not clear who was accountable for delivery of the legacy and recommended that the Department set out who will be accountable and how various legacy strands will be coordinated after the Games.

2.12 Since the end of the Games, as well as responsibility for the Olympic Park legacy transferring to the London Legacy Development Corporation, responsibility in government for coordinating and assuring delivery of the legacy has moved to the Cabinet Office. The Prime Minister will chair a Cabinet Committee which will oversee delivery of the legacy benefits while the Secretary of State for Culture, Media and Sport remains the lead Minister.

2.13 The programme is managed by a cross-departmental unit in the Cabinet Office which also supports Lord Coe in his role as Olympics Legacy Ambassador. The Cabinet Office told us that the delivery and accountability structures it has established have been designed to reflect those that were in place for running the Games themselves. For example, the Cabinet Committee for the legacy will include membership from the Greater London Authority, to promote joint working between government and the Greater London Authority and to enable progress to be monitored across all aspects of the legacy programme. Nevertheless, it remains the case that numerous individual organisations are delivering aspects of the legacy and that coordination of this activity remains a challenge.

Part Three

Costs

3.1 With the Games now over, there is greater certainty about the likely costs, although some risks remain (see paragraph 3.10). This part covers the anticipated final cost against the Public Sector Funding Package, plans for the return of revenues and underspend to the Exchequer and the National Lottery, and the position on LOCOG's budget.

The Public Sector Funding Package

3.2 Central government funding makes up two-thirds of the £9,298 million Public Sector Funding Package. The National Lottery contributes around twenty-three per cent and the remainder comes from the Greater London Authority and the London Development Agency (**Figure 3**).

3.3 The Government Olympic Executive's latest estimate of the final cost to the Funding Package is £8,921 million (**Figure 4**), £23 million less than when we last reported in December 2011. The costs in Figure 4 are *anticipated* final costs as it will be some time before final costs are known and they depend on future revenues (paragraph 3.10).

3.4 The anticipated final cost includes £73 million for assessed risks to the Olympic Delivery Authority's programme and a £30 million provision which is potentially available to LOCOG to meet risks as it winds down (paragraph 3.20). If these risks materialise in line with current assessments and no further cost pressures emerge, there would be a £377 million underspend against the 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. The £377 million includes £238 million of contingency which has always been available in the event of an increase in the security threat level in the run up to or during the Games. In the event, the threat level did not increase, so the £238 million remained untouched.

Figure 3

Sources of funding for the Public Sector Funding Package

Funding from:	£ million
Lottery	2,175
London (Greater London Authority and London Development Agency)	875
Central government	6,248
Total	9,298¹

NOTE

1 In March 2007 the Public Sector Funding Package was announced as £9,325 million. In May 2010 the government reduced the Funding Package to £9,298 million.

Source: Government Olympic Executive

Figure 4

Changes to the Public Sector Funding Package since December 2011

	Anticipated final cost (£m)		
	December 2011	September 2012	Change
Olympic Delivery Authority's programme including programme contingency (paragraph 3.5):	6,856	6,714	-142
<i>Programme contingency</i>	174	73	-101
Park Transformation	302	296	-6
Elite and community sports	290	290	0
Paralympic Games	95	111	16
Policing and wider security (paragraph 3.6)	475	455	-20
Venue security (paragraph 3.7)	553	514	-39
Funding available to LOCOG (paragraph 3.9)	118	224	106
Park Operations (paragraph 3.9)	67	78	11
Operational Provisions (paragraph 3.9)	95	137	42
Contingency held against LOCOG post-Games risks (paragraph 3.20)	0	30	30
Others ¹	93	72	-21
Anticipated Final Cost	8,944	8,921	-23
Potential underspend against the Funding Package	354	377	23
Total Public Sector Funding Package	9,298	9,298	

NOTE

1 For comparison with the Government Olympic Executive's October 2012 quarterly report, we have combined four projects – Look of London, City Operations, domestic and international tourism campaigns and Greater London Authority programme – into one line for 'others'.

Source: Government Olympic Executive

The main elements of the Public Sector Funding Package

The Olympic Delivery Authority

3.5 The Olympic Delivery Authority delivered the venues and infrastructure for the Games on time and within budget. Since we last reported the Delivery Authority has reduced its anticipated final cost from £6,856 million to £6,714 million, £1,385 million less than the £8,099 million which had been potentially available to it under the March 2007 Public Sector Funding Package. The £142 million reduction in the Delivery Authority's anticipated final cost has largely been achieved by reductions in the forecast cost of remaining projects, some transfers of work and budget to LOCOG, such as venue transport operations, and a reduction in the assessed level of contingency to cover remaining risks.

Security

3.6 The anticipated final cost of policing and providing security outside the venues is £455 million, £20 million less than when we last reported. The reduction is largely due to the fact that provision for security incidents occurring during the Games, for example public disorder, was not required.

3.7 The anticipated £514 million cost of venue security is £39 million lower than when we last reported, but depends on the outcome of contractual negotiations between LOCOG and G4S (we comment on venue security in paragraphs 1.19 to 1.33).

Funding to LOCOG to support delivery of the Games

3.8 As operational planning for the Games developed, the delivery bodies identified work and additional costs that had not previously been covered by the Public Sector Funding Package. The Department for Culture, Media and Sport agreed that LOCOG, as the body responsible for staging the Games, was best placed to deliver much of this additional work, as well as some work originally in the Delivery Authority's scope, and that the work should be paid for from the Funding Package.

3.9 The anticipated financial cost of work LOCOG is delivering on behalf of the government, with funding from the Public Sector Funding Package, is £989 million. The £989 million is made up of:

- £444 million¹⁰ for venue security.
- £224 million of funding available for LOCOG, to pay for, for example, additional work on venues and facilities on the Olympic Park, and £41 million of additional funding to enable LOCOG to deliver the government's ambition for the opening and closing ceremonies.

¹⁰ Out of the £514 million total anticipated final cost of venue security, to be met from the Public Sector Funding Package (Figure 4 and paragraph 3.7), £444 million is to LOCOG.

- £132 million of the £137 million funding for Operational Provisions,¹¹ to pay for work required in the run up to and during the Games. This includes the £79 million project to manage flows of spectators between transport hubs and the Olympic venues, known as 'Last Mile'.
- £78 million for Park Operations, which relates to the security and operation of the Olympic Park and venues between completion of construction and the handover to legacy owners.
- £111 million for the public sector's commitment to pay for 50 per cent of the additional cost of the Paralympic Games.

Outstanding matters which could still affect the Funding Package

3.10 The final position against the £9,298 million Funding Package will not be known until 2014:

- Post-Games fit out of the Athletes' Village – The Olympic Delivery Authority is converting the Athletes' Village into 2,818 residential units, which involves some remedial work. The estimated cost of the Village increased by £36 million (around four per cent) since we last reported.
- Sale of the remaining Athletes' Village units – As we reported in February 2010, 1,379 of the 2,818 residential units in the Athlete's Village were sold for £268 million to Triathlon Homes, a consortium of two housing associations and an urban development company. The sale of the remaining 1,439 units to Qatari Diar/Delancey has been agreed, with a sales value of £557 million, with completion of the sale expected in 2014. The final position on the Funding Package is dependent on the Delivery Authority completing the post-Games fit out to enable it to achieve the forecast receipts.
- Contractual closure and wind up – LOCOG and the Olympic Delivery Authority will wind up in 2013 and 2014 respectively and are both in the process of closing their contracts with suppliers. There is an inherent tension between the aim of winding up an organisation quickly and optimising the outcome of contractual negotiations. It is therefore important that the Delivery Authority and LOCOG manage this risk effectively and that the Department continues to gain assurance about the close-out process. We comment specifically on settlement of LOCOG's contract for venue security guards with G4S at paragraphs 1.32 to 1.33.

¹¹ The remaining £5 million of Operational Provisions funding was paid to other bodies.

Return of revenues to funders and allocation of any underspend

3.11 The London Legacy Development Corporation is responsible for generating receipts from the sale of land on the Olympic Park. The arrangements for distributing receipts from the sale of Olympic Park land were first set out in a 2007 memorandum of understanding between the government and the Mayor of London. This provided for up to £675 million to be returned to the Lottery, as repayment for its additional funding of the 2007 Funding Package. In 2012, the Department and the Greater London Authority entered into an agreement, which means that the National Lottery will start to receive its return earlier than under the 2007 memorandum. The value and timing of receipts to the Lottery and the Exchequer, however, remain uncertain and depend on the Legacy Development Corporation successfully attracting sufficient investment and on land values at the time of disposal. The arrangements for distribution of receipts under the agreement are set out below:

- The first £223 million of receipts will be allocated to the Greater London Authority.
- The next £900 million will be shared, with 75 per cent going to the National Lottery (£675 million), and 25 per cent to the Greater London Authority (£225 million).
- Any remaining receipts will be distributed equally between the Greater London Authority and the Exchequer.

3.12 Grant Memoranda between the Olympic Lottery Distributor and the Olympic Delivery Authority provide for the Lottery to receive at least £71 million in receipts from the sale of the Athletes' Village units. This will be repayment for its contribution to funding additional costs of the Village to the Delivery Authority when the project became publicly funded.

3.13 According to the Government Olympic Executive's October 2012 quarterly report on progress, any underspend against the Public Sector Funding Package will be retained by HM Treasury, other than unused lottery funding which will be transferred to the National Lottery Distribution Fund and made available for good causes.

The position on costs outside the Public Sector Funding Package

3.14 There have always been public sector costs to delivering the Games and their legacy which fall outside the Funding Package. For example:

- The £766 million cost to buy the Olympic Park land by the London Development Agency. In July 2012 the Committee of Public Accounts commented that, while the Department expected this sum to be recouped from land sales, in the current economic climate nothing is certain.¹² The amount ultimately recouped depends on the future receipts to be secured by the London Legacy Development Corporation – see paragraph 3.11.

¹² HC Committee of Public Accounts, *Preparations for the London 2012 Olympic and Paralympic Games*, Ninth Report of Session 2012-13, HC 526, 19 July 2012.

- The cost of delivering the activity which forms the legacy programme which, when we last reported in December 2011, we estimated to be at least £826 million. This includes, for example: continuing with lottery grants to support sports participation and elite athletes; and realignment of 'business as usual' activity such as tourism and support to businesses to capitalise on opportunities presented by the Games.
- The costs incurred by government departments and their agencies on Olympics-related work. A total provision of £86 million was made for this work in the 2010 Spending Review.
- The costs of staffing Olympics teams within government departments, for example the forecast £52 million lifetime cost of the Government Olympic Executive.
- The Homes and Communities Agency, which has a remit to finance affordable housing, made a £110 million grant to Triathlon Homes as a contribution to the £268 million purchase of 1,379 residential units in the Athletes' Village, which will become affordable housing after the Games.

The Department recognises these are all costs associated with the Games, but does not consider them to be net additional costs of the Games because they include costs to be recouped from subsequent receipts or spending on 'business as usual' activity.

3.15 Since January 2008, the Government Olympic Executive has published 16 reports on progress across the programme, including the position against the £9,298 million Public Sector Funding Package. In March 2012 the Committee of Public Accounts, commenting that the Funding Package does not cover the total costs to the public purse of delivering the Games and their legacy, recommended that the Department for Culture, Media and Sport should produce a single auditable account covering Olympics and legacy-related public expenditure and income within six months of the Games ending. The government responded that it would continue to report against the Public Sector Funding Package but that it did not intend to produce the single auditable account of all the costs.

The position on LOCOG's budget

3.16 LOGOG is responsible for staging the Games in line with commitments given to the International Olympic Committee when the Games were awarded to London. It is a company limited by guarantee and established by a joint venture agreement between the Secretary of State for Culture, Media and Sport, the Mayor of London, and the British Olympic Association.

3.17 LOCOG aims to be self-financing through, for example, sponsorship, ticketing, merchandising and contributions from the International Olympic Committee. As the ultimate guarantor to the International Olympic Committee, and responsible for meeting any shortfall between LOCOG's costs and revenues, the government has always been financially exposed should LOCOG fail to break even.

3.18 LOCOG's anticipated final cost of its programme is £2.41 billion. Although the Games are now over and most risks have lapsed, LOCOG's final expenditure depends on the outcome of its process to close its contracts with suppliers. Paragraphs 3.8 and 3.9 cover the separate funding it received from the Public Sector Funding Package to deliver work not previously identified, or work that government and the delivery bodies decided LOCOG was best placed to deliver.

3.19 At the end of September 2012, LOCOG's income forecast was also £2.41 billion. LOCOG raised over £700 million in sponsorship, hitting its upper sponsorship target during difficult economic conditions. LOCOG also raised £659 million from ticket sales, but fell short of its target for digital media sales (mainly advertising on its website) and sale of merchandising, which, LOCOG told us was mainly due to weaker than expected sales of event programmes.

3.20 As we have previously reported, in 2010 the Department agreed to provide LOCOG with £27 million from the Public Sector Funding Package because the government had already guaranteed to underwrite LOCOG's budget and cover shortfalls in LOCOG revenue, and because providing funding early would enable LOCOG to move forward more confidently. The Government Olympic Executive has now also made a provision of £30 million to meet risks that might materialise after the Games, in particular the risk of claims from suppliers in relation to the 1,300 contracts that LOCOG needs to close before it winds up in 2013.

Part Four

Lessons

4.1 The London 2012 Olympic and Paralympic Games is an example of a successful programme, delivered by a range of government bodies and delivery partners in the public and private sectors. The Government Olympic Executive has set up a series of seminars at which it is sharing its experiences of overseeing delivery of the programme. In addition, the Olympic Delivery Authority has captured lessons from its programme in areas including procurement, engineering, supply chain management, project and programme management, and health and safety. These will be a valuable source of information for ongoing and future projects and the Major Projects Authority (part of the Cabinet Office) now hosts the website where these lessons are available.¹³

4.2 We thought it would be helpful to complement the lesson learning activities of the delivery organisations by providing a National Audit Office perspective on some of the important learning to come out of the Games. The issues that have caught our attention for lesson learning stem from our focus throughout the programme on the government's coordination of the programme as a whole and its management of the Public Sector Funding Package. A unifying theme is the management action which can be taken to reduce uncertainty and manage risks on projects and programmes.

Creating organisational capability

The Games were delivered using a purpose-built delivery model

4.3 Delivering the Games was never going to be business as usual, and the fundamentals of the organisational structure were developed alongside the bid to host the Games. In other words, explicit consideration was given to the delivery model from the outset.

4.4 To manage the government's interest in the Games and provide cross-government coordination, a new dedicated team, the Government Olympic Executive, was set up within the Department. This team has been led by specially recruited staff with a blend of commercial experience and expertise, and experience of the workings of government. To provide accountability for the programme, the Department's Permanent Secretary became the Accounting Officer for the Games.

¹³ Available at: learninglegacy.independent.gov.uk/

There was investment in recruiting the right people and a high level of continuity was achieved

4.5 The delivery organisations recruited people for what was time-limited employment. Short-term contracts provided flexibility to bring in and release people as needed, and therefore provide control over costs. Of course, commercial expertise can be costly and, certainly at the more senior levels, pay was well above normal civil service pay rates.

4.6 This is not to say that it will always be necessary to engage outside experts. But it does underline the importance of work being done to address skills gaps set out in the recent Civil Service Plan – in project management, contracting and risk management – and in particular the work of the Major Projects Authority and the Major Projects Leadership Academy.

4.7 Continuity of key personnel is also an important success factor on projects, and continuity at senior levels was largely achieved across the programme. It will also be important to make sure that officials who gained valuable experience and skills by working on the Games are able to apply and build on their learning, and that the lessons from the delivery of the Olympics are learned and built upon in other public sector programmes.

Understanding the costs, benefits and risks

The fixed deadline for the Games created challenges, but removed one of the uncertainties that can create risk on projects

4.8 In our first report we identified one of the main risks as being the challenge of delivering the Games against an immovable deadline. However, along with the high profile nature of the Olympics, it helped to counter the risks inherent to any project in which multiple organisations are involved and provided a clear goal.

4.9 Time contingency was particularly important given the immovable deadline, and was clearly evident in the Olympic Delivery Authority's construction programme. For example, there was a need for the Authority to complete its work and test venues in time to hand venues over to LOCOG well ahead of the Games so that LOCOG could complete its preparations.

4.10 Keeping the programme on track required a degree of pragmatism, and progressing activities outside of an ideal sequence. At the outset of the programme it was necessary to begin work on critical activities before all of the delivery organisations had been established and a full budget was in place. For example, the contract for re-routing overhead power lines was let by the London Development Agency prior to the establishment of the Olympic Delivery Authority. By January 2007 nearly all of the required land had been acquired, and work on the physical site was underway. In addition, when the deals with the private sector to fund the Athletes' Village and Media Centre became problematic, the government funders enabled the Delivery Authority to continue the construction work in parallel with resolving how to fund the two projects.

The various elements of the complex programme had to be well integrated

4.11 Cross-programme coordination and mapping of programme interdependencies has been important. Up to 2009, the programme was characterised by individual organisations focusing on specific elements for which they were responsible, such as construction, security and transport. From 2009 onwards, the Government Olympic Executive established seven cross-cutting work streams, including transport, security, London City Operations, and UK-wide operations. An overarching programme brief helped work streams to understand their position in the programme, the board for each work stream had representation from the others, and the Senior Responsible Owners for each work stream met to discuss overall progress with integration of the programme at meetings of the London 2012 Senior Responsible Owners Group.

4.12 In our first report on the Games we emphasised the need for strong governance and delivery structures given the many organisations and groups involved in the Games. With multiple departments and inter-organisation committees and groupings involved, it is difficult to say, however, whether the governance arrangements for the Olympic programme were optimal. The governance arrangements changed as the programme progressed, reflecting a process of learning and adapting as necessary.

4.13 To help manage expenditure against the Public Sector Funding Package, the Government Olympic Executive had a dedicated finance team, and established and chaired the Cross-Programme Finance Group, to oversee and coordinate expenditure and identify and manage financial risks.

The lack of realism in the original cost estimates and the funding that would be required introduced uncertainty and put pressure on other resources

4.14 In our first report (February 2007) we highlighted the need for the budget to be clearly determined and effectively managed. After the Games were awarded to London in July 2005, a good deal of work was done to develop the cost estimates, but the Olympic Delivery Authority had to make decisions about individual projects without certainty about its overall budget and long-term funding (see paragraph 4.10).

4.15 In March 2007 the Department announced a revised Public Sector Funding Package of £9.3 billion. The Exchequer funding increased by £5 billion to £6 billion and the National Lottery contribution increased by £675 million to £2,175 million; which, by definition, will have had an impact on other activities and the lottery good causes. The fact that the size of the Funding Package has remained virtually unchanged since 2007 has provided a stable basis for financial planning, although the scope of the work covered by the Funding Package increased.

To manage and forecast costs, assessed risks to the programme were turned into quantified assessments with financial values attributed to them

4.16 The 2007 Public Sector Funding Package included £2.7 billion of contingency for the programme. In managing major programmes it is important to make provision for the cost of risks which could materialise, and to downgrade those risks and the associated financial provision when the risks have materialised, reduced or gone away. In this way, delivery organisations can plan with greater confidence.

4.17 The Olympic Delivery Authority (which had more than 85 per cent of the public sector funds potentially available to it) made quarterly probability-based estimates to quantify risks to its programme. Within the £2.7 billion contingency in the Public Sector Funding Package:

- the Delivery Authority's original £968 million programme contingency was the amount which the Delivery Authority was 80 per cent confident would be enough to cover the costs of risks to its overall programme, in addition to the contingency within individual project budgets; and
- the £1,004 million of 'funders' contingency took confidence in the level of contingency for the Delivery Authority's programme from 80 to 95 per cent, and also covered risks that were out of the Delivery Authority's control.

4.18 Taken together, the contingency provision meant there was a high level of financial cover for the Delivery Authority. However, as the programme has progressed, the Delivery Authority's requirement for contingency cover has reduced and the Government Olympic Executive was able to redirect funding to operational requirements as they emerged. There were clear procedures for applying for contingency, and release of contingency was subject to appropriate criteria and approval, and ultimately ministerial approval. In this way, cost forecasting, management of risk and management of contingency funds were all aligned.

The use of a clear construction baseline enabled progress to be monitored, but legacy aims have been more a moving target

4.19 Sorting out the Funding Package was only part of the story. There needed to be clarity about what would be delivered. In November 2007 the Olympic Delivery Authority established its Programme Baseline which detailed the scope, expected costs, cash flow, risks, assumptions and key milestones for each of the Authority's projects. The Programme Baseline was the basis on which the Olympic Delivery Authority and the Government Olympic Executive monitored and reported on costs for the life of the programme and provided a clear basis for change control. In contrast to the Delivery Authority's programme it has been difficult to pin down precisely what the delivery bodies intend to deliver in terms of legacy benefits.

Appendix One

Our audit approach

1 This post-Games review of the London 2012 Olympic and Paralympic Games looks at the delivery of the Games, the costs, the structures in place to deliver the legacy, and some of the lessons that have come out of the Games. Our audit approach is summarised in **Figure 5** overleaf. Our evidence base is described in Appendix Two.

Figure 5

Our audit approach

The London 2012 Olympic and Paralympic Games

The Department for Culture, Media and Sport (the Department) led the government's preparations for the Games and management of the £9,298 million through its Government Olympic Executive. The Department worked with a range of delivery bodies including the Olympic Delivery Authority, LOCOG and the Home Office. Since the Games, responsibility for oversight of delivery of the legacy has transferred from the Department to the Cabinet Office.

Our review

Our post Games review of the Olympic and Paralympic Games looked at the delivery of the Games, the costs (focusing on the £9,298 million Public Sector Funding Package), the structures in place to deliver the legacy, and some of the lessons that have come out of the Games.

Our key questions

What contributed to the success of the Games?

Are there structures in place to deliver the planned legacy?

Are the anticipated costs of delivering the Games within the available funding?

Our evidence
(see Appendix Two for details)

- We drew on previous NAO work
- We interviewed representatives from the Department and delivery bodies
- We reviewed delivery bodies' documentation on programme progress and risks
- We reviewed articles in the national press about the opening and closing ceremonies

- We drew on previous NAO work
- We interviewed the Department, the Cabinet Office and other legacy delivery bodies
- We reviewed legacy plans and documentation on progress with and risks to delivering the legacy
- We reviewed the Department's October 2012 report on the pre-Games legacy benefits

- We analysed delivery bodies' reports on costs
- We interviewed the Department and delivery bodies

Our conclusions

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.

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.

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.

Appendix Two

Our evidence base

1 Our independent conclusions were reached following our analysis of evidence collected from September to November 2012, and drawing on previous work.

2 We considered what contributed to the delivery of the Games, whether the anticipated costs of delivering the Games are within available funding, and whether the government has established structures to deliver the planned legacy. Our audit approach is outlined in Appendix One.

3 We assessed whether the Games were safely and successfully staged by reviewing:

- previous NAO work on preparations for the Olympic and Paralympic Games;
- the Department's and delivery bodies' documentation on programme progress and risks;
- minutes and papers from the Olympic Security Board and the Venue Security Delivery Board;
- reviews of the venue security programme commissioned by LOCOG and the Home Office; and
- evidence presented to the Home Affairs Committee as part of its investigation in the summer of 2012 into Olympics Security.

by referring to:

- information provided by LOCOG on ticket sales, volunteering and ceremonies;
- data on medal success and funding; and
- UK Sport's strategy for funding elite sports.

and by interviewing representatives from:

- the Government Olympic Executive in the Department for Culture, Media and Sport;
- the Olympic Delivery Authority;
- LOCOG;
- the Home Office;

- the Ministry of Defence;
- the Cabinet Office; and
- UK Sport.

4 We assessed whether the government has established structures to deliver the planned legacy by reviewing:

- previous NAO work on preparations for the Olympic and Paralympic Games;
- the Department's and other delivery bodies' documentation on progress with and risks to delivery of the legacy;
- the Department's October 2012 report on the pre-Games legacy benefits; and
- the results of Sport England's Active People Survey.

and by interviewing representatives from:

- the Government Olympic Executive;
- the Cabinet Office;
- Sport England; and
- the London Legacy Development Corporation.

5 We assessed whether the anticipated costs of delivering the Games are within available funding by reviewing:

- the Department's and other delivery bodies' financial information.

and by interviewing representatives from:

- the Government Olympic Executive;
- the Olympic Delivery Authority;
- the Home Office;
- LOCOG; and
- the Olympic Lottery Distributor.



Design and Production by
NAO Communications
DP Ref: 010019-001

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National Audit Office

Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, telephone, fax and email

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