

Making the Games

What government can learn from London 2012



Emma Norris, Jill Rutter and Jonny Medland

Foreword

The Institute for Government enjoyed a bird's eye view of the Olympics: we watched the sand being transported in to create the beach volleyball arena on Horse Guards Parade; the fences being erected around the finishing line for the cycling and marathon; and confused tourists being redirected to Buckingham Palace. And we heard the strains of Chariots of Fire in the last-minute practice sessions the day before the Games opened. Like the rest of the nation, we were glued to our television sets, and excited at those Olympic and Paralympic events we were lucky enough to see in person, marvelling at British triumphs on the field. On 10 September we all stood outside in our garden at 2 Carlton Gardens, cheering the athletes on their way down the Mall.

This project aims to learn from that triumph. It builds on earlier work the Institute has done on policy success and is born out of our belief that government always needs to learn from its successes and failures. We were delighted therefore when the Government Olympic Executive (GOE) and the Department for Culture, Media and Sport (DCMS) asked us to conduct a rapid 'lessons learned' exercise on the success of the Games. As we did the research a number of links to our other work became clear, for example, on how to get the most out of arm's-length bodies; how to be an effective minister; how a mayor can open up new opportunities for cities and on the importance of using management information to drive performance – as UK Sport did to achieve the UK's record medal haul. We have recognised this by giving one of our Inspiration for Government awards to UK Sport.

We have also been delighted to welcome key decision makers who worked on the project to share their experience at events at the Institute through the autumn.

We hope this will be read not only by those running future major sporting projects, but also those in charge of future major government projects.

A handwritten signature in black ink that reads "PJR Riddell" followed by a horizontal line and two dots.

Peter Riddell

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The report would not have been possible without the support of staff at the Department for Culture, Media and Sport and the Government Olympic Executive, in particular Jonathan Stephens and Helen MacNamara, but many unnamed others too.

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Any inaccuracies, errors or omissions are, of course, our own.

Emma Norris, Jill Rutter and Jonny Medland

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Executive summary

Introduction

The success of the London 2012 Olympics¹ exceeded national and international expectations. It was the bid Paris was supposed to win and there was widespread scepticism – after the failures of the Dome, Wembley Stadium and the World Athletics Championships – that the UK could deliver. But delivering the Olympics meant organising the two largest sporting events ever seen in the country, in a capital city, mobilising an army of volunteers and putting huge demands on public services and private contractors. This report aims to understand what lay behind the success of the London Olympic and Paralympic Games and how the lessons from the Games can be applied to other major government projects. It is largely based on interviews with many of the principal players in the delivery of the Games and is in three sections:

1. A story of the Games
2. An analysis of the seven building blocks of Games success
3. The lessons of what made the Games successful and what that means future major government projects.

The story of the Games

The UK had built a track record of failure in Olympic bidding. Over the previous decade both Manchester and Birmingham had been rejected. But by 2000 London had a mayor, and the British Olympic Association (BOA) decided to heed the International Olympic Committee's (IOC's) advice and promote a London bid. Ken Livingstone came on board because he saw it as a way of securing cash to regenerate London's East End. The new culture minister, Tessa Jowell², was impressed by the success of the Manchester Commonwealth Games; Tony Blair was a sports nut. Together they convinced a sceptical cabinet and in May 2003, London became a late entry in the race to host the 2012 Olympics – with Paris still very much the lead contender. Over the next two years the bid company pulled together the necessary guarantees from government departments (and the opposition) to allow London to bid. Against all expectations, on 6 July 2005 London was announced as the host of the 2012 Olympics. The next day four bombs went off in the capital.

To move from bid to staging the biggest ever event in the UK required the establishment of new delivery bodies – the Olympic Delivery Authority (ODA) as a public body to build the venues and the London Organising Committee of the Olympic and Paralympic Games (LOCOG) as an independent entity to fund and stage the Games. The assumed budget at the time of the bid was quickly seen to be far too low. It took two years to settle a new 'public sector funding package' (PSFP) of £9.3 billion (bn) – compared to the £4.1bn assumption at bid time, and the widely cited public figure of £2.3bn.

Government itself had to gear up to oversee what ODA and LOCOG was doing as well as coordinate the biggest ever public sector delivery effort. It did this by creating the Government Olympic Executive. Meanwhile it was also trying to make good its promise that London would be the first Games to leave a truly lasting legacy. Delivery had to surmount a change of administration in London and in national

¹ Where relevant throughout this report references to the success of the 'Olympics' should be taken as applying to the success of the 2012 Olympic & Paralympic Games.

² Although Tessa Jowell and many other people who took part in this research have been recognised through the honours system, for simplicity we do not use their titles in this document.

government – and stage not only a Games that delivered the promises made in Singapore, but also convince the public that this was taxpayers' money well spent in the middle of prolonged fiscal austerity. A week after the Olympic closing ceremony, 83% of the public thought the Olympics were a success – only 2% thought them a failure.³

Analysis: the building blocks for success

Our research identified seven key ingredients for the success of the Olympics project. Below we look at how they were tackled in the Games – and draw out the implications for future projects.

Vision

A unifying vision was needed to bring together the different motivations for holding the Games in London. At the core was a focus on six weeks of 'great Games' that would use the power of the Olympics and Paralympics to 'inspire lasting change'. The vision allowed focus on a common goal, supported by a range of tangible subsidiary objectives – from realising the benefits of the Games for the whole of the UK, to promoting the UK as a modern, exciting country. This was achieved through the creation of programmes such as Compete4 which opened up Games contract opportunities for small businesses all over the UK, to using the GREAT campaign as a means of marketing the UK abroad, with progress against all objectives monitored regularly. Future projects would also benefit from the creation of this sort of unifying vision, underpinned by regular progress reports to build confidence and maintain momentum.

Politics

Political leadership was a precondition of the Games happening and, as in other major public sector projects, a potential source of risk. Politicians like Tessa Jowell and Ken Livingstone, using the new position of Mayor of London, provided critical leadership for the project, building coalitions, persuading colleagues and participating in marketing and promotional campaigns to keep the public on board. The Olympics were notable for the cross-party support they enjoyed and for the continuity of political personnel, which eased the two changes of administration. That was created by building an atmosphere of transparency and trust between government and opposition with regular briefings by civil servants. The IOC make opposition support a precondition of bidding – something that would not be replicated for other projects – but the Olympic experience underlines the value of political continuity and preventing major project delivery from becoming a political football.

Institutional design and governance

Olympic delivery bodies had to be created from scratch to build venues and to stage the Games. The ODA was established as an executive non-departmental public body (NDPB) whereas LOCOG was a private company limited by guarantee. Both had clear roles and responsibilities. Government found it easier to deal with the ODA than with the more independent and commercially driven LOCOG, who saw their principal client as the IOC.

Within government, the Government Olympic Executive in DCMS was created to act as an intelligent client for delivery bodies and coordinate other elements of the Games, including security and transport. Although governance structures were by nature complex, they allowed for crucial quick decision making and ensured people were engaged. Arrangements worked less well initially on security with legacy also

³ http://cdn.yougov.com/cumulus_uploads/document/7idck7sw5w/YG-Archive-Post-OlympicsComparison-150812.pdf

suffering throughout from unclear accountabilities. Future projects should look to create similar clarity on roles and responsibilities within structures that foster problem solving, not blame shifting.

People and skills

Getting the right people working on the project was a decisive factor in Olympics project success. The strategy for Olympics recruitment was to go for the best people with established track records, even when that meant paying high salaries (and bonuses). Appointments following these principles included Paul Deighton at LOCOG, David Higgins at the ODA and Jeremy Beeton and David Goldstone at the GOE. The public sector similarly picked its 'A-team', for instance through recruiting the most experienced commanders to lead police efforts. Within government, the GOE was a successful blend of private and civil service skills. Once they were there, emphasis was put on keeping people in post as the project demanded. This stability allowed people to build the crucial relationships to make the project work.

Future projects should adopt a similar approach to staffing – getting the right people and keeping them there. Government also needs to get smarter about redeploying people who have developed project skills to where they can be best used. This does not seem to be happening systematically for the people who worked on the Olympics.

The budget

The UK's record on major projects combined with an unfeasibly low budget at the time of the bid augured poorly for the finances of the Games. The final cost, however, came in under the £9.3bn public sector funding package, with over £300 million (m) being returned to the Treasury. The generous £2.247bn contingency within the budget was crucial for meeting unforeseen events. It also built confidence, as it was high enough to make a further budget increase unlikely.

Transparency was another hallmark of Games budget management. Government provided quarterly financial updates on the state of the Olympics budget. There was an unusually collaborative relationship between Treasury and GOE. These factors – combined with speedy decision making and careful aligning of incentives around the use of contingency funding – ensured that the Games were ultimately delivered on-budget. This budgeting model could be transferred to other major projects.

Programme and project delivery

The Olympics was first and foremost a huge exercise in programme and project delivery. Delivery is often a challenge for government; two thirds of projects are currently delivered late or over budget but the Olympics was delivered on time and to specification. This was because of the combination of time invested upfront in getting the scope right, combined with tight control on scope changes by both ODA and LOCOG. A substantial proportion of the ODA budget was spent on programme management, using a highly incentivised delivery partner, CLM. The NEC3 contracts used for the venues incentivised contractors to act collaboratively. Delivery was left to those best placed to do it – whether Transport for London or the police service, with gap filling where necessary. This highlights the benefits of investing upfront in project scoping and in project management skills and techniques.

Risk and scrutiny

The Olympics came with the hardest of deadlines and the potential for national humiliation worldwide if it went wrong. As a consequence there was a very high level of internal assurance – which led some to complain of excess and duplication – as well as an extensive programme of testing.

The assurance, planning and testing paid off. External assurance was most valuable when done by expert bodies – whether the IOC or the Commission for Sustainable London 2012. There was less agreement on the value of more superficial examinations e.g. gateway reviews and parliamentary scrutiny helped build public confidence but did not change delivery. For future projects, it would be worth looking at the potential for recruiting expert “critical friends” to provide informed external challenge.

Lessons for government

We have brought the cross-cutting lessons from the project together and summarised them below.

Lesson 1: Project trumps silo

The Olympics were notable for the way everyone focused on getting the project right – not on defending their turf. As a compelling ‘product’, the Olympics had a head start. But creating shared common purpose, where everyone wanted everyone else to succeed, was an important piece of London 2012’s success.

Lesson 2: Bring together the right people in effective teams

The project was a necessary magnet to attract good people, but it was not sufficient. World-class recruitment of people with established track records – on relatively high salaries – meant the Games were in safe hands and could build on existing expertise. Those people came together in effective teams – particularly striking was the creation of a mixed public/private/consultant team in the Government Olympic Executive, and the way their complementary skills were used. The third element was the willingness to move people on when they no longer fitted.

Lesson 3: Personnel stability and personal relationships matter

There was remarkable stability among key personnel: both inside government and in the delivery bodies, and among civil servants and politicians. This enabled the critical trusting relationships on which Games success depended to develop.

Lesson 4: Political cooperation creates space for project success

The IOC requires commitments from oppositions to support the Games. But transparency, with regular briefings of opposition spokesmen by civil servants, grew into cross-party trust. This stopped the project becoming a political football and eased political transitions.

Lesson 5: Change and time discipline are crucial

The Olympics defied the perceived public sector norm of delay and repeated cost escalation. The major reasons were:

- the time devoted upfront to getting the scope right
- the change and time discipline applied by the project managers
- structures for quick decision making.

Political continuity – and putting delivery at arm’s length – meant there was very little change when administrations changed.

Lesson 6: Limit innovation

A strong – and counterintuitive – message was to rely on what had already been proved to work as far as possible and avoid the temptation to use a big project to showcase or catalyse innovation. Where this did not work – for instance in the case of G4S – was when organisations could not respond to the need to scale up their existing business model to meet the demands of the project.

Lesson 7: Budget realism and transparency brings benefits

It took two years for a more realistic budget to be set. But when it was it brought a range of positive benefits:

- the ability to align incentives and manage contingency within the programme – enabling quick decisions when necessary
- a collaborative relationship with the Treasury
- and an open book approach that reduced work.

These all put downward pressure on costs and built confidence in the project.

Lesson 8: Arm's-length bodies and the public sector can deliver

The Olympics was not delivered by Whitehall. It was delivered by specially created arm's-length bodies, with clear objectives and responsibilities, acting in concert with a range of well-established organisations who were required to operate at a scale and intensity that most had not done before.

Lesson 9: Design in safety and sustainability from the start

ODA established a culture of safety on the site and the delivery bodies set high sustainability standards from the start. This was the first Olympics when no one was killed during building and the Games lived up to their 'greenest Games' promise. In that respect, they were helped by the Commission for Sustainable London 2012 as a "critical friend".

Lesson 10: Beware false economies

The Games, ultimately, had a generous budget. But what is notable is a willingness to invest in order to save in the longer term:

- at the start in getting the scope right
- at the end in rigorous testing and planning
- and throughout for paying what was needed to get the right people.

It is arguable that spending a bit more – e.g. on the stadium, might have offered better long-term value for money.

Lesson 11: Plan, assure, test

The Olympics had to be ready on time and right first time. As such there was a huge investment in planning, testing and assurance. It paid off.

Lesson 12: Be bold and ambitious

The rational “technocratic” case for the Games was weak. It took an act of political vision and boldness to decide to go for the Games. And the results, in terms of national esteem, show that the politicians called it right.

Conclusion

There are clear lessons from the Olympics that can be transferred directly to other major sporting projects. The question is whether they have more general applicability. There is undoubtedly a certain amount of Olympic exceptionalism in this project: the external commitments; the hardness of the deadline; and the pulling power of the Olympics themselves and the degree of political consensus. But we believe many of the lessons we draw out above can and should be applied to future projects.

1. Introduction

It's just such a relief to know that we can get something right after all.

Anonymous spectator in the Olympic stadium on Super Saturday

The 2012 Olympics both confounded and exceeded national expectations: the stadia were built on time, the transport system worked; security was effective and not too obtrusive – and Team GB showered the country in medals and ‘suffused the country in a Ready Brek glow of happiness’.⁴ But only two days before the opening ceremony, the then US presidential candidate, Mitt Romney had dared cast doubt on London’s readiness to host.

*There are a few things that were disconcerting, the stories about the private security firm not having enough people, supposed strike of the immigration and customs officials, that obviously is not something which is encouraging.*⁵

The BBC had a ratings hit with a fictional show about the hapless Olympic Deliverance Commission trying to stage the Games and at the first event those fears seemed to be about to be realised as the South Korean flag was shown alongside North Korean footballers.

There were reasons for that public scepticism. After all, the decision to bid for the Olympics had been taken in the wake of what a former adviser to Tony Blair called ‘a flurry of major sporting event failure’.⁶ The unprecedented decision to pull out of hosting the 2005 World Athletics Championships and the shambles surrounding the construction of the new Wembley stadium, combined with recent memories of the Millennium celebrations in the Dome. And the day after success in Singapore, London was subjected to major – and it turned out home-grown – terrorist attack.

Yet it worked. The public reaction was captured by London Mayor, Boris Johnson in his speech to the Conservative party conference a month to the day after the Paralympic closing ceremony.

*It was a surprise, wasn't it? There we were, little old us, the country that made such a Horlicks of the Millennium Dome celebrations in 2000, putting on a flawless performance of the most logistically difficult thing you can ask a country to do in peacetime. Some of us were frankly flabbergasted, gobsmacked...I want you to remember that feeling of surprise because that surprise is revealing of our chronic tendency in this country to underestimate what we can do. We now need to learn the lessons of the Olympics and the Paralympics.*⁷

The scale of the Olympics was like no other project undertaken by governments. It meant organising the world’s biggest sporting event followed three weeks later by the world’s second biggest sporting event. But in the UK’s case it meant much more: converting derelict land in East London into an Olympic Park with new permanent and temporary venues and accommodation for athletes and the media – but an Olympic Park that was designed to lie at the heart of the future regeneration of the most deprived boroughs in the city. It meant mobilising the biggest peacetime force of volunteers from around the country. It meant transporting hundreds of thousands of spectators around London and the South East, where transport systems were notoriously crowded and prone to breakdown. Although the Opening Ceremony kicked off proceedings on 27 July 2012, it had been preceded by the passage of the Olympic Torch around the UK for 70 days, drawing in crowds that defied expectations despite the worst summer weather of the century. Nothing, not even the Queen’s Jubilee or the Papal Visit matched the scope and scale. Jeremy Beeton, Director General of the Government Olympic Executive explains:

⁴ Boris Johnson, speech to Conservative Party Conference, 9 October 2012

⁵ Mitt Romney, interview with NBC News, 25 July 2012

⁶ Quote from interview with a former Downing Street advisor

⁷ Boris Johnson, speech to Conservative Party Conference, 9 October 2012

People did not understand the scale of the thing they had been asked to undertake....I was talking to the Management of Zone 1 of the Tube and they tried to fob me off by saying they had handled the start of the Tour de France the previous year. I had to point out there were some differences between the start of the Tour de France and running the Olympics for sixteen days. It was a quantum leap. I said to people: 'wake up at 6.00am on New Year's Day and look at the amount of rubbish on the streets. It will be like that every single day'. The Underground carried more people than it ever has before. It was a whole new business model for London.

Aims and method

The genesis of this project lies in conversations with senior members of the Government Olympic Executive (GOE) and Department of Culture, Media and Sport (DCMS) – the lead Olympic department in government. They were both concerned to capture the lessons of the Olympics for government before the teams working on it moved on and their knowledge and insight was lost. There are a number of other 'lessons learned' exercises going on in different parts of government – and a comprehensive handover from the team that delivered London to the team that will need to do the same in four years' time in Rio. This does not attempt to go into the same level of technical detail as those exercises.

Rather in this report we aim to:

1. Look at what lay behind the successful delivery of the London Olympic and Paralympic Games⁸
2. Examine, allowing for these factors, how the lessons from the Games can be applied to other major projects in the government portfolio.

The research which forms the basis for this report took place between September and December 2012.

A number of research tools were used, including:

- Semi-structured interviews with 58 people from within government, the London Organising Committee of the Olympic and Paralympic Games (LOCOG), the Olympic Delivery Authority (ODA) and a range of other entities who played some role in delivering London 2012. The organisations within which our interviewees were employed are listed at Annex 1.
- Documentary analysis of reports from the National Audit Office (NAO), Office of Government Commerce (OGC), International Olympic Committee (IOC) and a range of other bodies. A full bibliography is given at the end of this report.
- Three public seminars at the Institute for Government on the role of the Government Olympic Executive, the vision for London 2012, and how the Games were delivered. These brought together the key players from inside government – at official and political levels – with those who headed the big delivery bodies. Videos of these events are available at <http://www.instituteforgovernment.org.uk/our-work/better-policy-making/making-policy-better/making-games>.
- A review of relevant earlier work conducted by the Institute for Government, most notably on government and its relationship with arm's-length bodies, the role of ministers, and the capabilities of the civil service.

There is a necessary limitation to this research methodology: the scale of the London 2012 project means that there were many organisations involved in delivering the Games whom we did not reach, and there is inevitably some bias towards the views of those who stayed with the project throughout. There was, nevertheless, a remarkable consistency in the themes which emerged from our interviewees across organisations.

⁸ By success, we refer to the on-time delivery of London 2012, within the 2007 budget and to public acclaim. We do not make any judgements about whether or not London 2012 represented value for money.

Structure of this report

The report is in three broad sections.

Our first section provides a brief narrative history of the preparations for the Games.

Our second section, analysing the key ingredients which made the Games successful, is anchored around seven key themes which emerged from a workshop analysis of our semi-structured interviews.

These are:

- vision
- politics
- people and skills
- institutional design and governance
- budget
- programme and project management
- risk and scrutiny.

In the third section we bring together the lessons from the successful delivery of the Olympic Games and suggest what they mean for the approach government should adopt to future major projects. These are our reflections on what worked. We would be interested in other people's views on the lessons and how to apply them.

2. The story of the Games: from bid to Boyle

2000-2003: To bid or not to bid?

In 2000, the ambition for the UK to host the Olympics Games once again reared its head as discussions about developing a bid began in earnest. Since the GLC had conducted initial research into bringing the 1988 Olympics to London, hopes of bringing the Games to the UK had been repeatedly dashed. No official bid was ever made for the 1988 Games, largely because of a lack of support from the Thatcher government.⁹ The UK had put Birmingham up for the 1992 Games and Manchester for both the 1996 and 2000 Games. The bid from Birmingham and the first Manchester bid ended in embarrassment, with both coming fifth out of six competing cities. By contrast, the Manchester bid for the 2000 Games saw the city achieve a more respectable third place. But in December 2000 the British Olympic Association (BOA) presented a study to central Government with a new, more realistic centrepiece: an Olympics held in the capital city – a London Olympic Games.¹⁰

This proposal chimed with International Olympic Committee (IOC) advice in previous years that it regarded London as the only viable host city in the UK.¹¹ As the IOC requires both the national government *and* the host city to provide guarantees for the Games, the BOA presented its study to then Mayor of London Ken Livingstone in 2001 as well as central government. Livingstone had recently been elected as London's first mayor, was developing the first London Plan and was quickly taken with the regeneration potential of the Olympics for the Lower Lea Valley. Livingstone 'had no interest in sport'.¹² For him the Olympics simply represented a very welcome opportunity to channel funds for regeneration in East London. Livingstone 'took an immediate decision saying yes'¹³ and quickly became a champion for the Olympics, illustrating the crucial role that the mayor would come to play in securing and delivering the Games. Neale Coleman, close adviser to Livingstone and later Boris Johnson comments, 'There wasn't a scenario in which the Olympics could have happened without a mayor'. In May 2001, as the idea for a London Olympics began to take shape, the BOA, the mayor and central government began to explore the possibility of a bid.

The public, press and many politicians were sceptical both about the case for bidding and the UK's ability to pull something off on this scale. The UK's reputation as a potential host for major sporting events (beyond annual fixtures like Wimbledon) had been badly damaged by pulling out of hosting the 2005 World Athletics Championships, because the construction of the planned stadium at Picketts Lock was deemed too expensive at £100m.¹⁴ This caused IOC President Jacques Rogge publically to warn that the British government was acting as a barrier to the UK hosting major sporting events.¹⁵ The very recent and unhappy experience of the much derided Millennium Dome in Greenwich was a further reminder of the potential for such projects to go awry at political cost to a then very popular government.

But the odds were shifting in favour of a London bid within central government as well as with the new mayor. Prime Minister Tony Blair was, unlike Ken Livingstone, a sports enthusiast and commissioned a

⁹ Horne, John and Whannel, Garry, *Understanding the Olympics* (2012), p.8

¹⁰ House of Commons Culture, Media and Sport Select Committee, *A London Olympic Bid for 2012* (2003), p. 11

¹¹ <http://www.vanityfair.com/culture/2012/06/international-olympic-committee-london-summer-olympics>

¹² Quote from interview with Neale Coleman, senior GLA adviser

¹³ Quote from Ken Livingstone at an IfG public event

¹⁴ <http://www.telegraph.co.uk/sport/3014290/Picketts-Lock-fiasco-heaps-shame-on-Britain.html>

¹⁵ <http://www.guardian.co.uk/sport/2001/oct/16/athletics.duncanmackay>

study from the Downing Street strategy unit in 2002 which looked at ways of boosting participation.¹⁶ A former Downing Street adviser recalls:

An external consultant from McKinsey did the research for three months and we got him to tack on a bit about the benefits of hosting elite events. We just put that in there. The aim was to understand the impact, there weren't any real plans at the time to bid.

Although the prospect of a bid was on the government agenda, no concrete decision had been taken by late 2002.

Even more critically, Blair had appointed a new Culture Secretary after the June 2001 election, London MP Tessa Jowell, who did not share the scepticism of her predecessor. The success of Manchester's consolation prize Commonwealth Games in 2002 (which arrived on time, with a high degree of budget discipline and left a legacy of an estimated extra £600m investment in the region and about 20,000 jobs new jobs) provided reassurance the UK could deliver strong and successful sporting events. Jowell recalls:

I thought, hmmm, I'm not sure that we're just going to say that we can't bid to host the Olympics. Look at what we've just done [in Manchester].¹⁷

Jowell quickly became one of the most important advocates of the Games in government, using her leadership skills to rally others. One DCMS civil servant at the time recalls that 'There would have been no support in Cabinet in the first place if it hadn't been for Tessa Jowell.'

Jowell and Livingstone set about addressing some of the most significant hurdles to a bid, namely the cost, and concerns that London had no chance of beating a better prepared Paris. They needed more detail and jointly commissioned Arup, to undertake a cost-benefit analysis of a specimen Olympics, who reported that the Olympics would need a public subsidy of £1.1bn.¹⁸ But by Christmas the press was reporting that the Olympics could cost the taxpayer as much as £2.95bn.¹⁹ The Olympic budget caused headaches from the start. Jowell prepared the ground for public funding, agreeing with Ken Livingstone that up to £1.1bn of public subsidy would be met by London, split equally between the London Development Agency (LDA) and London council taxpayers.²⁰ Thanks to Tony Blair's predecessor, John Major, there was an additional source of funds potentially available which would not place a burden on the taxpayer – the National Lottery which had opened for business in 1994. Jowell also met with lottery operator Camelot and the Lottery Commission to discuss raising £1.4bn through an additional Olympics Lottery game.

The task of convincing colleagues and the public that a win was possible was more difficult though. Formal decision making was through 'Misc 12' – a cabinet committee chaired by Foreign Secretary, Jack Straw. It remained wary as the common view persisted that Paris would host the 2012 Games. Such was the concern over whether Paris was a pre-ordained victor of the bidding process that Jowell flew to Switzerland in January 2003 to seek assurances from Jacques Rogge as to 'whether this [was] actually an open race or a competition that [would] lead to a Paris victory'.²¹ The timing of any decision was further complicated by the increasing likelihood of military intervention in Iraq. A government decision on the Olympics was originally due in February 2003 but was delayed by three months while the potential war with Iraq was discussed.

With the persuasive efforts of Jowell and Richard Caborn, the then Sports Minister, government became, if not outright enthusiastic, then at least prepared to go along with a bid. The support of the then Prime Minister Tony Blair – largely as a result of Jowell's lobbying – also helped secure Cabinet

¹⁶ Cabinet Office (2002) *Game Plan: a Strategy for Delivering Government's Sport and Physical Activity Objectives*

¹⁷ <http://www.vanityfair.com/culture/2012/06/international-olympic-committee-london-summer-olympics>

¹⁸ House of Commons Culture, Media and Sport Select Committee, *A London Olympic Bid for 2012* (2003), p. 16

¹⁹ For example: <http://www.telegraph.co.uk/sport/olympics/2394089/MPs-enter-debate-over-costs.html>

²⁰ <http://www.telegraph.co.uk/sport/olympics/2395193/Olympics-Jowell-seeking-to-win-over-sceptics.html>

²¹ Mike Lee, *The Race for the 2012 Olympics* (2006), p.14

acquiescence. Some have argued that the presumed ‘unwinnability’ of the Games was helpful to those pressing for a London bid. After all, some reasoned when signing up, there was little risk they would have to deliver – Paris was going to win and it was not worth antagonising cabinet colleagues and wasting political capital opposing something that was highly unlikely to happen. Cabinet finally decided London should bid on 15 May 2003. Initial questionnaires from applicant cities had to be submitted to the IOC by 15 January 2004. The delays meant that not only was London competing against an already favoured bidder and a strong cast list of other plausible bid cities but it was handicapped by its late entry into the race.

2003-2005: The road to Singapore

With the decision made, the next step was to assemble a team to lead the bid. In line with IOC rules, a private bid company named London 2012 led this. Barbara Cassani, an American businesswoman who had successfully launched British Airway’s low-cost airline, Go, was appointed to chair London 2012 with Keith Mills, a British businessman and sports enthusiast, as Chief Executive. Between them, Cassani and Mills had just over a year to create a master plan (known as the ‘Bid Book’) which would:

- detail where events would be held and what infrastructure would be built
- provide an overall budget projection for the Games
- persuade the public to support the Games through a significant marketing campaign.

They also had to organise a huge lobbying effort to convince the 115 IOC members who decided the destination of the Games that London was the right choice for 2012. The lobbying campaign was expertly managed by Mills and Seb Coe, who had the lobbying skills needed to liaise with the IOC.

London 2012 was given the freedom to lead on developing the Bid Book. The company board and a monthly cross-cutting committee chaired by Mills were the main interfaces with Government. It was here that London 2012 met with Government to agree the crucial departmental guarantees that were to be signed by relevant secretaries of state which the IOC required of all candidate cities.

The small DCMS team (originally set up in 2001 to look into bid viability) leading on the Games spent much of the 2003-2004 period persuading government departments to provide the guarantees needed by the IOC. Alongside this, they developed plans for the legislation – which became the London Olympics Games and Paralympic Games Act 2006 – that would need to be introduced to Parliament only days after a successful bid. DCMS team members recall this as a frantic time, having to manage the cultural differences between the private sector bid company and the civil service, and to ensure that the Bid Book remained a London 2012-led document. Paul Bolt, then Director of the Olympic Games Unit, recalls:

I had to stop these civil servants, all of whom value their abilities as wordsmiths, from rewriting what the bid company had written. I kept having to tell them that it wasn’t their document, they weren’t the audience.

In May 2004 London passed the first hurdle when the IOC selected it as one of the five formal candidate cities – along with Paris, Madrid, New York and Moscow. This triggered a change of leadership of the bid. Barbara Cassani decided to step down as Chair of the bid company in favour of Vice-Chair and former politician and Olympic athlete Seb Coe. Cassani felt that Coe’s networking skills and sports knowledge would be more valuable than her technical and managerial skills, which had been relevant during the initial bid master-planning. London was now moving into the final stages of the bid, finalising details of the candidate file to be submitted in November 2004.

At this point Seb Coe, Mills and other London 2012 staff stepped up their work with politicians on speeches and marketing materials that would showcase London. Politicians – most often Tony Blair, Ken Livingstone or Tessa Jowell – were asked to give speeches according to which of them IOC

members would be most impressed by. In some cases, a mayor was the most appropriate figure while in others a prime minister or Olympics minister was a better fit. The key to these events was encouraging the individual politicians to set aside their specific objectives (e.g. the regeneration of East London) to emphasise the importance of a good Games. This was by far and away the most important factor for the IOC.

Even then, the UK was still perceived as the underdog. In January 2005 the *Guardian* reported that the bid team was demoralised at being ‘so far behind Paris.’²² Even bid company staff acknowledged that ‘the consensus was that we weren’t going to win anyway.’ The DCMS team and Cabinet Committee had done much to get signed guarantees from departments, tackle the budget issue (although in practice this involved postponing a detailed examination of how much the Olympics would really cost until after the IOC had made a final decision) and prepare legislation that would provide the necessary powers and structures to deliver the Olympics, including the creation of the Olympic Delivery Authority with statutory planning powers.

The bid company had spearheaded an impressive marketing campaign and Olympics offer. But despite this, the majority view remained that the UK would not win.

In the final months leading up to the IOC decision, the bid company, Tessa Jowell and her DCMS team worked hard to increase public support for the Games and develop an even stronger marketing programme. In its final lobbying activities three key points were emphasised by those representing the UK:

- the sports experts highlighted the technical merits of the stadium design which was seen as more sophisticated than Paris’ Stade de France
- Tessa Jowell pledged support from government
- and Ken Livingstone praised the transformative potential of the Games for London.

All this was sealed with a bit of glamour, with appearances from Princess Anne and the Beckhams in the final Singapore publicity blitz with Tony Blair on hand to ‘press the flesh’ of IOC officials, despite the fact that he had to fly straight back to chair the G8 meeting in Gleneagles.

While the technical plans and marketing campaign might not have convinced the home crowd (or the bookies; the odds were still on Paris the night before the decision was announced), it convinced the people that mattered. On 6 July 2005, the IOC announced that the 2012 Olympic Games would be held in London.

2005-2012: Ready, steady and go!

2005-2007: A false start

Winning the Games was one thing, delivering them was quite another. As the cheers died down in Trafalgar Square, government got ready to make its first move – introducing the bill to set up the Olympic delivery institutions and give them the powers they needed to deliver the Games. But they also had to contend with the change from euphoria and the perception of the capital’s ability to deliver the promised ‘safe and secure’ games because on the day after the bid victory, terrorists struck at the London transport system, killing 52 civilians and the four bombers.

There were a set of urgent tasks awaiting those returning victorious from Singapore. First government had to ensure the land needed for the Olympic Park was under public control. In fact, the UK was already some way ahead on this. The London Development Agency (LDA) had started purchasing the site of the Olympic Park earlier in 2003 and a small compulsory purchase order (CPO) had been

²² <http://www.guardian.co.uk/uk/2005/jan/30/olympics2012.olympics2012>

initiated in 2004 to ensure that the crucial undergrounding of on-site power lines could begin soon after July 2005.²³ By November 2005, 80% of the land needed for the Olympic Park was under public control with 20% still needing to be purchased.²⁴ The major CPO for the outstanding land on the Olympic Park site was initiated in November 2005²⁵, the Inquiry into the CPO ran from May to August 2006²⁶, with the CPO being finally approved in December 2006. This carefully planned timetable enabled work on the park to start in the summer of 2007, after the existing occupants – including allotment owners, businesses and travellers – were evicted from the site.

Alongside the land, government also needed to:

- deliver legislation to establish the Olympic Development Authority and provide it with necessary transport and planning powers
- establish trading rules in the vicinity of the Games
- and establish the advertising restrictions which would later become the subject of controversy.

Due to the significant pre-planning about governance and legislative plans in the event of a UK victory (structures, organisations and shareholders agreements had all been signed off at the insistence of the bid company to avoid post-bid delays) the London Olympic Games and Paralympic Games Bill was introduced in Parliament just over a week after the announcement that London would host the Games. This speed was a real achievement. Further, key appointments for delivery organisations had been identified. These included David Higgins, an Australian businessman who had built the Sydney Olympic and run the regeneration agency English Partnerships. He became Chief Executive of the shadow ODA in December 2005.

²³ Juliet Davis, 'Inside the Blue Fence: An Exploration', p.23

²⁴ http://news.bbc.co.uk/sport1/hi/other_sports/olympics_2012/4408396.stm

²⁵ <http://www.guardian.co.uk/sport/2005/nov/16/Olympics2012.politics?INTCMP=ILCNETTXT3487>

²⁶ <http://www.ftb.eu.com/2007-archive/olympic-compulsory-purchase-order-confirmed-following-public-inquiry.asp>

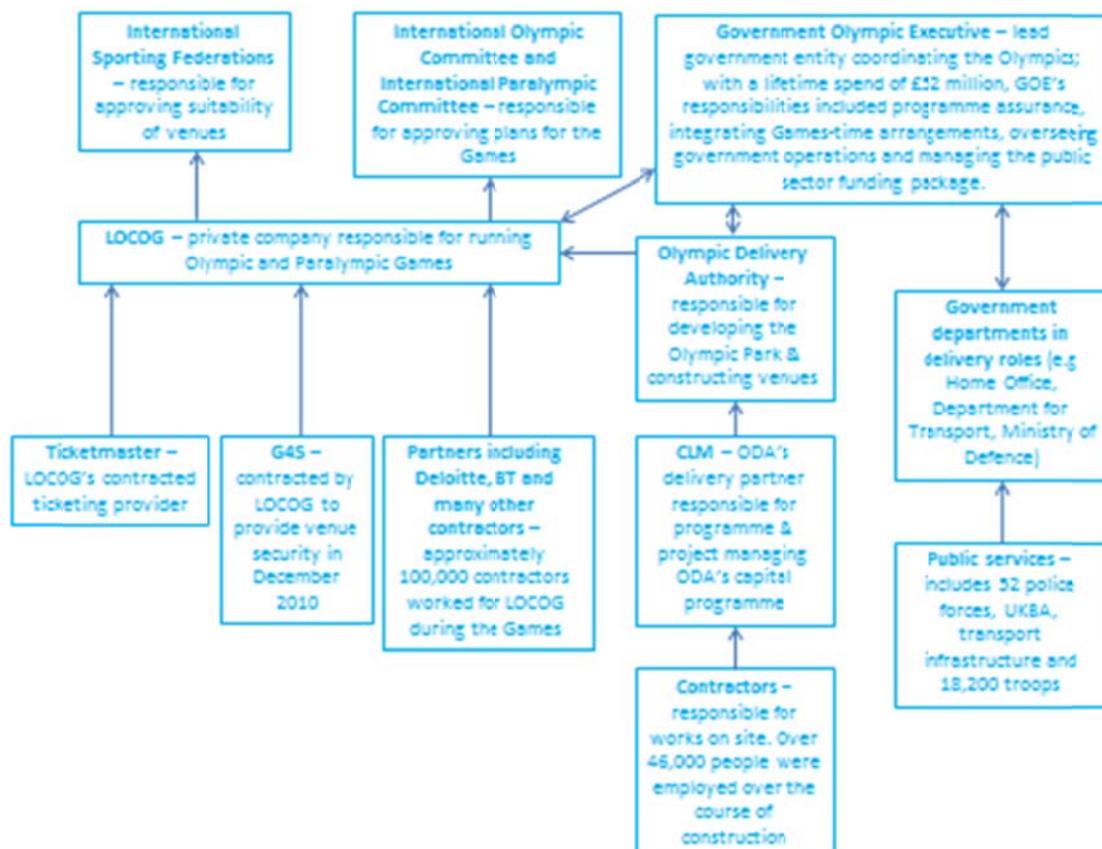
Delivery organisations

The Olympics was delivered by a range of bodies and institutions. The key organisations and relationships are outlined below in Figure 1.

Figure 1: The Olympic delivery bodies

LOCOG and the ODA both sat outside of government, but were hugely different organisations. The ODA – as a statutory executive NDPB – existed in a structure with which DCMS was familiar. The London Olympic and Paralympic Games Act 2006 gave the ODA broad powers, including the right to ‘take any action that it thinks necessary or expedient for the purpose of preparing for the London Olympics’. The Secretary of State for Culture, Media and Sport had responsibility for appointing the ODA Board, the first ODA chief executive, and had the right of veto over appointees to be finance director, transport director or any chief executive other than the initial appointee.

LOCOG was an entirely different entity. Its structure had been agreed during the bid phase, meeting the requirement of the Olympic Charter that it report directly to the IOC Executive Board. It was clear from our interviews that while LOCOG viewed its relationship with government as important, its crucial relationship was with the IOC. LOCOG was accountable to its three stakeholders – the Secretary of State, the Mayor of London and the British Olympic Association – who were collectively responsible for appointing the Board under the terms of a joint venture agreement. As a private company limited by guarantee, however, it did not see itself having a conventional ‘sponsorship’ relationship with government. This was heightened by its determination to remain financially independent of government, raising its £2bn budget from the private sector and IOC (while government would put close to £1bn into LOCOG, this was to cover scope transferred to LOCOG, rather than for its core functions).



But while land purchasing, under-grounding power lines and Games legislation – including the design of and appointments to the Olympic delivery institutions – were well planned and quickly executed, government was less prepared when it came to its own role in the Games. There were disputes about which department would lead on the Games, what civil service capacity existed for a major delivery project and, crucially, the real size of the budget.

The Department for Culture, Media and Sport (DCMS) had been the lead government department during the bid phase – mainly through a small Games Unit and Tessa Jowell herself. Understandably, DCMS were keen for the Games to stay with them after the win. But this was not a *fait accompli*; DCMS was the smallest government department with little delivery experience and a small budget, unable to absorb the inevitably higher budget the Games would entail. Some voices within Government whispered that this was beyond the department's comfort zone. Jeff Jacobs, the post-bid Chief Executive of the Government Olympic Executive recalls:

When we won the bid everyone wanted to remove it from DCMS' responsibility because they all thought they could do it a great deal better than we could... Some of the psychology was "what did DCMS know about running an infrastructure project of this kind?"

There were rumours that the Department for Communities and Local Government wanted the Olympics to sit with them as a major regeneration programme and suggestions that the Games might be best located in a special unit in the Cabinet Office, although these were dismissed by former Cabinet Secretary Gus O'Donnell because 'before 2010, the Cabinet Office was a small, policy-heavy department. The Cabinet Office didn't do delivery'. There was even a brief suggestion of a dedicated Olympics department. After negotiation, and after lobbying by Tessa Jowell, it agreed that the Olympics would stay with DCMS. As she was the undisputed political champion of the Games, 'Tony Blair wouldn't have taken it away from Tessa.'²⁷ When it came down to it, the prevailing attitude at the time according to Sue Street, Permanent Secretary of DCMS from 2001-2006, was that 'everyone else hoped we would make a barely credible bid and lose, so nobody was putting their hands up for it'.

The structure of the team within the department was also a concern. While ODA and LDA steamed ahead with land purchase and stadium design, the team within DCMS struggled. Initially, the team working on the Games was very, very small because senior management wanted a light touch central government role with an emphasis on putting strong delivery bodies in place. As a result the Games Unit, as it was known between 2005 and 2007, was less than 20-strong and struggled to cope with the demands made of it in the wake of a win. Jeremy Beeton reflects, 'All of the team quickly had to get to grips with the scale and the implications.'

A second official who worked in DCMS from 2004 onwards remembers:

We had public correspondence, MPs, government departments, all getting in touch with questions. It was absolutely mad and we only had five people for two or three months.

This was made more complex by the challenge of bringing the 'right' people from Whitehall to the team. As Sue Street recalls, in the initial phases they had 'to beg, borrow and steal the best people in Whitehall' to get the team right.

Alongside this internal challenge, a more realistic budget needed to be set. The original figures did not stand up to scrutiny. Almost everyone involved knew the pre-bid public sector funding package of £2.4bn was a vast underestimation of the real cost of the Olympics. The bid company had to rely on an initial report from Arup which omitted costs around land acquisition, remediation and infrastructure. As such Keith Mills recalls that they had 'no idea what the number would be, but it looked like it would be a big one'. Gus O'Donnell remembers:

Quite early on after we won the bid people realised that it didn't cover anything like the total costs and put a real budget together which was done well.

²⁷ Quote from interview with a former Downing Street adviser

To an extent it only made sense to calculate some costs of delivering the Olympics after London became the host city – for instance costing the decontamination of the land would always be left until after a decision on the bid because of the costs associated with calculating a figure. There was a view in the Treasury and elsewhere that substantial spending before there was any certainty about whether the project was ill advised. As Sue Street indicates, ‘We knew that we didn’t know everything.’

Once the bid was won, a more realistic budget needed to be set. The Games Unit worked hard on this, with the support of external consultants including David Higgins (until he officially moved into his role as Chief Executive of the ODA in March 2006). The re-budgeting took place after a six-month long negotiation²⁸, including a debate over whether the budget should be devolved or held in the Treasury, and on how large the contingency needed to be. Eventually a revised £9.325 billion public funding package was agreed. The ODA had a budget of £5.254 billion to build the infrastructure and venues, with £2.247 billion being held in programme-wide contingency.²⁹ The revised public sector funding package represented an increase of £5.289 billion above the November 2004 estimate of £4.036 billion. It excluded the LOCOG budget (which was privately funded), the costs to the LDA of purchasing land for the Olympic Park, and intended private sector contributions to the Olympic Village.³⁰ For those who worked on the re-scoped budget, the most significant change was the inclusion of full and proper contingency which insulated the project as far as possible from risks and shocks.³¹ The other notable change was the decision to issue public six monthly, then quarterly financial reports, in part to satisfy the press and public about the robustness of the new budget and in part to motivate internal budget discipline.

Figure 2: The budget timeline - key events

May 2003: Government and Mayor of London agree memorandum of understanding providing a public sector funding package (PSFP) of £2.375bn to meet the costs of the Games – £1.5bn of which would come from the National Lottery. Government also commits a further £1.044bn of Exchequer funding for non-Olympic infrastructure. Combined with anticipated private sector funding of £738m, the expected gross cost of the Games was £4.036bn (excluding the LOCOG budget).

October 31, 2005: Olympic cost review steering group (an officer-level group initiated to review all costs associated with the London Olympic Games) meets for the first time.

November 21, 2006: Tessa Jowell indicates to the House of Commons Culture, Media and Sport Select Committee that additions to the Olympic budget in the bid will include an additional £400m to be spent on the ODA’s delivery partner, and £900m in the costs of the Olympic Park. Further liabilities are identified as the tax status of the ODA, the need to develop a programme contingency, and increased security costs.

March 15, 2007: Revised PSFP announced, including ODA budget of £5.254bn, an ODA tax bill of £836m, a £2.247bn programme contingency and revised policing and wider security costs of £600m, up from £190m at the time of the bid.

November 2007: Announcement of ODA baseline budget at £6.09bn which served as a basis for future reporting.

May 13, 2009: Public sector funding is agreed for the construction of the Olympic Village after a potential public-private deal collapses.

May 24, 2010: PSFP is reduced to £9.298bn.

²⁸ Presentation given by David Goldstone, GOE Director of Finance and Build

²⁹ Public Accounts Committee, *The Budget for the London 2012 Olympic and Paralympic Games* (2008)

³⁰ Ibid

³¹ Interviews with GOE civil servants

October 20, 2010: PSFP is not reduced in the Comprehensive Spending Review; the publically funded 'wrap' around the stadium is removed, however, saving £7m from within the PSFP.³² Dow Chemical won a competitive tendering process to privately fund a wrap around the stadium in August 2011. PSFP funding is shifted from construction to operations.

August 12, 2011: Majority of the Olympic Village and adjoining land is sold to Qatar's investment arm for £557m.

December 6, 2011: DCMS and National Audit Office both report that venue security costs have risen to £553m – an increase of £271m from October 2010. The NAO also puts the cost of 18 legacy programmes at £826m, with this cost sitting outside the PSFP for the Games. £41m of public money is put into LOCOG to fund more ambitious opening and closing ceremonies for the Olympics and Paralympics, with a total of £354m of uncommitted programme contingency remaining.

October 31, 2012: Final GOE quarterly financial update is released. The anticipated final spend against the PSFP is £8.921bn – a £377m saving. Estimated costs of policing and venue security respectively are £455m and £514m – a combined decrease of £60m against expectations in May 2012.

November 14, 2012: LOCOG release details of their revenue streams to the Greater London Assembly, showing that their upper sponsorship target of £700m has been exceeded by £46m.

The higher budget was accompanied by the beefing up of the Games Unit into a substantial Government Olympic Executive with high-salaried external appointments from the construction and finance sectors. Other factors prompted change too including the arrival of new Permanent Secretary Jonathan Stephens who understood the size of the Olympics project and was concerned about the state of the small DCMS unit. The Office for Government Commerce Gateway Reviews had also cast doubt on central government's state of readiness for the Games. The Treasury was also keen to see a strengthened assurance function in the GOE to accompany the enlarged budget.

Key personnel changes included bringing in Jeremy Beeton, a Vice-President at US construction company Bechtel, who joined an expanded Government Olympic Executive (GOE) as Director-General. He was soon followed by David Goldstone, Finance Director at Partnerships UK, who joined as Director of Finance and Build. They worked with experienced civil servants including Nicky Roche, David Brooker and Andrew Scattergood who managed Whitehall relations. Jonathan Stephens became the Project Accounting Officer and, while maintaining a very close relationship with GOE, gave them a lot of autonomy after these changes had been made.

Although they ran more smoothly, there were also changes in the delivery bodies. Jack Lemley, Chairman of the ODA, resigned and was replaced by John Armitt, who left Network Rail to join the Olympic Delivery Authority as Chairman. Most government and delivery body officials including John Armitt, Paul Deighton at LOCOG and Jonathan Stephens at DCMS would ultimately continue in their roles until after the conclusion of the Paralympic Games.

GOE was purposely designed as a stand-alone unit. As Olympics Minister, Tessa Jowell was a passionate advocate, supporter and broker for the Olympics within government and outside it. If there was a reshuffle that took her away from the DCMS, Jowell wanted the option to take the Olympics and its team with her. Jowell did move from the DCMS in June 2007, but GOE stayed put in DCMS answerable to Jowell at a distance. This was not an easy arrangement, as senior figures within GOE recalled during our interviews. Jonathan Stephens remained as the accounting officer for the Olympics public sector funding package throughout the 2007-2010 period in which Jowell remained at the Cabinet Office, providing a continuous link between the Olympics and DCMS.

³² <http://www.bbc.co.uk/news/uk-england-london-11678923>

2008-2010: The race underway

With the senior team across GOE and ODA in place and a realistic budget agreed, construction on the Park began on schedule in May 2008. This coincided with a visit from the IOC Co-ordination Commission which awarded London's preparations for the Games a score of 9.75/10.³³ The smooth progress of construction over the next three years owed much to the construction expertise within the ODA, and their delivery partner model. The selection of CLM – a consortium of three construction and programme management companies – as ODA's delivery partner added six months to the construction programme, but gave CLM responsibility for managing design teams and contractors on the Olympic Park, providing additional assurance to both ODA and government. CLM 'could bring in world-class expertise, roll people on and off the project.'³⁴

By the time construction began, the 2008 London Mayoral election had taken place. In spite of the potential for change in the Olympic programme that this created, in practice the handover of power from Ken Livingstone to Boris Johnson altered little. John Armitt recalls 'We went from...one mayor to another without a hiccup'. Those changes that did take place were largely cosmetic. David Higgins indicated that:

The reason that a building in the Village has the relief from the Acropolis on the façade was strongly influenced by Boris... He wanted something in the Village that recorded the fact that the Olympics were here. As I was flicking through designs and asked him what he liked, he gave me the whole history of the relief. I said that it would be incorporated into the design of the building and he said that he thought it was important to record the fact the Games were here so people could come and see the Greek link to the Olympics.

And although the Mayor of London changed in 2008, there was vital continuity in the Mayor's Office in the form of Neale Coleman. A former Labour councillor who specialised in housing policy, Coleman was originally appointed as a political adviser to Ken Livingstone in 2001, became his lead adviser on the Olympics and continued as Boris Johnson's Olympics adviser from 2008 onwards. If this continuity had not existed, in the view of Jeff Jacobs who was by then Head of Paid Service at the GLA:

It could genuinely have been a mess...my worry was that we were going to lose weeks getting into the dialogue if Neale had gone.

In contrast to the ease of the mayoral transition, the 2008 financial crisis created significant challenges for the project. While most of LOCOG's sponsorship revenue had been raised prior to the economic downturn³⁵, the collapse of the private funding of the Olympic Village was seen by David Goldstone as 'the big crisis we had, budget-wise'. May 2009 saw a final decision by a Cabinet Committee to fund the Village solely through the public sector which added an additional £350m to the public contribution³⁶, with costs being subsequently partially recouped through a sale to Qatari Diar.³⁷

Much like the 2008 Mayoral election, the 2010 general election made far less of an impact on the project than might have been expected, both in political and financial terms. Hugh Robertson, the incoming Minister for Sport, had shadowed the Olympics brief since 2004 and throughout this period had had unusual access to Whitehall briefings on the progress of the Olympics project. He felt 'it was a great help to have shadowed the brief for five years' because this, and regular briefings, allowed him to hit the ground running. This view that the handover of the project was smoothly handled is shared by DCMS Permanent Secretary Jonathan Stephens, who says:

The big thing on political transitions was transparency. There were no surprises when the new government came in or when Boris took over from Ken.

³³ <http://www.guardian.co.uk/sport/2008/may/22/olympicgames20121>

³⁴ Quote from interview with Dennis Hone, ODA Chief Executive

³⁵ <http://www.ft.com/cms/s/0/e5cbc822-c790-11e1-85fc-00144feab49a.html#axzz2AE0w6oQa>

³⁶ <http://www.guardian.co.uk/uk/2009/may/13/olympic-village-fully-nationalised>

³⁷ <http://www.guardian.co.uk/sport/2011/aug/12/olympic-village-qatari-ruling-family>

The lack of surprises, however, did not entirely exempt the Olympics from the financial pressures of the 2010 Comprehensive Spending Review and Emergency Budget. While the Olympic budget came under scrutiny, one participant in the spending round Hugh Robertson recalls that ‘given the importance of the project, the Olympic budget was largely protected’. Ultimately only £27 million was taken out of the £9.3 billion funding package for the Olympics, with a totemic decision to remove the publicly funded wrap around the stadium.³⁸ This was subsequently replaced by a privately tendered wrap, manufactured by Dow Chemicals; another example of LOCOG’s success on raising private sponsorship.³⁹ Other bits of the ‘legacy’ were less entrenched and fared less well. The programme to provide free swimming for under-16s and over-65s was cancelled by the incoming government⁴⁰; and a decision was made – in the name of localism – by Education Secretary Michael Gove to remove the ring-fence around school sports spending.

2010 – 2012: The finishing line in sight

By early 2011, public awareness of the Olympics started to increase. The public ticket ballot opened in spring 2011 to a flood of interest with 1.9 million people applying for tickets, although many were left dissatisfied as they failed to get the tickets they applied for. Although this should be set against the larger success of ticketing; LOCOG sold almost all venues and sessions in both the Olympics and Paralympics in contrast to previous Games. The Olympic stadium construction was completed in March 2011, on schedule and over a year ahead of the Games. This was a triumph for ODA, government and the delivery partner CLM who had met their target date with relative ease.

Now the baton was passed onto LOCOG, thousands of volunteer Games Makers and operational partners including Transport for London (TfL), the police, the Borders Agency and the military, who needed to test and prepare the country for Olympics action. The Foreign Office, Defra and Cabinet Office all had roles to play too – from using the run-up to the Olympics for diplomatic opportunities to ensuring vets were on hand for animals used in the opening ceremony.

Figure 3: Public sector scale

11 hospitals designed as ‘Olympic hospitals’ on standby to provide free medical care for the ‘Olympic Family’.⁴¹

52 police forces involved in providing security for the Olympics – every police force in the country.

98% of scheduled kilometres run on schedule on the Tube, London overground and London bus network during the Olympics.

200 extra buses provided in London for the Games.

4,000 extra Games-time train services provided over the Olympics and Paralympics.⁴²

13,000 London businesses attended seminars prior to the Olympics where TfL explained Games transport impacts.

15,000 police officers deployed on the Olympic operation on peak days.⁴³

18,200 troops required to provide security for the Olympics at peak times⁴⁴ – nearly double the number serving in Afghanistan at the time.⁴⁵ This number consisted of 13,500 service personnel announced in

³⁸ ODA, *2011/12 Annual Report*

³⁹ <http://www.bbc.co.uk/news/uk-14385896>

⁴⁰ <http://www.telegraph.co.uk/sport/olympics/swimming/7835963/Government-scrap-free-swimming-scheme-ahead-of-London-2012-Olympics.html>

⁴¹ London 2012 Olympic Games healthcare guide

⁴² Network Rail, *Our Plans for London 2012*

⁴³ House of Commons Home Affairs Committee, *Olympics Security* (2012)

⁴⁴ *Ibid.*

⁴⁵ <http://articles.latimes.com/2012/jul/27/nation/la-na-tt-olympic-games-troops-20120726>

December 2011, a further 3,500 deployed as assurance against G4S' failure to meet their contract on July 12 2012⁴⁶, and an additional contingency of 1,200 troops called up on July 24⁴⁷.

138,000 passengers handled by Heathrow on the busiest days of the Olympics – up 45% on normal levels.⁴⁸

450,000 people requiring some level of special access for the Games who were background-checked by the UK Border Agency (UKBA) including, contractors, 'Olympic family' members and volunteers.⁴⁹

3,000,000 additional public transport trips above normal levels on the busiest day of the Games in London.⁵⁰

A series of Home Office-led test exercises with police, military and emergency workers took place to ensure security and other operational concerns were ready for the Games and that 'everyone was in the right frame of mind.'⁵¹ These exercises included 'Exercise Forward Defensive' – a February 2012 two-day exercise involving 2,500 people simulating a response to a bomb on the Tube network⁵² and 'Exercise Olympic Guardian' which took place over eight days in May 2012 and included the deployment of fighter jets, helicopters and ships around London and Weymouth.⁵³ The final test exercises neatly transitioned into the operational phase of the Games, which officially began on the 19 May 2012 when the Olympic Torch Relay began.

As the Games approached, Transport for London (TfL), the Department for Transport (DfT) and LOCOG were working to prepare Londoners and their transport system for the estimated 20 million extra journeys that would take place during the Games. The major public information campaign encouraging individuals to plan their travel during the Games started on 30 January 2012.⁵⁴ Prior to this, organisations involved in delivering public transport during the Games had started working with businesses in November 2010 through the 'Travel Demand Management Business Influencer Campaign', urging businesses to plan for the impact of the Games. The Department for Transport led a cross-government initiative to reduce travel into central London with 17 government departments committing to change at least 50% of their own travel footprint over summer 2012. A trial week for this programme called 'Operation StepChange' took place in spring of 2012. Testing of the Olympic travel programme continued into July 2012, with commuters being deterred from central London through delays caused by the testing.⁵⁵ Overall this was a successful programme, with up to 35% of people adapting their normal travel behaviour to take account of the Olympics.

The role of LOCOG during this period should not be underestimated. They took control of the Olympic Park in January 2012, at which point large quantities of work in order to make venues Games-ready still needed to be undertaken.⁵⁶ In addition to their work on venue preparation, they organised the Torch Relay which confounded expectations and was viewed by an estimated 12 million people as it made its journey around the UK.⁵⁷ LOCOG also had key roles to play in areas including venue security, transport management and the monumental task of training and working with thousands of volunteer Games Makers, another runaway Games success story. Although TfL were responsible for running London's

⁴⁶ Hansard HC Deb 12 July 2012, vol 548, col 451

⁴⁷ House of Commons Home Affairs Committee, *Olympics Security* [OS 07] (2012)

⁴⁸ Heathrow Airport, *Heathrow's Preparations for the London 2012 Olympic and Paralympic Games*

⁴⁹ UKBA 2011/12 Annual Report

⁵⁰ TfL, *Hosting a Great Games and Keeping London Moving this Summer*

⁵¹ Quote from interview with DfT civil servant

⁵² <http://www.bbc.co.uk/news/uk-17116650>

⁵³ <http://www.bbc.co.uk/news/uk-17891223>

⁵⁴ 3.5 at <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmtran/writev/toq/m26.htm>

⁵⁵ <http://www.guardian.co.uk/sport/2012/jul/10/olympic-test-run-london-transport>

⁵⁶ Quote from interview with LOCOG staff member

⁵⁷ <http://www.channel4.com/news/new-security-challenges-for-paralympic-torch-relay>

public transport system, LOCOG's role included assisting with the development of the Olympic Route Network and working with transport partners on delivering the public transport system. Similarly, although the Home Office were ultimately responsible for delivering security arrangements around the Olympic Games, LOCOG were responsible for contracting for security arrangements at the Olympic venues, and playing an increasingly leading role in discussions around security in the run-up to the Olympics. Overall this all went remarkably smoothly, with the very serious exception of G4S failing to fulfil their contract to deliver a full complement of guards for venue security. This was a major hiccup in the last months before the Games and was subject to intense public scrutiny. In the event, the detailed contingency planning that government had undertaken in collaboration with LOCOG moved into action quickly though, and the armed forces were deployed to fill a 3,500 person shortfall. This was not the disaster it could have been, as a senior civil servant at Cabinet Office recounted: 'the plan was exactly as it was, just with more highly trained and disciplined personnel providing the security.'

As the end of July drew close, eyes now turned to the Olympics themselves. The torch relay had built a mounting enthusiasm for the Games and only weeks before the Opening Ceremony, UK Sport confirmed they were aiming for Team GB to finish in the top four of the medals table with a medal take of at least 48 medals. This set the bar for sporting success high, and as the Opening Ceremony finally started on 27 July, the nation settled in to watch events unfold.

3. Analysis: building blocks for Games success

This section of the report analyses the seven key ingredients of the Olympics project. Each of these themes was a potential source of challenge for London 2012, but each was largely successful. Each theme is analysed on the basis of what worked, and what challenges were encountered before drawing out implications for future major projects.

i. Vision

If you've got a clear vision and you've connected with the country – and I think we all remember the day we won the bid and how the country felt – then you have to stick with it. It doesn't stop you being slightly more flexible in how you deliver it, but you have to stick with it.

Jackie Brock-Doyle, Directors of Communications and Public Affairs at the London Organising Committee of the Olympic and Paralympic Games

Vision is crucial for setting the purpose of a major project. As the NAO has outlined, setting and communicating a project purpose gains crucial buy-in from staff, and when done well should align any conflicts of interests – or potential conflicts of interests – between different stakeholders.⁵⁸ This was more important than ever on London 2012, given the range of stakeholders who had an interest in the project. The BOA and the bid company (which became LOCOG) wanted a great sporting event for athletes and spectators. Tessa Jowell and Prime Minister Tony Blair saw the Games as an opportunity to promote the UK as a modern, exciting country. Ken Livingstone cared more about 'driving regeneration in East London and bringing tourism to London.'⁵⁹ And others, like Seb Coe, were driven by personal experience. He recounts the inspiration he drew from seeing two British athletes win medals in the 1968 Olympics. As he put it in his 2005 speech to the IOC in Singapore:

That gratitude [to the Olympic movement] drives me and my team to do whatever we can to inspire young people to choose sport.

Everyone had different reasons for supporting the Games, but when it came to it, everyone got behind the project and understood their interests were aligned. Understanding how this was achieved provides important learning for other major projects in defining project purpose and aligning interests. The main ways of achieving this will be explored in this section.

Core vision

A strong and unifying vision was needed to bring such a range of interests and ideas under one umbrella. The Olympics had a natural advantage here in that it already had the core content around which the project would be built: six weeks of great Games that British athletes performed well at. This is in stark contrast to less successful major projects like the Millennium Dome which had no core content to build a project around. The core of the vision for London 2012 was apparent from the bid onwards: to hold six weeks of 'great Games' that would use 'the power of the Games to inspire lasting change'. This

⁵⁸ National Audit Office, *Initiating Successful Projects* (2011)

⁵⁹ Quote from interview with Neale Coleman, GLA senior adviser

allowed everyone to work from the same page and focus on the project. The vision was also made exceptionally clear in the Bid Book:

- delivering the experience of a lifetime for the athletes
- leaving a legacy for sport across the country
- benefiting the community through regeneration
- and supporting the IOC and the Olympic movement through taking the movement forward.

To some extent, the emphasis on having a ‘great Games’ seems obvious; the Olympic and Paralympic Games are the world’s largest sporting event and as Seb Coe indicated, ‘the first legacy was a successful Games’. Nevertheless, for Jackie Brock Doyle, LOCOG Communications Director, placing a product at the heart of the vision was in contrast to usual government practice:

The thing that always surprises me about government is that they’re too concerned about the communications and less concerned about the product... In government it appears to be all the narrative rather than the policy, or the product. That has to change because it’s never successful if you do it that way round.

Aligning interests

The next feature of the Olympics vision was developing and implementing a strategy for aligning the different objectives – for regeneration, for sports legacy, for promoting the UK abroad – that sat beneath this core vision. This was largely possible because of three ways of working.

First, there was clarity about the objectives that sat beneath the core vision. These included making the Games work for the whole of the UK and promoting Britain abroad. While different stakeholders valued some objectives more than others, none were incompatible with the broader vision.

Second, government and LOCOG focused on making these objectives tangible. For instance, promises to bring benefits from the Games further afield than London (as well as promote the image of the UK as a modern country) were realised through the work of LOCOG’s Nations and Regions Group (NRG). They promoted the Torch Relay, which was seen by 13 million people. The NRG also supported the ‘CompeteFor’ programme which raised awareness of Games-related contract opportunities for micro-enterprises and small businesses, with 160,000 businesses ultimately registering on the programme.

Government also played a role in communication and promotional activities through, for instance, the GREAT campaign. This was the UK’s largest ever tourism campaign, designed to use the Olympics as a springboard for advertising Britain’s attractions to would-be visitors. The GREAT campaign aimed to attract an extra 4.6 million visitors and an estimated £2.3bn visitor spend to the UK over 2012-2016. Essentially a marketing campaign, it presented the UK as a country with a long history but also more modern appeal on, for instance, music and shopping. As the Foreign and Commonwealth Office (FCO) Senior Responsible Owner for the Olympics, explains:

The Olympics have changed how people see us. Traditional – for instance Horse Guards parade, Eton Dorney – but at the same time very in track with modern Britain – the Olympic Park, Stratford.

Third, the vision and objectives for the large part stayed consistent. The core vision and objectives that sat at the centre of the bid continued to animate the Olympics project throughout its lifespan and well into Games time. This consistency was maintained against a backdrop of considerable change. The General Election resulted in a change from a Labour government to Coalition government; Boris Johnson took over from Ken Livingstone as Mayor; and the 2008 financial crisis changed political and social agendas for years to come. Some senior stakeholders from both LOCOG and the ODA told us that there were points when vision for the Games needed to be fought for against the shifting economic sands. As Jackie Brock-Doyle told us, ‘the main point at which people tried to change the vision was when the economy changed’. While this push for change was understandable given the impact austerity was having on lives in the UK, the response was about changing tone – not about changing vision. This

meant being mindful of just how important value-for-money messaging is when public funding is involved, particularly in the context of austerity.

A strong and consistent vision was an asset that allowed Olympics organisers to ‘cope with the unexpected’.⁶⁰ Through steadfast commitment to the original vision outlined in the bid, senior stakeholders were able to keep their eyes on the finish line and prevent events from derailing them. Ken Livingstone says:

*I was there on a few occasions during the Games themselves...it was virtually exactly as we planned. Very few things over such a long period of time turn out like that.*⁶¹

Regular communication

Alongside making the project objectives tangible, the Olympics was characterised by excellent communication with the public about the extent to which progress was being made towards those objectives. Tessa Jowell emphasised how important this was, saying that government decided to ‘open everything up’ to satisfy press and public interest in the Games. This included quarterly budget reports that communicated progress on both construction and budget. The ODA followed suit, with Communications Director, Godric Smith issuing very regular updates on the progress of the stadium construction. Again, interviewees have emphasised how important this communications activity was for building confidence among the media and the public that the Games were being delivered against the vision they had been promised.

*We said what our milestones were, and it’s very beneficial if you’re hitting them as people take confidence in that. Whether those people are commentators, media, ministers – that’s beneficial.*⁶²

Following suit, LOCOG developed its own press strategy known as ‘Brilliant Basics’ which was about ‘telling people that we’re doing a good job; that we know what we’re doing’.⁶³ Indeed, another LOCOG Director expounded the importance of communicating vision in order to keep people engaged and excited about the project, emphasising the importance of ‘the energy that goes behind selling in that vision, looking at what the key elements of change are, how you excite, engage and create a culture that says “this is new – we want you to contribute”.’

Legacy clutter

There was one aspect of vision that was less successful: the assorted broader legacy promises. One senior leader told us that ‘no-one had “the ask” for the legacy’. It was unclear what the ultimate goal or objective was for legacy in any tangible sense. In fact, rather than having one or two clear legacy asks, a range of different goals and initiatives littered the post-Games period including promises to transform mass participation in sport, bring employment to Olympic boroughs and ensure a lasting sustainability legacy. This was further complicated by goals on school sports provision falling victim to policy change after the change of government in 2010.

This challenge on legacy serves to underline the importance of being clear about what you what to achieve and having a clear strategy for achieving it. Without a clear sense of what was being aimed for, legacy got lost among more tangible goals. One former Downing Street adviser says:

We made legacy too complicated – we could have just done one thing and made it school sport. If that had been the Olympic legacy then it would have been very hard to cut like it has been.

⁶⁰ Quote from interview with LOCOG staff member

⁶¹ Quote from an IfG public event

⁶² Quote from interview with Dennis Hone, ODA Chief Executive

⁶³ Quote from interview with Jackie Brock-Doyle, LOCOG Communications Director

Implications

The prospectus on which London won the bid translated into the vision for the programme and then the delivery of the Games. The multiple objectives of the parties were melded into a coherent vision that everyone could align behind. Legacy suffered from a much more diffuse and less well supported vision.

The implications for future projects are:

- develop and maintain a compelling core goal or message that everyone can buy into and see their role in delivering – subsidiary objectives should fit within that overall goal
- active communication at all stages of the project can help build confidence and support.

ii. Politics

One of the most important things was managing across parties and building this cross-party platform as giving essential stability for the whole project...It was a very important part of building the sense of government, whether Labour or coalition, holding this incredible event in trust for the people of our country.

Tessa Jowell, Minister for the Olympics 2005 - 2010

Politics sits at the heart of delivering major projects in the public sector. Not aligning interests and purposes – including political interests and purposes – at the start of a major project is one of the most common sources of project failure.⁶⁴ Politicians provide project leadership. Ministers, mayors and councillors act as project sponsors, brokers and advocates within and outside government.

But politics is also a source of risk. When elections take place, governments and leaders can change and with them the policies that underpinned original project plans. This additional risk is a feature of major government projects and one the Olympics project needed to manage. This section examines how politics supported Olympics project success, and what challenges needed to be managed.

Leadership

Politicians provided the Olympics with vital leadership, making the case for the Games in the early years when opinion was divided on whether to bid, and then later in maintaining public support. Two figures in particular stand out and demonstrate how politicians can lead major projects. First is Tessa Jowell, who – as discussed earlier – played the principal role in building a coalition of support in central government, persuading the then Prime Minister Tony Blair of the project's merits before bringing Cabinet colleagues on board. As one DCMS official told us, 'there would have been no support in cabinet in the first place if it hadn't been for Tessa Jowell'.

After the bid, Jowell spent much time travelling the UK promoting the Olympics outside London. This leadership helped sustain public backing for the Games. Jowell had personal motivation and commitment to the Olympics, as a sports enthusiast who had witnessed what the Commonwealth Games had done for Manchester.

The second figure is Ken Livingstone, who 'had his heart in the Olympics for the regeneration'. Livingstone used the relatively new institution of London Mayor to provide leadership and leverage, for instance on land purchasing and introducing the £625m 'walnut whip'⁶⁵ council tax levy on Londoners.⁶⁶ Liz Meek, former Director of the Government Office for London told us that 'the mayor had to get the land sorted and provide leadership – that leadership is why we invented the mayor.' Livingstone also helped broker the commitment of others:

"Ken put in... the council tax. He was the one who knew all the numbers when he met with Gordon and Tessa. Ken really played the key role, he was the one who made the finances work."⁶⁷

Like Jowell, Livingstone had a strong personal commitment to the Games because of the opportunities it provided for the funding of regeneration of East London. This was something he had long wanted and he worried the Thames Gateway project would fail to deliver.⁶⁸ Personal commitment was also apparent in political appointees, for instance Neale Coleman – a political appointee under Ken Livingstone whose

⁶⁴ National Audit Office, *Initiating Successful Projects* (2011)

⁶⁵ <http://news.bbc.co.uk/1/hi/england/london/6452865.stm> accessed on 21 November 2012

⁶⁶ National Audit Office, *The budget for the London 2012 Olympic and Paralympic Games* (July 2007)

⁶⁷ Quote from interview with a former Downing Street advisor

⁶⁸ Public Accounts Committee, *Sixty-Second Report* (October 2007)

commitment to the Olympics saw him stay on at the GLA as a civil servant under Boris Johnson. Alongside leadership, the tenacity of committed individuals was crucial for the decision to bid and for the wider success of the project.

There are other instances of political leadership providing important leverage for the Games. For instance, the Prime Minister also played a discreet but valuable role, clearing the route for an easier path through Cabinet and – in contrast to other candidate city countries' leaders – spending time in Singapore representing the UK bid. The visible commitment of the most senior politician in the country indicated how seriously the UK was taking the Olympics project.

Tony Blair got on board pretty early on and was absolutely decisive in winning the bid. The fact that he went to Singapore the day before G8 – he sweated it, spoke to all the most difficult people... he was phenomenally important when he had the opportunity and time to do it.⁶⁹

Openness and continuity

Cross-party support for the Olympics was another important feature of the political environment that encouraged project success. Officials and political figures told us that there was 'cross-party support from the start'⁷⁰ and that politicians and political staff operated with a 'project first mentality'.⁷¹ This meant that protecting the success of the project came before political differences. To some extent, this was motivated by self-interest. The nine elections⁷² taking place between the bid and the Opening Ceremony provided strong incentives for political cooperation. After all, on taking office, opposition politicians 'wanted to pick up a good ball. It was in their interest to work together and be mutually supportive'.⁷³ Even given this incentive for cooperation though, there are two particular types of behaviour that made cross-party support easier for this major project.

The first of these behaviours is openness. This manifested itself in the open attitude displayed towards shadow Olympics spokesperson Hugh Robertson. With Jowell's consent, Robertson received regular briefings from the GOE on the state of the project without government political representatives present and as a result 'there were no surprises' when he became the Olympics Minister in June 2010. By giving Robertson access to civil servants and project information, a working environment of collective ownership of problems was cultivated across political dividing lines. The success of this open approach is evidenced in the striking ease most political transitions were dealt with during the Games. Jonathan Stephens told us:

The big thing on political transition was transparency. There were no surprises when the new government came in or when Boris took over from Ken. To give her credit, Tessa had always approached the project on this basis that it was cross-party and - once the budget blew up - she said we always had to be transparent. Hugh Robertson said a fortnight after he came in that he was hugely impressed that he had been told the truth about where the project was while he was in opposition.

The second factor was unprecedented continuity among the political leaders on all sides. Jowell remained Olympics Minister until Labour left government in 2010, and Hugh Robertson remained shadow spokesperson until the 2010 General Election when he became the Olympics Minister. Their time in role allowed them to build knowledge, relationships and trust with each other and with civil service and political staff that provided the platform for cross-party cooperation. Hugh Robertson described this as 'a process of trust that builds over time; not something that will happen at the start of the project'. Support moves across a spectrum of passive support to active support as relationships

⁶⁹ Quote from interview with Sue Street, former DCMS Permanent Secretary

⁷⁰ Quote from interview with a DCMS civil servant

⁷¹ *ibid*

⁷² London 2012, (2009) *Candidate File: Political and Economic Climate and Structure*

⁷³ Quote from interview with John Armit, ODA Chair

strengthen and support is developed. As Hugh Robertson tells us, ‘it’s like a marriage, it needs to be worked on.’ Political appointees also provided much-needed stability through political transitions:

*Neale Coleman gave continuity with the GLA. The stability of all the senior teams must have been hugely valuable. The mayoral change happened without much disruption.*⁷⁴

Political cooperation was achieved not only by building relationships between ministers of opposition parties but by encouraging one’s own party to adopt less partisan behaviour in relation to the project. As one official explained, ‘all parties showed that they wouldn’t carp and make political points’. The relationship between Livingstone, ‘whose politics are well known’, and Blairite Tessa Jowell ‘wasn’t made in heaven’ either.⁷⁵ Politicians had to avoid political point-scoring. The line between cooperation and co-option can be thin though, and opposition parties must reserve the right to challenge government. Robertson was mindful to do this on occasion, rigorously questioning the trebling of the Olympic budget during Jowell’s March 2007 statement to the House of Commons.⁷⁶

Guarantees

The mechanism of external guarantees and pledges was an additional and effective means of overcoming political differences and navigating transitions without disruption. The International Olympic Committee (IOC) requires clear project commitment from all major political parties in candidate cities. The absence of firm cross-party commitment to the Games is a deal-breaker. To this end, the leaders of Labour, Conservative and Liberal Democrat parties pledged that they ‘wholeheartedly support London’s bid to stage the 2012 Olympic and Paralympic Games.’⁷⁷ Each party leader made strongly supportive published statements on the Games. The guarantees also made the Olympics less vulnerable to cuts or changes from comprehensive spending reviews.

In addition to this, government and individual departments were required to provide firm ‘guarantees’ in the bid about the support and resources they would provide for the Games. For instance, then Prime Minister Tony Blair signed a guarantee to ‘take all financial, planning and operational measures necessary to guarantee the safety and the peaceful celebration of the Games’ and the then Home Secretary guaranteed to ‘co-ordinate all matters of security and the emergency services for the Games.’⁷⁸ The guarantees provided additional stability in the event of a change of government; there was little space for change.

Political change

However, managing political risks to the project was not always simple. Two challenges in particular stand out. The June 2007 reshuffle (which saw Jowell moved from DCMS to Cabinet Office while retaining the Olympics brief) reopened discussions about the departmental location of GOE. Although GOE did stay in DCMS rather than follow Jowell, its staff remained answerable to her. Some saw this as a valuable opportunity to embed cross-departmental working. For Jowell, ‘at that point in 2007 it was clear that buy in and collaboration from other departments was essential. My relocation to Cabinet Office and continued responsibility for GOE was in pursuit of that.’ This did come with difficulties though, and some thought it created environment that distanced GOE staff from their DCMS colleagues and threatened to disrupt the collegiate approach to the Olympics project that had characterised government activity to date. Jonathan Stephens remembers that ‘the period when Tessa was in the Cabinet Office was the most difficult to manage’. It is striking that the most difficult political transition for the project was

⁷⁴ Quote from interview with a DCMS civil servant

⁷⁵ Quote from interview with a former senior civil servant

⁷⁶ Hansard HC Deb 15 March 2007, vol 458, col 453

⁷⁷ London 2012 Bid Book

⁷⁸ Home Office; London 2012 Olympic and Paralympic Safety and Security Strategy (March 2011)

self-imposed and echoes recent Institute research on how little thought is given in advance of reshuffles to their likely consequences for good government.⁷⁹

While handovers between Olympics ministers and London mayors were generally well planned and well executed, the impact of broader policy change was not so successfully managed. With the change of government in 2010, shifts in priority had indirect impacts on the Olympics. One of the areas highlighted by interviewees was the Coalition government's decision to cut £162m ring-fenced funding for School Sports Partnerships.⁸⁰ Opponents of this policy change argue that it jeopardised the soft legacy of the Olympics meant to 'inspire a generation' of young people to participate in sport.⁸¹ Changes made to regional investment infrastructure including the scrapping of Regional Development Authorities (RDAs) and local business coordinators who had responsibility for local Olympics legacy also had consequences for the Games.

The Gove thing in education, the RDAs ... you're carrying on but it takes months and effort of seeing people and trying to work it through. In BIS, they'd put business coordinators in each region to try and get a legacy benefit. That budget was cut because they didn't realise they were doing the Olympics. They cut the funding in March. For the last three months the funding was taken out.⁸²

Implications

Political risk can threaten the delivery of major projects. The Olympics were shielded from much of this, as no one wanted to take the blame for derailing the Games. The degree of political consensus and cooperation that was created around the Olympics will be hard to recreate for other projects, and it would be hard to replicate the impact of the "commitment devices" of the guarantees the government signed with the IOC. Nonetheless there were very clear benefits for those delivering the Games that they did not become a political football.

The implications for future projects are:

- build both an internal and cross-party coalition for major projects in the delivery phase to reduce political risk
- be as transparent as possible in the delivery phase on objectives and progress to minimise risks on change of government
- as far as possible, minimise turnover in key political roles.

⁷⁹ Akash Paun (2012) *Shuffling the pack: a Brief Guide to Government Reshuffles* (Institute for Government)

⁸⁰ <http://www.education.gov.uk/inthenews/inthenews/a0065473/refocusing-sport-in-schools-to-build-a-lasting-legacy-of-the-2012-games> accessed on 21 November 2012

⁸¹ See: <http://www.bbc.co.uk/news/uk-politics-11805413> and <http://www.guardian.co.uk/education/2010/nov/28/school-sport-partnerships-abolition-gove>

⁸² Quote from interview with a senior figure in the Games

iii. Institutional design and governance

The Mayor of London and PM are both involved in the governance of the Games, but the IOC owns the rights to the Olympics. The ODA & LOCOG are also stand-alone bodies run by powerful people. You have this marvellous situation where you've got powerful figures all over the place running departments, boroughs and the city... They're not governance structures because you can't govern.

Jeremy Beeton, Director-General of the Government Olympic Executive

By definition, there were no Olympic delivery bodies when the UK was awarded the Olympics. New bodies had to be created from scratch both to build the venues and to stage the Games. Government also had to work out how it would exercise its role as overall sponsor and prime funder of the project – and ultimate guarantor – and to ensure that existing agencies, which had to deliver in a coordinated way at unprecedented scale, were all ready for the hugely complicated task at hand.

To make this work required the creation of high-performing delivery structures outside government and effective coordination within. The hard deadline meant that decision making had to be quick – the delays that often bedevil public sector projects could not be allowed to add to cost or threaten what one senior stakeholder called ‘the mother of all immovable deadlines’.

New delivery bodies

In earlier work on arm's-length bodies (ALBs), the Institute for Government has argued that form should follow function and reflect the freedom ALBs need to perform their functions effectively.⁸³ This logic was taken through into the design of the two new key bodies which had very different structures – though there were externally imposed constraints. In deciding on the forms, those involved learnt lessons both from the structures that had worked relatively well in Sydney, and from the problems of unclear accountabilities and too much ministerial interference, which had been the source of problems for Wembley Stadium and the Millennium Dome. As we have argued before, understanding and learning from past failures is an important ingredient for future policy success.⁸⁴

The Olympic Delivery Authority (ODA) was established as an executive NDPB to ensure that it could attract the requisite expertise at both management and board level. This structure protected it against undue ministerial interference: as one DCMS official said ‘it didn't feel like an Executive Agency; the tendency with regeneration was to have more autonomy and freedom’ and Jeff Jacobs pointed out more prosaically ‘you wouldn't have got the expertise willing to join if this had been run fully inside government; and it's a bit easier to pay the amounts on salaries that we were paying out at arm's length.’ ODA variously saw government or LOCOG as its principal client. But it clearly saw itself operating as part of the public sector with clear accountability for the use it made of its big private sector budget. It also built on an established model for major projects – that of a statutory body existing to deliver infrastructure. The clear powers given to the ODA through the London Olympic and Paralympic Games Act 2006 were vital to the ultimate delivery of the Olympic Park, with the ODA's role as planning authority for the Olympic Park site removing the need for four separate boroughs to act as planning bodies for different areas of the site. The Major Projects Association sees (with regard to Crossrail) ‘getting the necessary powers to implement a major project’⁸⁵ as one of the most challenging elements of the entire project, indicating the importance of the speedy passage of legislation constituting the ODA.

LOCOG, on the other hand, was set up as a private company limited by guarantee with three members – the British Olympic Association, Secretary of State for Culture, Media and Sport, and the Mayor. The

⁸³ Tom Gash et al, *Read Before Burning*, Institute for Government (July 2010)

⁸⁴ Jill Rutter et al, *The S Factors: Lessons from IFG's Policy Success Reunions*, Institute for Government (January 2012).

⁸⁵ Major Projects Association, *Crossrail: Lessons for Initiating Large Public Sector Projects* (2011)

IOC requires that organising committees (OCOGs) are independent from government; the Olympic Charter requires that OCOGs are established by National Olympic Committees, reporting directly to the IOC Executive Board⁸⁶. LOCOG grew out of the bid company – an organisation with which government already had a rather difficult relationship, described as a ‘monster...albeit one that was very good at what it did’ by a former DCMS official. Its primary focus was on the needs of the IOC and ‘delivering the experience of a lifetime for the athletes’.⁸⁷ It had to operate in a much more entrepreneurial way and sought to be self-financing – raising money from commercial sponsorship, ticket sales and merchandising.

Implications for relationships with government

These very different structures and operating models meant that government found it relatively easy to deal with ODA and much harder to deal with the commercially driven LOCOG. The DCMS had a lot of experience in dealing with conventional ALBs; 93% of funding DCMS receives from the Treasury is disbursed to its ALBs.⁸⁸ Jonathan Stephens outlines that:

One of the things that DCMS knows about and is expert in is working and delivering through others. We know that you don't get the world's most popular contemporary art gallery by putting a minister or civil servant in charge of it.

The ODA was very transparent with government and progress was easy to track through very visible milestones. Not only did ODA build productive relationships with the GOE, they also established very effective relations with the Treasury, dealing with them directly during the budget renegotiation in 2006-2007.

Relationships with LOCOG were at times more complex. IfG work on effective relations between government and delivery organisations stresses the importance of clarity on roles and responsibilities and a common understanding of objectives and agreement on performance management processes.⁸⁹ But LOCOG saw itself as genuinely independent of government and worked to its timetable and plan, which reflected its internal drivers and the demands of the IOC.

This had two consequences. First, it made it harder than it might have been for other organisations to work with them. The view of a number of interviewees is reflected in this comment from a host borough; ‘engaging with LOCOG was hard. We didn't know whether the right person existed there and when they came into post they had to get up to speed.’⁹⁰ Second, GOE found LOCOG much harder to get information out of than the ODA and some felt that government had failed to get the relationship right in the initial legislation, given the government's status as ultimate guarantor: ‘what we've got with LOCOG is an organisation set up since the bid with a blanket guarantee from government, that government will fund any shortfall in their budget. What government didn't do is to take the level of control commensurate with the level of risk when they gave that guarantee.’⁹¹ However that view is not universal within government. Others argued that that was a price worth paying for an organisation that had to be ‘more of an impresario. They had to be more chippy and creative. The dead hand of government would have been just that if government had pored over everything.’⁹²

LOCOG itself argued that the route to transparency should have lain through the government appointee on the LOCOG Board with Keith Mills saying:

⁸⁶ Olympic Charter, Clause 35

⁸⁷ House of Commons Culture, Media and Sport Committee, ‘DCMS Annual Report and Accounts 2010-11 and the Responsibilities of the Secretary of State’ (2011)

⁸⁸ House of Commons Culture, Media and Sport Committee, *DCMS Annual Report and Accounts 2010-11 and the Responsibilities of the Secretary of State* (2011)

⁸⁹ Jill Rutter et al, *It Takes Two*, Institute for Government (March 2012)

⁹⁰ Quote from interview with Kim Bromley-Derry, London Borough of Newham Chief Executive

⁹¹ Quote from interview with David Goldstone, GOE Director of Finance and Build

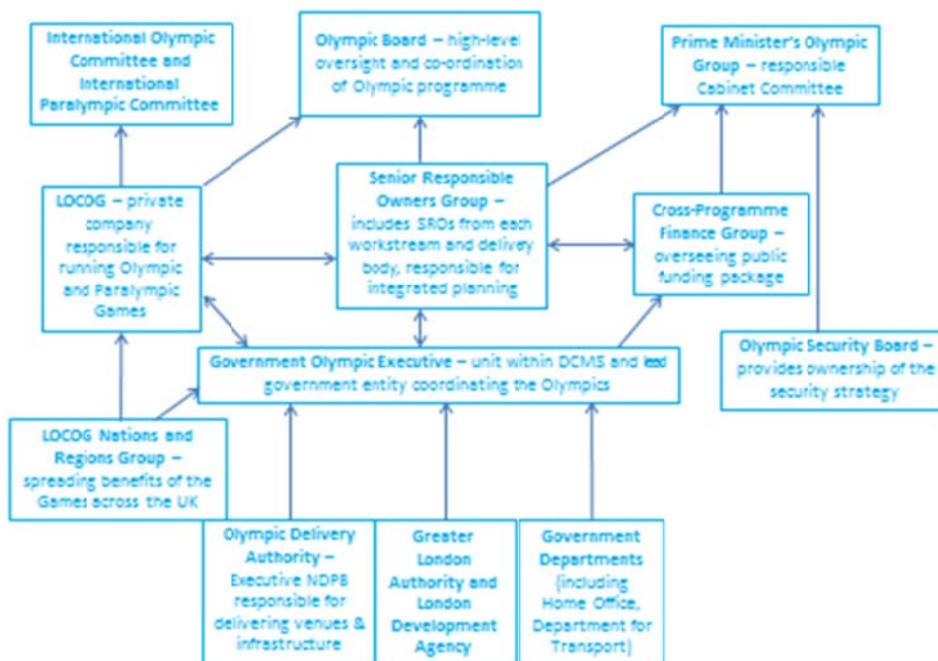
⁹² Quote from interview with Sue Street, former DCMS Permanent Secretary

Having some really smart appointees on the board of the entity government needs to keep tabs on is a much more effective way of reassuring ministers and exercising a degree of control”.

Government internal organisation

At the centre of government efforts were two key functions: to act as the ‘intelligent client’ of the newly created delivery bodies (and as formal sponsor of the ODA) and to coordinate and assure delivery of the ‘non-Olympic elements’ of the Games including transport, security and legacy. We look at this further in the ‘Programme Management’ section of this report. The second function required the creation of a sub-structure for decision making and coordination as set out below. These were supplemented by functional networks e.g. on HR and communications and in the operational phase by new ‘coordinating centres’ on security and transport. In addition the Host Boroughs Unit coordinated actions and input in the boroughs and local government itself developed new structures to streamline processes and prevent duplication.

Figure 4: London 2012 governance structures



For critical project decision making the structures worked well, despite their complexity. But on some of the big issues – like security and transport – departments did not see DCMS in a leadership role and other departments took time to see themselves as part of the Olympics project. The Home Office and Department of Transport tended to prefer to work through existing structures. Charles Farr, Director General of the Office of Security and Counter-Terrorism at the Home Office, explains ‘I didn’t have much truck with the idea that DCMS was in charge of security; it was the Home Secretary. I know Jeremy Hunt saw DCMS as having a role in security because they were the lead department. We had to manage it quite carefully but it worked well.’

The fact that individual departments had signed guarantees had a powerful galvanising effect, however. LOCOG in particular regarded it as critical to making potentially recalcitrant government departments play their part.

*The government guarantee letters we got...were absolutely explicit. We held government to account for delivery against those guarantees. Without the host city contract, government guarantee and specific commitments, it would have been very easy for government to say "Sorry, immigration clampdown, it's too hard".*⁹³

As the Games approached, the Cabinet Office created an expanded Olympics Secretariat within the National Security Secretariat to manage potential contingencies across the Games and to act on behalf of the Prime Minister. They established an effective working relationship with LOCOG – and noted that departments that were used to dealing with the Contingencies Unit found it easier to use these mechanisms than the less familiar DCMS.

Governance and decision making

Sitting on top of these official structures were cross-programme decision-making bodies; the Olympic Board and a Cabinet sub-committee.

The Olympic Board was chaired on a rotating basis by the Mayor and the Secretary of State, with the Chair of the British Olympic Association and of LOCOG in 'voting capacities' and others in non-voting capacities including the Chair of the ODA. That looks like a recipe for dysfunctional governance – with no one in charge. In practice few formal decisions were made by the Olympic Board, but people agreed that it was a useful way of binding all the important players into decisions. Hugh Robertson describes it as 'an important tool to keep people informed and engaged and help them take ownership of the structure'.

The Cabinet Sub-Committee took a variety of forms – and names – over the duration of the Olympics project. For most of the delivery period, it met very rarely until it had to swing into action when the government contingency was called upon when the original private sector financing package for the village collapsed. Then it enabled expedited decision making to resolve the problem swiftly:

*We only ended up having to go there when we needed the last level of contingency on the Village. It met four or five times on the Village and never needed to meet about anything else.*⁹⁴

Despite the clunky governance structures, the mechanisms put in place achieved two positive effects. First, they enabled quick decision making particularly on financial issues where this was essential. As David Goldstone told us, 'even during the Games, we'd have a CPFG [Cross-Programme Finance Group] meeting at 8:30am, go to ministers for approval straight after and could tell everyone it was agreed by lunchtime.'⁹⁵ Secondly, although many people noted the plethora of meetings, they did achieve their objective of making sure that those who needed to be engaged were – although one representative of local government noted they were designed to meet the needs of central not local government: 'Every department got to put its two pennyworth in and then you'd have one person representing the rest of the public sector, and the public sector is not one size fits all.'⁹⁶

Problem areas

There were two areas where structures worked less well, at least initially: security and legacy.

On security, government initially asked the Metropolitan Police to lead on planning and sheltered behind the normal rules for running sporting events – which put LOCOG as the venue operator in charge of security within a mile of the stadia. But the Olympics could not be treated in the same way as a Saturday afternoon match at the Emirates, and the Prime Minister had signed a guarantee to 'take all financial,

⁹³ Quote from interview with a LOCOG staff member

⁹⁴ Quote from interview with David Goldstone, GOE Director of Finance and Build

⁹⁵ Ibid.

⁹⁶ Quote from interview with Kim Bromley-Derry, Chief Executive of London Borough of Newham

planning and operational measures necessary to guarantee the safety and the peaceful celebration of the Games".⁹⁷

In 2008 the relatively newly created Office for Security and Counter Terrorism in the Home Office mounted what national security coordinator Chris Allison termed 'a necessary coup' to take over strategic coordination on security and produced a strategy which clarified roles and responsibilities.⁹⁸ Even so, the relationship with LOCOG was at points problematic, with some in government feeling LOCOG was behind schedule with planning and slow to spot the G4S risk.

The mechanisms also appeared to work less well for legacy. There was an Olympic and Paralympic Legacy Board from 2009 onwards that brought together partners across government, the boroughs and others to try and ensure the legacy programme was properly coordinated. However, the main messages emerging from our research are that there was dispersed responsibility for legacy as a whole (the London Legacy Development Corporation has now taken over management of the park), no dedicated budget with Whitehall machinery not being used effectively to get political buy-in and commitment to making legacy work. The ministerial committee did not really engage. According to Jeff Jacobs: 'I remember us trying to persuade ministers to be formal and to use the Cabinet Committee to oversee the legacy. Ministerial time was always focused on delivery considerations'. An official who worked on the legacy concurred with, saying and the legacy suffered from not having 'a nice collective agreement and mandate on legacy in 2005'.⁹⁹

Implications

In theory Olympics governance looks a mess and a source of major risk. Jeremy Beeton described it bluntly:

The structure of an Olympic Games is also rather peculiar. I've got one slide that I've kept with me for five years which tries to map out the structure of the Olympic Games, and the conclusion that you come to when you look at this slide is that no-one is in charge...the correct answer to 'Who's in charge of the Olympic Games?' is 'Nobody'.¹⁰⁰

Nonetheless, bodies were clear about what they had to do and how decisions got made. That was much less true of legacy with no dedicated delivery body.

The implications for other projects are:

- use (or create) fit for purpose bodies with clear roles and responsibilities and accountabilities – build where possible on existing structures and 'infill' where necessary
- create focus on the project and a culture of problem solving rather than blame shifting – recognise the important role trusting personal relationships play
- ensure there are structures which have authority to allow for quick decision making even if formal structures are more 'inclusive' to bind everyone into the project.

⁹⁴ Home Office, 'London 2012 Olympic and Paralympic Safety and Security Strategy' (2011)

⁹⁸ Ibid.

⁹⁹ Quote from interview with DCMS senior civil servant

¹⁰⁰ Quote from an IfG public event

iv. People and skills

The most important thing was never physical things; the most important thing was always people.

David Higgins, Chief Executive of the Olympic Delivery Authority

As Paul Deighton put it, projects go ‘well because of the people not because of the structures’. Recruiting the wrong people, absent skills, or regular changes in personnel – which is not uncommon in government – could have been a source of project instability. Indeed, the recent launch of a major projects skills programme, the Major Projects Leadership Academy, for project managers in the Civil Service underlines the increasing importance that government places on highly trained people and bespoke skills as key to major project delivery.¹⁰¹ A number of skills and characteristics stood out during the Olympics project. These include:

- the presence of the ‘right people’
- strong Whitehall skills
- and staff consistency.

These topics and others will be examined in more depth in this section.

The right people

Getting the right people working on the project was a decisive factor in project success. This meant recruiting people who were already well established leaders in their respective fields. Appointments including David Higgins at ODA, Paul Deighton at LOCOG, Jeremy Beeton and David Goldstone at GOE all had world-class reputations in their industries. They were not risky appointments and were able to hit the ground running, and utilise their previous experience on the Olympics project. Seb Coe emphasised the importance of high level prior experience when describing Paul Deighton’s appointment:

I wanted somebody who had been at absolutely the epicentre of a very, very complex landscape which is what he had been. He was never going to be thrown by the complexity of the project and also came to this with supreme intellect.

The appointment of Paul Deighton showed a willingness to look at unusual candidates. Deighton had been a partner at Goldman Sachs and had built its presence in Europe, so was extremely well versed at building businesses up but had negligible experience of events. The tactic of going for the best-in-class was replicated in public services. Chris Allison at the Metropolitan Police described his policing recruitment strategy as putting together the ‘A-team’ and picking ‘the best Command Teams up and down the country’. This group of world-class, experienced leaders formed what Tessa Jowell calls a ‘core project group’ who drove performance and success across the project.

Private sector appointments in government were also important because they helped build good relationships with private sector partners. The Director-General of the GOE, Jeremy Beeton, was an engineer hired in 2007 from American construction giant Bechtel. David Goldstone, the GOE Director of Finance was hired from UK Partnerships. They understood the more commercial culture of LOCOG

¹⁰¹ <http://www.cabinetoffice.gov.uk/news/new-approach-leadership-major-public-projects>

which made communication much easier. This was not about external appointments being more competent than civil servants working on the Olympics but about them being able to speak the same language as – and ask the right questions of – delivery bodies. The need for commercial or sectoral expertise is echoed in other major project analyses. The Public Accounts Committee (PAC) recently reported on the failure of the FiReControl project – an attempt to replace the control room functions of England's 46 Fire and Rescue Services with nine regional centres, using a purpose-built national IT system. It identified the absence of relevant departmental expertise and knowledge as a primary factor in the project's failure.¹⁰²

Some appointments were initially controversial because of the high salaries paid to them. But despite some negative press coverage, the high-performing core team were generally understood as valuable and necessary for project success.¹⁰³ Indeed, it was the relative freedom on salaries at the time that gave GOE and ODA the green light to pick from a global cachet of construction, operations, events and communications experts whose skills were not always in ready supply inside government. The Treasury played an important role in securing these external appointments, pushing for high-cost appointments like Beeton and Goldstone whose expertise reassured them and DCMS alike. The main message here is that for a project with the reputational risk that the Olympics held, 'if you want the very best people, you cannot allow what they get paid to get in the way'.¹⁰⁴ Interviewees repeatedly told us that skimping on salary costs of high-level recruits would have been a false economy.

Whitehall skills

The Olympics project did not just have the right people from the private sector, it had an extremely strong set of civil servants and public sector workers. The project was a huge public-private partnership. Indeed, one of the most striking characteristics of the Olympics project is the complementary strength of public and private sector teams. Civil servants and the public sector provided three main skills.

First, civil servants adeptly managed Whitehall relationships and provided government services to LOCOG and the ODA. This was the case from even before London won the bid, as exemplified by the preparation which went into ensuring that the London Olympic and Paralympic Games Bill was ready to be introduced to Parliament within eight days of London winning the bid. Civil servants could also provide caution against the more impulsive tendencies of the private sector:

*There's a greater ability to think laterally in the public sector because inevitably that's what they have to do. They have to think about the consequences of legislation and the way that it could impact.*¹⁰⁵

Second, government departments such as the Department for Transport (DfT) and the Home Office worked closely with public services to make the Games work. This involved working with TfL, Network Rail and the Highways Agency to meet some very ambitious targets including a 30% reduction in usage in transport hotspots.¹⁰⁶ DfT used government's natural authority to ensure all actors worked towards the same targets and vision. It also protected partners from the fears and nerves of politicians and, ultimately, the wrath of the media and the public. A DfT civil servant says his department established itself as 'the holder of political risk. If something goes wrong in transport then government always gets the blame. It's the secretary of state who has to stand up in the House and take the blame. It's just a fact of life.' The value of departments acting as a firewall for partners in the event of trouble cannot be underestimated. Overcautious and fearful agencies could have caused delays or even derailed delivery. But the public services themselves took on the burden of delivery, using TfL's well-honed knowledge of

¹⁰² Public Accounts Committee, *The Failure of the FiReControl project* (2011)

¹⁰³ See: <http://www.guardian.co.uk/news/datablog/2010/may/31/senior-civil-servants-salaries-data> and <http://www.dailymail.co.uk/news/article-2101760/Whitehall-lavishing-2m-bonuses-month---STILL-together.html>

¹⁰⁴ Quote from interview with John Armitt, ODA Chair

¹⁰⁵ Quote from interview with John Armitt, ODA Chair

¹⁰⁶ Olympic Delivery Authority, *Transport Plan for the London 2012 Olympic and Paralympic Games* (December 2009)

transport and the police's expertise in security to plan and provide high-quality services in Games time. In this way, the Olympics project brought out the best in the public sector, playing to its skills.

Third, the civil service provided leadership by example. DfT's travel management target of cutting government journeys by 50% during Games time was hugely ambitious and it was only by demonstrating departmental leadership and committing DfT to the target first, that others followed suit:

We committed the Department for Transport and then the government generally signed up to a 50% target of changing our travel. It's basically about leadership; most other departments came on board.¹⁰⁷

This leading-by-example model was credited by a number of interviewees with building a sense of collective endeavour and responsibility for success.

For a major government project, a mixed public and private team is not just valuable, it is necessary. Private sector appointees can provide sector-specific skills that allow them to ask the right questions and speak the same language as contractors. But the Civil Service brings skills and knowledge to the table that would otherwise be sorely missed, whether in-depth knowledge of how to get the Whitehall machine moving or acting as a political firewall to ensure outside agencies do not run scared of government projects.

Stability

These strong, multi-skilled teams did not emerge from nowhere. Indeed, their presence was enabled by another crucial feature of the project's success: stability. The key to ensuring people of different backgrounds, with different skills and sometimes with very different values work together as a single team on a major project is stability. There was staff stability at almost every level on the Olympics project. Central government civil servants, GLA staff, local authorities' staff, LOCOG, the ODA and public services all reported people staying with the project long-term. This stability was demonstrated by DCMS Permanent Secretary Jonathan Stephens who remained with the project for its duration. But it was also driven by the strong, inspiring vision and the sense of purpose that the project had at its heart. Jean Tomlin, HR Director at LOCOG focused on keeping people motivated through an inspiring and goal-oriented working environment:

It's how you choose to make those goals live that makes the difference, and that's where you get people to go on the journey with you.

The outcome of this stability was that people got to both know and trust each other. Many interviewees told us that after many years of working together, when a problem arose they could 'just get on the phone to each other'¹⁰⁸ and resolve challenges with ease. Tessa Jowell agreed: 'the cumbersome nature of the governance made even more important the development of strong personal working relationships of trust and confidence between key players.' Trusting working relationships also inspired honesty and transparency between colleagues from different agencies and different backgrounds that made problem forecasting and fixing much easier. As Seb Coe told us, dealing with challenge was made much easier as a result of LOCOG's and ODA's co-location and the inevitable closeness that bred:

It's really about the ability of the people in those organisations to be open and honest and to have relationships that work, and they did in large part.

This stability, with people staying put on a project for the duration, is more normal in the private sector, particularly parts of the private sector like the construction industry. But there is learning here for government. Civil servants and ministers benefitted from working on a project from planning to completion and the efficiency and success of the project thrived on this stability. Civil servants told us

¹⁰⁷ Quote from interview with a DfT civil servant

¹⁰⁸ Quote from interview with Jeremy Beeton, GOE Director-General

that personnel practices in Whitehall are not always supportive of project working in this manner. One DCMS civil servant comments:

There are some people who have worked on the Games within the civil service have effectively foregone promotion by staying where they are.

While the model of moving roles every two to three years may work in policy or corporate roles, the Olympics experience suggests that major government projects would benefit from personnel consistency and that might be best encouraged by ensuring promotional opportunities are available without having to move on ahead of the finish line. This has been recognised in recent years through the annual NAO reports on major defence projects, particularly with regard to the turnovers of project Senior Responsible Owners (SROs).¹⁰⁹

The issue of current civil service structures incentivising people to move away from working on major projects for a period of years goes beyond SROs, however. One interviewee told us that ‘the Civil Service reform programme is saying that they value [programme management] skills, but they don’t.’

It is striking that after many years of building up project and programme management skills – skills which are highlighted in the Civil Service Reform Plan - GOE staff are now being served with redundancy notices and moved to roles that do not always make use of their skills.¹¹⁰ There appears to be no strategic attempt to redeploy these staff.

There is a broader point here about the value of strong HR services in major projects. Good HR plays a role at every stage of the project, from recruiting the right people at the beginning (often by looking in unusual places, as with the appointment of Paul Deighton to LOCOG). It is the precursor to making the project work by putting the right skills in place. It is important throughout the project lifecycle because it keeps staff engaged and committed and so ensures personnel stability. And at the end of the project, it ensures skills are properly deployed elsewhere. Jean Tomlin, HR Director at LOCOG told us that ‘whether you call it HR or people operations – it’s a truism but nothing happens without having motivated people.’

Different skills at different stages

Government and project partners also recognised the need to utilise different skills at different phases of the project and recruit accordingly. The two standout personnel changes on the basis of shifting project needs were the replacement of Barbara Cassani with Seb Coe as Chair of the bid company in May 2004 and the replacement of Jack Lemley with John Armitt as Chair of the ODA in October 2006. Barbara Cassani is widely praised for her business skills during the bid phase but recognised that as the project moved into the phase of lobbying IOC members, Seb Coe was better placed to lead UK efforts. The transfer of powers was well planned and meticulously managed. The replacement of Jack Lemley was a more complicated affair but happened at the right moment largely due to the decisive action of Tessa Jowell, who understood that the needs of the project had to come first.

Making tough and decisive decisions about matching personnel to project needs again emphasises that having the right people in the right roles is one of the most important factors in major projects and something the Olympics largely got right.

Implications

The Olympics was able to act as a talent magnet. It was able to pull in people with the most impressive track records from round the world and get them to stay to project conclusion – working in effective partnership both with civil servants and other public sector leaders. But the early stages of the project

¹⁰⁹ Public Accounts Committee, *Ministry of Defence: The Major Projects Report 2011* (2012)

¹¹⁰ HM Government, *Civil Service Reform Plan* (June 2012)

also showed how difficult the Civil Service finds it to mobilise talent to support a government priority, while the new delivery bodies showed the powerful and positive a strategic HR function can play. Within GOE, teams of external recruits, contractors and civil servants worked in effective mixed teams, pooling their different skills and capabilities.

The implications for other major projects are:

- attract the best people you can afford with track records of success – economising on salaries is likely to be a false economy
- set an expectation that people will stay with the project – create incentives and systems to support that
- create effective mixed capability teams to act as the government 'client' able to manage the commercial and the policy/political end of the project.

v. The budget

...everyone thought [the budget] would be a disaster and it hasn't been.

David Goldstone, Director of Finance and Build, Government Olympic Executive

The history of Olympic budgets is one of costs spiralling out of control and the state needing to inject funding into organising committees. June 2012 research conducted by Oxford University academics Bent Flyvbjerg and Allison Stewart found that the Olympic Games have a 100% record of cost overruns.¹¹¹ The same research found that across the Summer and Winter Olympics since 1960s, the average cost overrun in real terms against the bid figure provided to the IOC has been 179%.¹¹² The well-publicised inadequacy of London's initial Olympic budget was not unique although – with a projected cost overrun of 101% from the initial budget – it is expected to be, under Flyvbjerg and Stewart's methodology, the largest for any Games since 1996.

Even aside from financial challenges specifically presented by hosting the Olympics, Britain had an unfortunate recent history with cost overruns on major projects at the point of bidding to host the Games. The construction of the Scottish Parliament building at Holyrood was initially estimated in 1997 to have a capital cost of £10m to £40m¹¹³ with the final cost of the building only being calculated ten years subsequently and placed at £414.4m.¹¹⁴ A cost overrun even more ominous for the Games project was that which took place in the construction of the new Wembley stadium. Rising from approximately £200m to £798m, the project was delivered four years late, giving rise to one of the biggest court cases in British history.

In this section we look at the lessons to be learnt for future projects from the initial bid, the subsequent renegotiation of the budget and the successful management of the £9.325bn public sector funding package agreed in March 2007. We then discuss the implications of these themes for future funding of major public sector projects.

Misaligned incentives

The initial bid reflects two things: the perverse incentives that lead to chronic underbidding – and a failure of due diligence within government for which both DCMS but more especially the Treasury should be held culpable.

The IOC required countries to bid on a basis that would inevitably understate the true costs of the Games. First, the Bid Book had to be submitted using 2004 prices, meaning that the figures used during the bid were not adjusted for assumptions about future inflation.¹¹⁵ It also focused very narrowly on the core Games costs, failing to make adequate provision for regeneration of the Park, security, the construction of the Olympic Village or programme management. Those bidding regarded the bid as very much a provisional first estimate. Tessa Jowell saw it as an 'indicative bid', while Seb Coe says that following the bid 'what altered was the ambition. I fully expected that to happen because during the bid process you're not asked to put a bid document together that encompasses ambition.'

¹¹¹ Bent, Flyvbjerg and Allison, Stewart, *Olympic Proportions: Cost and Cost Overrun at the Olympics 1960-2012*

¹¹² This figure includes costs incurred by the organising committee for the Olympic Games and direct costs required to build the competition venues. It excludes indirect costs such as improvements to transport infrastructure.

¹¹³ *The Holyrood Inquiry*, Chapter Two

¹¹⁴ <http://news.bbc.co.uk/1/hi/scotland/6382177.stm>

¹¹⁵ House of Commons Library, *Financing the London 2012 Olympic Games* (2010)

The IOC protects itself, however, by ensuring that a low budget is accompanied by the host government guaranteeing to underwrite the full cost of the Games at the point of bidding. So the London bid went in despite a DCMS view that 'it was never going to be as small as the bid said'.¹¹⁶

But the attitudes of the government submitting the bid were also to blame. Outside a narrow core of true believers at the heart of the bid, few saw any realistic prospect of London winning. This was supported by the evidence. The five candidate cities for the 2012 Games made up the strongest shortlist in history, with Paris being the front-runner right up until the day the IOC voted.¹¹⁷ This had two impacts. First, it meant that people felt it would be impossible to justify the nugatory spend on a proper costing exercise. Indeed, those going to Singapore were more concerned at justifying the £28mn they had spent on the London bid against the expectation of a loss. A former member of the Olympic Games Unit – responsible from coordinating the bid within DCMS – recalls that:

I spent more time worrying about what I would say about how we had spent the £20 million bid budget in a way that left a lasting benefit to the country if we lost... that was more urgently over the horizon and was probably more systematically worked out than the risk register for the event that we'd won.

Second, it meant that the promoters of the bid within government did not want to use up scarce political capital in arguing for a more realistic budget. And those who were sceptical for example in the Treasury did not want to waste political capital arguing. The view from the bid company, as expressed by Keith Mills, was that the government 'didn't know the number, knew it would take time to get and knew it would be a big number. Sorting out who would pay would be a big political battle, so why fight that battle if the consensus was that we weren't going to win anyway?'

The important question is whether the government would have supported the bid if it had understood the likely extent magnitude of the budget. Even at the initial bid level the business case in conventional terms was weak and Sue Street, the Accounting Officer was '...glad to be able to rely on the Green Book, which allows you to invite ministers to weight the non-financial value of certain things. That's where I hung my argument that you had some room for manoeuvre if you wanted national prestige, excitement, lots of things that are quite hard to describe for an audit trail'.

But the other important piece of context was that the decision to go for the Games was taken at a time of steady economic growth and rising public expenditure. However, this was a clear failure of internal government process. The government took on an international obligation with insufficient understanding of what it would cost the taxpayer. But the real damage was to the credibility of the project which suffered from the fact that the public and press were sold the Olympics at a figure of £2.375bn – and none of the caveats about the status of the bid or uncertainties were lodged in the public mind. It was a classic example of one of the dangers to major projects identified by the National Audit Office – that of a 'strategically motivated perverse incentive to under-estimate costs to secure funding'.¹¹⁸

Renegotiating the budget: openness and contingency

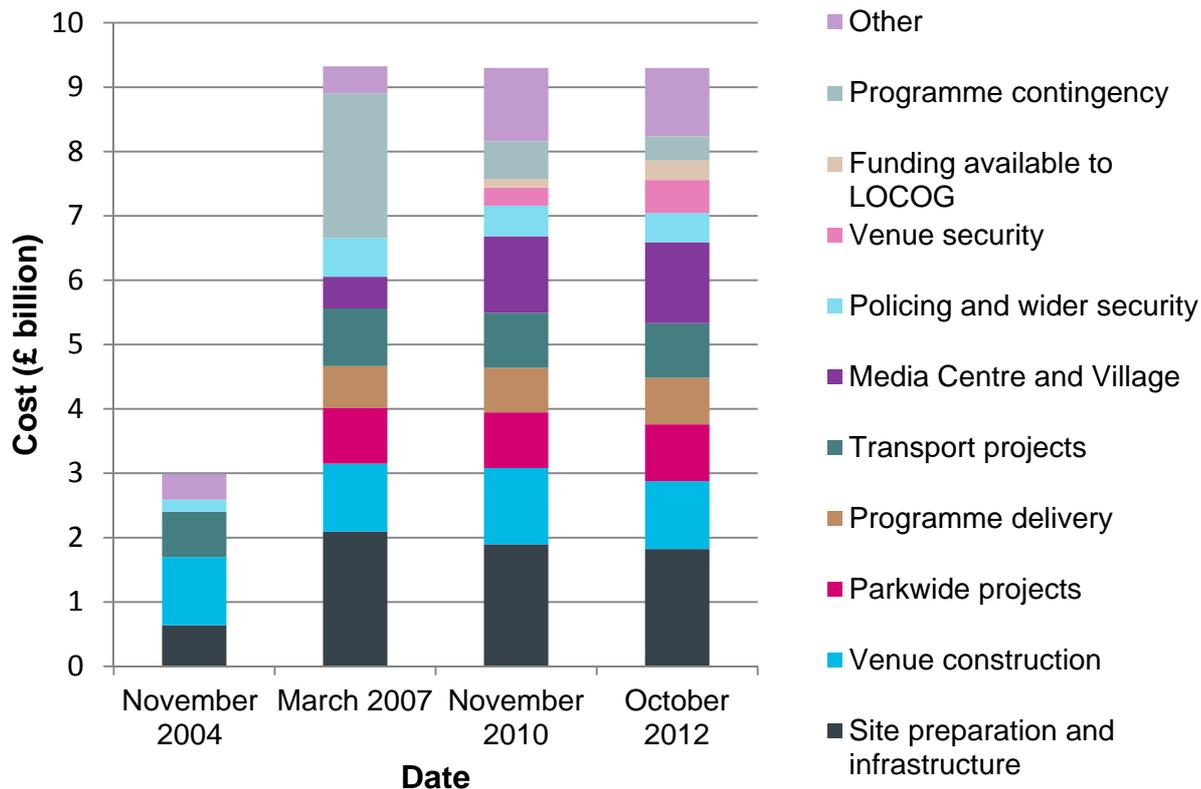
London's victory in the bidding process led to a near-immediate realisation of the need to recalculate the budget. Some of the budget adjustments were simply technical – adding back inflation and including the VAT the ODA would have to pay (which it would have been able to set against ticket sales if it had been integrated into LOCOG). Others reflected on the need to recalculate the costs of security in light of 7/7 alongside more realistic estimates for the regeneration around the park. The graph below shows the evolution of the budget.

¹¹⁶ Quote from interview with Jeff Jacobs, GLA Chief Executive

¹¹⁷ <http://www.guardian.co.uk/uk/2005/jul/10/olympics2012.olympicgames6?INTCMP=SRCH>

¹¹⁸ National Audit Office, 'Initiating Successful Projects' (2011)

Figure 5: London 2012 public sector funding package over time



The above chart shows the evolution of the Olympic public sector funding package at four key points: at the time of the bid, after the March 2007 revised budget, after the 2010 Comprehensive Spending Review, and at the time of the Government Olympic Executive's final quarterly update after the Games had taken place.

The figures used from March 2007 onwards are only for the core PSFP. They exclude costs such as the £766m used by the London Development Agency (LDA) to buy land for the Olympic Park, the £826m to assist the legacy programme and the £86m allocated in 2010 for the Olympics-related work of government departments.¹¹⁹ The figure for November 2004 excludes £1.044bn of Exchequer funding to be spent on 'non-Olympic' infrastructure.

There were two areas where cost did not significantly increase from the bid budget. The construction of Olympic venues (budgeted in November 2004 at £1.06bn) ultimately came in at £1.053bn and transport projects (budgeted in November 2004 at £0.7bn) were delivered for £0.848bn. Costs rose, however in other key areas. There was no bespoke budget for venue security until November 2010 in spite of this ultimately costing £514m of public money. The November 2004 funding for preparing the Olympic site and infrastructure proved to be inadequate – tripling from £640m at the time of the bid to £1.824bn by October 2012. The third area where costs exploded was in the public funding for the Olympic Village and Media Centre. This rose from £492m in March 2007 to £1.258bn (inclusive of receipts of £324m from the sale of the Village) by the end of the Games, driven by the Government's decision to publically fund the construction of the Village instead of proceeding with a possible public-private deal following the financial crisis.

Some key decisions influenced the process and progress of budget renegotiation and proved vital to the establishment of a realistic budget. Once the Treasury had realised that its bluff had been called, it became very engaged in the process and after some prevarication accepted that it would have to find

¹¹⁹ National Audit Office, *The London 2012 Olympic Games and Paralympic Games; Post-Games Review* (2012)

most of the additional funding and underwrite any subsequent shortfall. That changed the dynamic dramatically from the usual bilateral haggling with departments. Two key features of the renegotiation process have relevance for other major projects.

The first rare characteristic of the renegotiation was its openness, not just between Treasury and DCMS, but also directly involving the ODA who talked the Treasury policy and commercial advisers through the numbers. Although the final number looks large, at times it looked as though it might need to go substantially higher. One Treasury official says:

I'm a little bit resentful when people say it's easy to do with £9.3 billion; seven years ago people thought it would be £11 billion and we wouldn't be able to do it on time.

The second critical decision was on contingency. Green Book rules suggest different levels of contingency depending on the 'optimism bias' inherent in different types of contract. The contingency set – at £2.747bn out of a total funding package of £9.325bn – was at the top end of the range¹²⁰ and was controversial at the time. But the soon-to-be ODA Chair, John Armit, saw huge advantages in it. When asked whether the ODA should accept a 30% contingency on the budget from government Armit advised the questioner to 'snatch their hand off. Because you'll never get another opportunity, if you don't spend it then that's fine and the last thing you want to do is have to go back in a couple of years and ask for more.' The Mayor's office had more reservations; Neale Coleman felt that 'it was a mistake to go for so big a figure and so large a contingency, and you could argue that in one sense we were right...but actually I think we were wrong because all sorts of other costs came out of the woodwork around security and staging.'

The effect of the high contingency allowance was to make it very unlikely that the government would have to go back and increase the budget a second time. A GOE official pointed out that if the budget '...had been £7bn then the spend on the Games would have exceeded the budget, and the Games would have been seen as a failure. The Treasury had argued for a package of £9bn, not £7bn, to make sure that the revised budget could cover contingencies and was enough to retain confidence in the project.' It met the NAO's guidance which urges certainty of funding provision to give project teams 'a firm basis to deliver the project'¹²¹ and allowed all sides to have a clear number to work to. A current Treasury civil servant pointed out: 'The £9.3bn was a clear and fairly sacrosanct number, and I think that everybody saw value in continuing to stick with that overall envelope.' The understanding that the £9.3bn public funding package could not be exceeded delivered this certainty.

Managing the budget

The new budget was accompanied by new personnel to oversee it. The Treasury sat alongside DCMS on the interview panel for a new Director-General and Director of Finance and Build for GOE; this followed a global search to find those who could give ministers assurance that the Games would stick to the revised budget.

But the government realised it also needed to earn back the credibility it had lost by having so underestimated the budget in the first place. Key to that confidence-building was a commitment to an unprecedented level of transparency introduced by GOE Finance Director David Goldstone. This was described by a senior DCMS civil servant as 'really wise – the sort of decision that you make at the beginning without knowing what you're signing up to.' Transparency took the form of quarterly reporting from the GOE on the state of the public sector budget for the Games. It had a number of benefits: reducing an unwanted workload, with David Goldstone recalling that 'it was a useful tool to hold people to commitments and it massively reduced the administrative burden. We used to get badgered by the press and had over 100 PQs from one MP in my first few months here, all on the budget, and once we started publishing things then it dried up to almost nothing.' Transparency also put a positive incentive

¹²⁰ National Audit Office, *The Budget for the London 2012 Olympic and Paralympic Games* (2007)

¹²¹ National Audit Office, *Initiating Successful Projects* (2011)

into the financial management for the Games; as another GOE member pointed out, transparency ‘forced everyone (including CLM, the delivery partner for ODA) to cut costs.’

Alongside GOE quarterly reporting, the NAO provided additional analysis of the state of and the possible risks to the PSFP. From 2007 – 2012, it published six reports examining the budget which provided information for PAC hearings and the press.

The new budget settlement also carried over into a particularly collaborative relationship with the Treasury. A Treasury civil servant recalls that:

Treasury spending team and departmental relationships inevitably involve a degree of positioning and negotiation. However, in this area there just wasn't time or sense in that – and we genuinely operated entirely openly and using a fully shared set of numbers. I think that helped the programme and made decision-making much quicker.

The final crucial 2007 change to the public funding package came with how the £2.6 billion contingency fund was managed. This contingency fund was managed in a fashion that is atypical for major projects; it was split into three different tranches and managed at three different levels (within ODA, by the GOE and by the relevant Cabinet Committee¹²²). This was done, according to David Goldstone, in order to ‘align risk with where it was best managed.’ The layering of contingency funding was also used to incentivise savings within the ODA, with the GOE determining ‘that up to a certain level the ODA could keep their own savings and redeploy them. So that created a mindset in ODA where it was worth getting project managers to flush out their savings because they could reuse them internally.’¹²³

Not all the public Olympic costs fell within the DCMS budget. The decision was made that departmental costs – for example on transport and security – would stay within departmental budgets, allocated in the 2007 and then the 2010 comprehensive spending reviews (there was no recognition of the Olympics in the 2004 review). This was designed to give departments incentives to bear down on costs – but at the cost of some complexity, as David Goldstone explained: ‘we had seven different accounting officers with different financial responsibilities’. That put a premium on the effective collective decision making structures described elsewhere in this section. However, the lack of a comprehensive legacy and marketing budget (e.g. for the GREAT campaign) was described by many as a risk to achieving maximum benefit from opportunities arising from the Games.

In the final outturn, the ODA spent approximately £6.641bn, against the March 2007 budget of £6.090 billion, using up approximately £550m of contingency. A further £989 million from the public sector funding package was used to fund LOCOG; largely where it took on scope from ODA and to meet the escalating venue security bill.¹²⁴ The budget as a whole has, at the latest estimate underspent by £377 million.

This is clearly much better than an outturn in excess of the PSFP (though there are some items – like land acquisition which have never been included), as the Treasury and others initially feared. But it does mean that 83% of the very generous contingency was used – and the taxpayer might have expected more of their money back – not least since the Olympic build took place at a time of static or falling construction prices (compared to the inflation expectation in 2007). It raises the question of whether generous contingency, within a programme, increases the likelihood it will be spent. The £ 9.3 billion public sector funding package became as lodged in the public mind as the initial £2.375 billion figure – in spite of the fact that both were arguably not the most accurate figure for the anticipated cost of the Games at the time they were set.

¹²² There were three Cabinet Committees after London was awarded the Olympic Games; the Economic Development (Olympic & Paralympic Games) Committee was chaired by the Chancellor and existed until 2010. It was then replaced by the Home Affairs (Olympic & Paralympic Games) Committee which was responsible for allocating the third tranche of contingency. This was in turn replaced by the Prime Minister's Olympic Group in October 2011.

¹²³ Quote from interview with David Goldstone, GOE Director of Finance and Build

¹²⁴ National Audit Office, ‘The London 2012 Olympic Games and Paralympic Games: post-Games review’ (2012)

Challenges: public funds, value for money and optionality

LOCOG was intended to be self-financing – though in practice it was guaranteed by government. Jeremy Beeton points out:

Ultimately if you want your Games to be a success, LOCOG needs to be successful, and so you need to make them successful. It might be unfair or unreasonable, but ultimately if they can't pay for it, you have to pay for it.

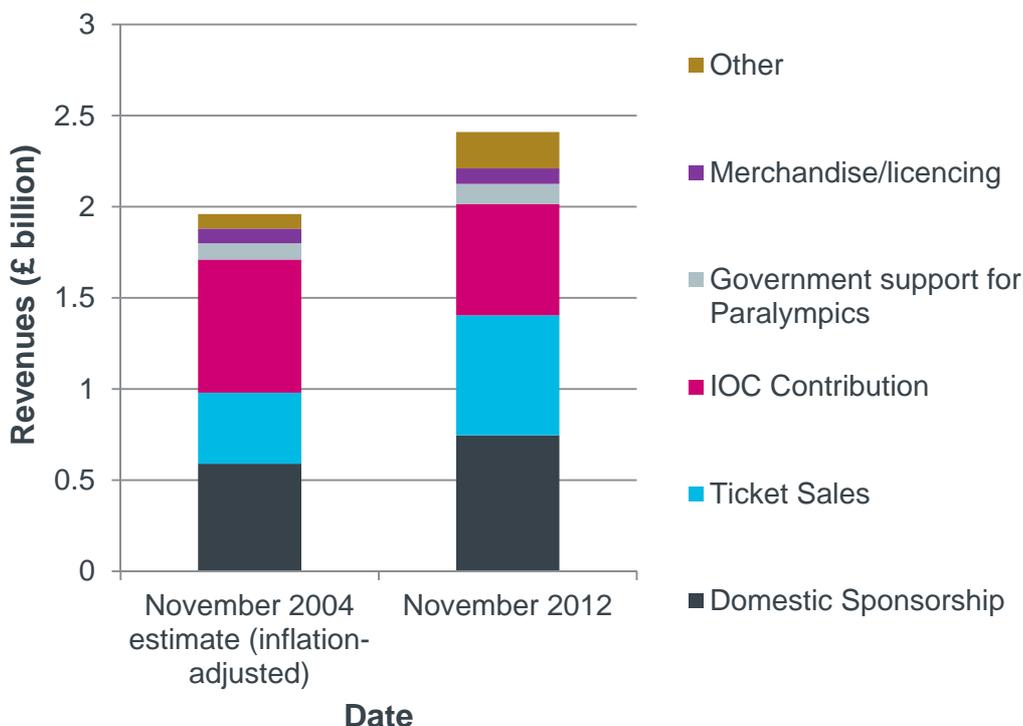
The government would eventually provide LOCOG with nearly £1bn of funding to deliver certain elements of the Games.¹²⁵ Some of this was always in scope to fund the Paralympics. Some was for picking up costs that might otherwise have fallen to ODA and the majority of the additional £514 million bill for venue security.¹²⁶ In fact, LOCOG was more successful than any organising committee in history in raising its funding, exceeding targets both for commercial sponsorship and for ticket sales on top of the money they received from the IOC and from broadcasting rights. Seb Coe emphasised that 'we start with a £2 billion liability; we go out and create economic opportunities to be able to fund that.' This was mirrored by a LOCOG director:

In terms of managing risk – the first thing that we did was raise the money... we had to manage our expenditure around the money we were raising.

Had LOCOG not been so effective at raising private sponsorship then they would likely have required public funding to undertake their core functions, as happened at the 2000 Games. Reflecting on LOCOG's successful early fundraising, Paul Deighton says that 'if we hadn't done that then this would have just become a Treasury programme because the world fell apart at the end of 2008.'

A chart showing the sources of LOCOG's final revenues, against the inflation-adjusted initial 2004 estimate is below.

Figure 6: LOCOG revenues over time



¹²⁵ <http://www.telegraph.co.uk/sport/olympics/9627757/London-2012-Olympic-Games-comes-in-at-377m-under-budget-government-announces.html>

¹²⁶ Letter from Paul Deighton to Jennette Arnold, Chair of the Greater London Assembly (November 5 2012)

Other, more managerial challenges for GOE included managing the public funding for the Games over different phases of the project. While the original budget was all capital, GOE could manage flexibility at the margin owing to their funding streams from the Lottery and the Mayor (£2.175bn of public funding came from the Lottery, £0.875bn from the Mayor of London's share of the London council tax).¹²⁷ The shift from the construction to the operational phase of the Games in 2010 was largely artificial from a strictly financial perspective owing to the costs incurred being largely one-off. For David Goldstone:

The big lesson is that up until the Comprehensive Spending Review, we had flexibility over time, although it was all capital money, and that flexibility was very helpful. When we went to operations we got the mix of capital and resource changed but, due to the changes in the Treasury funding rules, it's non-fungible, either between capital and resource or just over time, and that's just completely contrary to how projects work.

A final challenge was posed by Evan Davis at our third 'Making the Games' seminar: with discussions ongoing about the future of the Olympic stadium, would it have been better to have spent additional money on a stadium with retractable seating in the style of the Stade de France? John Armit indicated that option had been rejected because:

...it would have added quite a lot more money – about another 20% – given that that decision would have been made four or five years ago. The decision to spend another 20% on the stadium, particularly when we were all clearly trying to keep costs down... drove us to make what I think was the right decision at that time which was a totally dismountable, flexible 80,000 seat stadium... But now we're at a situation where you'll have to spend more money on it to make it work in a multiple way.

While this decision may appear misguided with hindsight, in the context of concern over value for money it is hard to see how an alternative decision could have been reached in a way seen as acceptable at the time.

Implications

There are many transferable lessons from the setting and management of the Olympic budget to other major projects. The principal ones include:

1. Being clear on the uncertainties around budgets in initial phases and communicating them: this may mean doing some sensitivity analysis and putting in ranges or explaining excluded items – failure to do this undermines project credibility.
2. There are clear benefits to locking down a realistic project budget on a collaborative and shared basis, involving the delivery body as well as the department with adequate and well-allocated contingency and managing it on a transparent basis – the apparent loss of flexibility is offset by the positive incentives created.
3. Budgets should be set on a project basis – they need to be managed to suit the needs of the project both when spending is incurred and on the balance between capital and one-off (not recurring) resource spending.
4. Recognise the value of future flexibility in making decisions.

¹²⁷ GOE, *Quarterly Financial Report*, October 2012

vi. Programme and project management

We had a very clear vision. We developed a strategy and plan out of that vision which built back from the end product to Day Zero. We hired exceptional people and got them to work together in a team, and then tried to extend that across the network of organisations. And then day-in, day-out for seven years we executed relentlessly against that vision. And hey presto – at the end everyone repeats back to us all the things that were wonderful about the Games and every single one of them was something we have been executing against for seven years.

Paul Deighton, Chief Executive of the London Organising Committee of the Olympic and Paralympic Games

The Olympics was a complex project that involved project and programme management activities across government, arm's-length bodies, public services and the private sector. Tracking project and programme management – especially delivery against time and budget – is particularly important for major projects in government given that presently two thirds of public sector projects are completed late, over budget or do not deliver the outcomes expected.¹²⁸ Project and programme management also covers procurement, another area in which government has a mixed track record given recent West Coast Mainline franchising problems. Indeed, the IfG has previously written on the need for better commissioning skills within government.¹²⁹ Given this background, it was not a foregone conclusion that the London Olympics would arrive on time, within budget and to specification. This section examines what the project and programme management arrangements for the Olympics looked like, why they were successful and what challenges needed to be managed.

Scoping and change control

Major projects are undone by changes to time, cost or design, so successful project and programme management is about setting a robust scope and discouraging change. The ODA and LOCOG achieved this discipline by setting their respective scopes early and in parallel with one another. The ODA's 'Yellow Book' was completed in 2007 and outlined a clear infrastructure scope, activities and timetable to completion. Dennis Hone, the Finance Director and then Chief Executive of the ODA, told us that getting programme scope agreed early was critical to project success but '...many projects start with a scope that's not buttoned down, a lack of clarity over the programme and therefore a budget that isn't defined.'

Government was similarly rigorous on goal-setting, and developed robust plans for how to achieve public ownership of proposed Olympics land, including the introduction of the London Olympics and Paralympic Games Bill to Parliament a week after winning the bid. By November 2005, 80% of land needed for the Olympic Park was under public control.¹³⁰ Paul Deighton emphasised the importance of early scoping work:

The up-front bit is absolutely critical...That great work up front highly leverages what follows in terms of forcing people to think about what they're actually trying to accomplish...it will save you a lot of time and effort.

Rigorous change control was the other means of ensuring the Olympic project was delivered to time and budget. Dennis Hone explained 'there was no magic bullet on this project, just good practice. Change

¹²⁸ National Audit Office, *Initiating Successful Projects* (2011)

¹²⁹ See: <http://www.instituteforgovernment.org.uk/blog/4939/better-training-%e2%80%93-what-does-the-west-coast-debacle-tell-us-about-commissioning-skills/>

¹³⁰ http://news.bbc.co.uk/sport1/hi/other_sports/olympics_2012/4408396.stm

tends to have two consequences – one, it always adds to cost, even if you take things out. Two, it adds to your programme.’ Change control on the Olympics project was achieved by setting the bar for change high. At ODA ‘...anyone who wanted to make a change against the Yellow Book had to come to the Change Board. It was a serious occasion when you had to present the change, you had to convince the Change Board it must happen. It wasn’t a rubber stamp, people got worked up about coming and they should have done, we weren’t about to change, we were building what we had agreed.’¹³¹

John Armitt identified this as a challenge for civil servants on major projects who are too easily persuaded that projects should be changed halfway through. By contrast, private sector programme managers know when to say no to change.¹³²

Investing in project management

As John Armitt told us, ‘the key to a successful project is the client’. In line with NAO recommendations, DCMS approached its role as client by first identifying any ‘capability gaps’ it had on the Olympics team and then bringing in people to fill these gaps.¹³³ These gaps were largely in specialist knowledge of construction and major project financial management, and were filled by specialists such as Jeremy Beeton and David Goldstone, who came from outside government and were employed on fixed-term contracts. Jonathan Stephens emphasised how important bringing in specialist skills was for project success. With his construction background at Bechtel, Jeremy Beeton ‘could go out amongst what’s happening and smell trouble’¹³⁴ on the Olympic build.

The ODA also prioritised buying in specialist skills, often on fixed contracts. To do this it spent £725mn on delivery partner CLM (Laing O’Rourke, Mace and CH2M Hill) to provide all professional services relating to the Olympic build, including construction, engineering and planning expertise.¹³⁵ This model provided a high level of flexibility in specialist workforce skills, depending on what was needed at any given time, and allowed the ODA to access specialist workers at short notice and over short periods of time because ‘CLM would have an expert somewhere in the world on any aspect of the project’.¹³⁶ ODA needed these skills, but accessing them through a delivery partner meant greater speed, flexibility and efficiency.

Bringing in specialist skills was not limited to hiring private sector people though. The project also needed civil servants with the right skills. Civil servants provided vital Whitehall project and finance management skills respectively. As a LOCOG director told us, it was ‘...important you had people in GOE who had managed major projects. Whether that’s through the private sector or government is less important. GOE had some fantastic people who didn’t come from the private sector.’

Total programme management vs. departmental expertise

As well as acting as an intelligent client, government also operated as a ‘total’ programme manager on the Olympics project. This meant GOE was not solely focused on Olympic delivery bodies external to government. It also had a key role in ensuring that government as a whole was on target to deliver its commitments around the Olympics, and for communicating government priorities relating to the Games. This was not an easy role, particularly as the GOE sat within a department that did not have much experience or reputation on key delivery areas such as security or transport compared with neighbouring ‘powerhouses’ such as the Home Office or Department for Transport respectively. This meant that the division of roles and responsibilities between GOE and the Home Office was not always clear. Indeed, as one senior Home Office civil servant explained:

¹³¹ Quote from interview with an ODA Director

¹³² From interview with John Armitt, ODA Chair

¹³³ National Audit Office, *Initiating Successful Projects* (2011)

¹³⁴ Quote from interview with Jonathan Stephens, DCMS Permanent Secretary

¹³⁵ Government services and projects are increasingly being delivered through partner organisations with specialist project or programme-relevant skills.

¹³⁶ Quote from an interview with Dennis Hone, ODA Chief Executive

Departments worked together very well and our collective performance was strong. There were challenges though – DCMS took a role that was concerned with whether everything fitted together. Therefore they felt they had a responsibility for inspecting anything and everything that the government was doing, and indeed that others were doing. This was difficult because at the same time the Home Secretary had her name in the frame for security responsibility.

GOE did try to overcome these challenges through collaborative working. Particularly close relationships needed to exist where GOE shared responsibility for assurance with departments such as the Home Office, Cabinet Office or Department for Transport. But being clear about where responsibility in government sits for key project elements, such as security, should be a priority in future major projects.

Smart procurement

The Olympics project used contractors for many aspects of project delivery including the project management of the Olympic site, which was run by delivery partner CLM. The ODA used a number of smart procurement and contracting techniques that should be of interest to government. In fact John Armitt, Chair of the ODA estimates that adopting ODA's smart contracting practices 'could lead to a 5% saving' in government. The standout aspect of ODA's ways of working was the use of the New Engineering Contract 3 (NEC3) contract and the ethos of collaborative working and fairness that it helped embed. This form of contracting has been employed before by government but its use is far from universal. NEC3 contracts in the Olympics project had three features which encouraged project success.¹³⁷

First, the NEC3 contract highlighted any delivery problems early and encouraged a collaborative approach to tackling them once identified. John Armitt explained that 'the NEC3 contract placed an obligation on the contractor to give early warning of anything going on. It places an obligation on the client to respond to that quickly. It helps potential problems from festering.' This is highly valuable on reputation-risking projects as 'the nature of any project team is to hide problems. Nobody wants to report up that they've got a problem'.¹³⁸ Forcing contractors to discuss problems earlier rather than later, and requiring the client to respond, means that project challenges can be averted before they become costly mistakes.

Second, the contracts incentivised on-time delivery. The contract with CLM paid out when targets were exceeded, but applied penalties for missing them. Dennis Hone told us: 'you can't have a situation where the contractor doesn't need to fulfil your objectives and still walk away with a load of money. This sounds simple but is often missed in contractual arrangements.' CLM beat their targets and were paid bonuses of £39m and £50m respectively in 2009/2010 and 2010/2011.¹³⁹ ODA have stressed that this system actually saved money and time:

*We paid the actual base costs and if they met or exceeded the targets they received a bonus. We heavily incentivised them to beat the baseline cost and complete on time.*¹⁴⁰

These incentives were built into contracts on an incremental basis to keep motivation high and to encourage steady progress rather than a rush for the final deadline. This 'smart contracting' contrasts with the failures of contracts on other recent major projects. For instance, the PAC identified serious flaws in contracting on the FiReControl project, including a failure to set early milestones or mechanisms to manage the contractor.¹⁴¹ The use of fixed-price contracts (as opposed to incentivised contracts used

¹³⁷ The New Engineering Contract (NEC) is a suite of standard form construction contracts created by the Institution of Civil Engineers. NEC3 is now used for many major construction and engineering projects in the UK and overseas. It is built around three key principles: clarity, stimulus to good management and flexibility.

¹³⁸ Quote from interview with John Armitt, ODA Chair

¹³⁹ <http://www.constructionenquirer.com/2011/07/18/olympic-delivery-partner-clm-earns-50m-bonus/>

¹⁴⁰ Quote from interview with an ODA Director

¹⁴¹ Public Accounts Committee, *The Failure of the FiReControl Project* (2011)

by the ODA) also led to significant overruns on MoD projects with the A400M transport aircraft (increase of £607 million) and aircraft carriers (increase of £2.8 billion).¹⁴²

Third, and somewhat controversially, ODA limited the downside for contractors and did not award contracts solely on the basis of lowest cost. This practice encouraged Olympics contractors to deliver their highest quality work, rather than cut corners to save money lost on a low-paying contract. These procurement practices are alien to government but were hugely beneficial to the health of the Olympics project in the view of ODA senior executives. Recounting a conversation with a large government department, one interviewee told us that ‘they just couldn’t start to comprehend that we had capped the downside for the contractor. They said that their contractors had to lose 40% before the [the department] would help them.’

Far from being sensible, the interviewee warned:

It’s no good patting yourself on your back in a government office and saying that you’ve got it for 15% less than the market price – maybe you have, but you’re going to pay for it over the next three years as the contractor looks for every possible angle to get it back.

Delegating authority

Delegation was another critical feature of Olympics programme management that contributed to project success. All major project partners were confident about delegating authority to the right place. ODA’s use of CLM as a delivery partner is an example of this. ODA made the decision that they did not want to ‘resource up’ on project management capability so instead bought in those skills through the delivery partner and as a result ‘gave them quite a lot of delegated authority’.¹⁴³ Government also delegated authority by empowering public services staff who were at the forefront of project delivery. The Department for Transport discussed their decision to delegate responsibility for demand management to Transport for London (TfL), who were experts on the subject and could be relied upon to deliver what was needed:

*TfL runs the underground, the Highways Agency runs the highway system, various train operators run the national rail system. Let’s not create a huge bureaucracy sitting on top of them... let’s have delivery placed where it can be best effected.*¹⁴⁴

There were instances of programme failure on this front though. For instance, major risks emerged when monopoly suppliers who were not capable of raising their game were given delegated responsibility for security and ticketing. The failures of G4S and Ticketmaster suggest that there are issues of complacency from large suppliers that major project managers need to be better at forecasting and correcting. This is examined in more detail in the ‘risk and scrutiny’ section.

¹⁴² Public Accounts Committee, Ministry of Defence: The Major Projects Report 2011 (2011)

¹⁴³ Quote from interview with an ODA Director

¹⁴⁴ Quote from interview with a DfT senior civil servant

Case study 1: The role of UK Sport - a study in arm's length delivery

As we discuss elsewhere, core elements in the successful delivery of the Olympics included highly effective arm's-length bodies, clarity of purpose and constant measurement against targets. All of these were present for one of the key bodies in the success of the Games – UK Sport. Accountable to DCMS, UK Sport invests Exchequer and Lottery funding in high performance sport, explicitly targeting investment at those sports most likely to win medals in the Olympics and Paralympics. Given the importance of British performance in the medal table to how the success (or otherwise) of the Olympics would be perceived, the effectiveness of UK Sport in disbursing funding was vital.

Prior to the Olympics UK Sport set a target of winning between 48-70 medals, spread across at least 12 different sports.¹⁴⁵ Britain's final medal tally of 65, with medals coming from 16 sports¹⁴⁶ indicated the success of UK Sport's performance management techniques against an ambitious target.

A similar story existed in the Paralympics. Against a target of 103 medals from 12 sports, Britain ultimately won 120 medals in 13 sports.¹⁴⁷ For Liz Nicholl, UK Sport Chief Executive, key success factors included 'having a fixed deadline and driving towards a clear goal which will be measured very publicly' and 'our "no compromise" philosophy. We will not do any of the "nice to dos". We won't tolerate distraction from our core mission'.

While UK Sport was entirely focused on athlete performance at the Games, an unwanted distraction was created by the change of government in 2010 when the Coalition announced that UK Sport and Sport England – the funding body for grassroots sport in England – would be merged. While this merger has been effectively cancelled since the Olympics¹⁴⁸, the long-running uncertainty caused by the merger plans was seen by our interviewees as being a risk to a key element of the project caused by a political transition.

Several aspects of UK Sport's performance management system are noteworthy given the lessons we extrapolate from the Olympics. In spite of the difficulties over the proposed merger with Sport England, UK Sport was an exemplary instance of how arm's-length bodies should work. DCMS funded the organisation and granted it a high degree of autonomy.

The second key area – as with other key elements of the project – lay in consistency of personnel. Liz Nicholl noted that she has worked in various roles in the organisation since 1999 before becoming Chief Executive in 2010. Sue Campbell has chaired the organisation since 2003.

The third area which closely maps onto our lessons lies in transparency. UK Sport invited journalists into the organisation several times a year to share their estimation of how each Olympic sport was performing against multiple metrics in their preparations for the Games. In the eyes of Liz Nicholl, this media engagement '...really led to more of an acknowledgement of the importance of National Lottery funding and the role of UK Sport in developing the high performance system that drives success. We took them on a journey with us. We'd never had, as we had here at Games time, this level of acknowledgement about the significance of our role.'

A fourth key element in UK Sport's success was in the detail and honesty of their performance management system. In building up to peaking for the Olympics, each sport was evaluated on a quarterly basis, with annual targets being put in place for the performance of each sport at its most significant event that year. These targets were agreed with the sport in question, ensuring buy-in to the target, but were ambitious so as to continuously drive performance levels upwards. This constant measurement contributed to the successful delivery of UK Sport's ambitions on the most prominent international stage of all.

The final key factor lay in the culture of UK Sport itself. In common with the other entities which played a key role in making the Games it had a clear 'no compromise' culture and not only relentlessly delivered against its targets, but was comfortable in outlining why it wouldn't take on roles outside of its core objectives.

¹⁴⁵ <http://www.telegraph.co.uk/sport/olympics/9374912/Team-GB-medal-target-for-London-2012-Olympics-is-fourth-place-with-48-medals-across-12-sports.html>

¹⁴⁶ <http://www.bbc.co.uk/sport/0/olympics/19226042>

¹⁴⁷ <http://www.uk-sport.gov.uk/news/paralympicsgb-team-lauded-as-curtain-comes-down-on-exceptional-games-130912>

¹⁴⁸ <http://www.guardian.co.uk/sport/2012/nov/27/merger-uk-sport-england-scraped>

Good relationships between management organisations

The final feature of strong programme management during the Olympics project lies in the relationship between ODA and LOCOG. A good relationship between ODA and LOCOG was crucial to delivery. The organisations ‘needed each other to succeed’.¹⁴⁹ LOCOG depended on the ODA to deliver the infrastructure the Olympics would take place in. Any shift in ODA scope could have huge financial and programme consequences for LOCOG, and vice versa. But despite this mutual dependence, the history of relations between the two organisations was fraught. ‘The history of Olympics is that the two organisations can be in conflict’.¹⁵⁰ There were certainly tensions between the two organisations in the UK too. ODA’s singular focus on construction could frustrate LOCOG. Furthermore, the handover of the Olympic Park from ODA to LOCOG was a source of tension when LOCOG began to work on putting in the Olympic overlay. At points, ODA felt similarly tried by LOCOG’s ‘last minute.com’ style which contrasted with their highly planned, front-loaded approach.

But most of the time, staff recognised that the nature of the Olympics meant that the organisations had indistinct boundaries and had to find ways to live together. In part this was achieved by co-locating the organisations and having regular joint meetings to ensure organisations were working from the same sheet. It also meant responding to change together. Dealing with the impact of the financial crisis on the sale of the Olympic Village is a case in point. David Higgins says:

James Bulley helped – with the Village, we took it down from 4,000 to 2,800 apartments when the crisis hit and LOCOG were there all along, watching and saying “Yes, we can make this work with the IOC”. They were very supportive in making that happen.

Organisational culture

Strong relationships between government and delivery organisations were equally important. In some instances, this meant challenging government ways of working. In particular this meant growing accustomed to the mind-set of non-civil servants delivering the Games. Jonathan Stephens describes Jeremy Beeton as occasionally going ‘on a campaign to induce panic. He did this when there was still time to do things about it... he needed to galvanise action around the system and that was quite counter-cultural as so much of what we do is about calming ministers down and reassuring them... Then six months later you realised that it was a jolly good thing we had got the work done.’

This mindset of ‘manufacturing crisis’ was shared by ODA. Once the project was broadly under control, David Higgins remembers ‘...we invented challenges such as the landscaping because other risks were coming under control... We thought that we had the process sufficiently under control that we could disrupt the programme to get a better outcome.’ This approach towards risk management – where work was intentionally placed on a crisis footing to expedite delivery – was counter-cultural to the Civil Service.

Delivery bodies also had to shield government from some challenges. LOCOG indicated that while they shared information with government on particular challenges such as ticketing, they largely shielded government from the worst of the problems faced by the organising committee. Paul Deighton told us:

The skill of the Games was coordinating all that just in time delivery that produces the spectacular experience that everybody had. That’s always been very hard, but I don’t think government ever really quite understood or knew about it, which is fine because we did it.

Although central risk registers existed, risk management across the project was not centralised. As with the financing of the Games, it was largely devolved to where it needed to be managed.

This extended to the management of health and safety during the construction phase of the project. The delivery of the Olympic Park was unique among modern Games in that there were no fatalities during

¹⁴⁹ Quote from interview with Dennis Hone, ODA Chief Executive

¹⁵⁰ Quote from interview with David Higgins, former ODA Chief Executive

construction – in contrast to the 2004 and 2008 Games where the death toll was at least 14 and 37 respectively. For Jeremy Beeton, this feat had ‘completely rewritten safety performance in this country. We’ve managed to execute one of the biggest projects the country has ever undertaken at a safety level equivalent to people working in an office.’ An ODA director says:

These kinds of attitudes and behaviours are things you have to get from the top and consistently applied whenever and wherever people meet you.

As discussed elsewhere, the role of senior leaders was key in setting the tone for the project as a whole.

Implications

The Olympics was a massively complicated set of projects which had to be coordinated and sequenced to come together seamlessly on time in a concentrated period of activity with an unmoveable deadline. That required both exceptional project management and delivery within individual organisations but also outstanding programme management to integrate what all the individual bodies were doing. Other major projects may require similar major construction or elements of the operational delivery. In terms of actual build the Olympics was a relatively small project by international standards but the scale – from Torch Relay to Paralympics closing ceremony – placed unprecedented demands on public services and private contractors.

Although the UK is unlikely to attempt anything on that scale in the foreseeable future there are some implications for future projects:

- invest upfront in getting the scope correct and nailed down – and then apply ruthless change and time discipline
- do not skimp on project management capability – and effective internal assurance processes
- act as an intelligent client – use ‘smart contracting’ to create collaborative delivery and establish the project ethos e.g. around safety or sustainability from the start
- recognise where government can rely on existing structures and where it needs to act to force coordination or reinforce capacity.

vii. Risk and scrutiny

One of the strengths was the risk management. We had risk management coming out of our ears. We had risk registers with thousands of items on and all that.

Jonathan Stephens, Permanent Secretary at the Department for Culture, Media and Sport

Putting on the Olympic and Paralympic Games didn't just involve putting on 'the biggest sports project in the world followed by the second biggest sports project in the world'.¹⁵¹ Long before the Games began, risks existed around one of the largest compulsory purchase orders of the last 20 years, regenerating 2.5 km² of wasteland and relying on virtually every government department working alongside newly created entities to deliver the Olympic Games project. During Games time itself, the police force had to put on 'the biggest operation we've ever mounted, not just in terms of numbers of officers but the length of time and the number of forces involved'¹⁵², while London's underground system saw a 35% increase on normal traffic levels. For all parties involved, identifying and managing these risks – and dealing with the associated scrutiny – would be a significant part of the Games endeavour.

The assurance landscape

The risks around the programme meant that significant time, effort and funding were spent on assurance. The ODA's management team and board both contained significant expertise in construction and regeneration, providing high-level assurance of decisions being made lower down in the organisation. The ODA's delivery partner model – discussed elsewhere – also gave multiple layers of internal assurance as ODA received regular reports from CLM who were, in turn, managing the activity of their contractors.

LOCOG designed its programme of work in a way that maximised its internal assurance function in certain areas, given their role as organiser of the Games. The 42 test events that they ran 'gave people a lot of reassurance because we did more testing and rehearsing than these events normally do.'¹⁵³ But their assurance functions in other areas – such as security – fell short however, with their production of standard operating procedures being 18 months behind schedule in September 2011 in the eyes of Her Majesty's Inspectorate of Constabulary (HMIC).¹⁵⁴

In addition to individual organisations needing their own internal assurance, the extent of the programme required integrated, collaborative structures so as to minimise risk. Ensuring effective programme integration was a core function of GOE, although their ability to play this role varied across elements of the programme with the Home Office and DfT leading in their particular domains. Integrated structures existed at Games time, with the newly created Transport Co-Ordination Centre acting as an operational body that brought together a full range of transport operators such as TfL, Network Rail and the Highways Agency. The level of integrated transport planning across government was very striking, with multiple stakeholders willing to go on record prior to the Games to indicate that a key legacy from the Olympics would be the quality of cross-government and delivery body work on transport.¹⁵⁵

Even when bodies were only needed at Games time, however, large-scale planning needed to take place. The ODA's first draft transport plan for the Games was published in 2007, setting out what would become the basic structure for transport during the Games. The first draft Olympic Security Strategy – seen by several of our interviewees as arriving late – was published a full three years before the Games, reflecting the extent of the planning which went into minimising risk. The sentiment expressed by a DfT senior civil servant was:

¹⁵¹ Quote from interview with Jeremy Beeton, GOE Director-General

¹⁵² Quote from interview with Chris Allison, Metropolitan Police Assistant Commissioner

¹⁵³ Quote from interview with Paul Deighton, LOCOG Chief Executive

¹⁵⁴ House of Commons Home Affairs Committee, *Olympics Security* (2012)

¹⁵⁵ House of Commons Transport Select Committee Hearing on preparations for transport during the Olympic Games, 23 May, 2012

In any of the discussions that we'd go on to have with future cities, the big lesson is prepare, prepare, prepare, plan, plan, plan. You can't plan enough.

This summarises the attitude of many of those who managed risks around the Games.

Successful assurance and risk management ultimately depended on groundwork being done early and integrated across the programme. LOCOG's successful approach to managing industrial relations was an example of this, with Jean Tomlin recognising that 'if you had a dispute at Games time, you couldn't wait for the normal approach of "Oh, I'll meet you in two weeks"'.

This attitude led to a protocol being put in place in 2008 regarding the conditions on which LOCOG would employ people, with Tomlin regularly convening a cross-government group of HR directors to integrate planning for the Games and to ensure that 'government always kept their eye on the wider picture.' Where these types of measures were put in place early, as with transport and the threat of industrial action, risk was successfully mitigated. Where they were not, as was the case with security, plan B had to be adopted. It is however to the credit of those involved that contingency planning had taken place on a sufficient scale to fill the gap left by G4S' failure without compromising the Games.

Internal assurance - playing it safe

The scale of the Olympics, matched by its global audience, meant that government had little risk appetite around the programme. Guarantees made to the IOC at the time of the bid meant that government was ultimately responsible for ensuring that the Games would be delivered. And when things did go wrong – as with the failure of G4S to deliver on their venue security contract – government was held accountable in Parliament, regardless of whether they were a party to the relevant contract. Past Olympic failures around security (as at the 1972 Munich Games) and transport (the 1996 Atlanta Games) are remembered decades later, removing any incentive to take risks within the project.

Particularly risky domains were identified as security and transport; two areas interrogated by the IOC during the bid process. Hugh Robertson recalls that 'I went to Australia in 2006 and one of their organisers said the 3 things you need to get right are transport, transport and transport. He was right. Post 7/7 I would add a fourth thing we needed to get right – security.' The security imperative around the Olympics was always there, but became particularly prominent after the 7/7 terrorist attacks on London.

With risks – both actual and reputational – at an elevated level, the strategy from ministers was to eliminate risk as far as possible. This was particularly the case for the security programme, with Charles Farr saying that:

The textbook response to security operations is risk-based. It's fine in theory but doesn't always work in practice as the temptation is to eliminate the risk regardless of cost. I lost count of the number of meetings where the size of the public sector funding package was used as a justification to do anything as the cost of each measure was so small against the overall package.

It also existed across the government programme; a civil servant working on a different area of the Games felt that each secretary of state he worked with was 'very focused on getting it right and saw the importance of getting it right and the huge risk of getting it wrong. It gave us a very clear mandate which you don't always have.' The funding also enabled significant funds to be devoted to assurance. John Armitt reflects that 'the reason this project was successful was in part because it was very strongly managed. We've spent a lot of money; I suspect that about 15% of the project money has gone on it. Other comparators spend about 7-13.5/14%. The 13.5/14% are on the nuclear end of the range.'

The scale of the project meant that there was pressure to innovate: but the decision was actively taken to avoid it as a potential source of risk, reflecting a lesson learnt from the Jubilee Line extension in the

1990s.¹⁵⁶ ODA ‘weren’t interested in being pioneers, and we wanted systems that we knew worked. We didn’t want elaborate IT systems that would take two years to put in. We wanted to use existing systems and make them work.’¹⁵⁷ This view was shared by those responsible for security, with one Home Office official indicating that ‘it is tough enough to have to do the Olympics in a world where you are beyond the elastic limit, without at the same time trying to force innovation in the tactical implementation. This disappointed industry which wanted to use the Olympics as a platform for showcasing new ways to protect us all.’¹⁵⁸

Contingency planning and testing

In addition to LOCOG’s testing of the venues, multiple major exercises also took place to test transport and security planning. The key element in these exercises was bringing a wide range of entities – many of whom were newly established – to work together. Chris Allison, the National Olympic Security Coordinator, recalls:

The structures we put in place were all new kids on the block and so we had to get them all practicing and working with each other. We understood systems and processes, but the team began to be created and that’s the most important thing – the team.

Integrating new structures into pre-Games testing didn’t just bring organisations together, it was also about involving ministers in scenario planning and pre-Games testing. Within the security domain in particular, this led to a divergence from standard practice as ministers participated in ‘operational matters which civil ministers such as the home secretary would not normally be involved in’ as a result of their roles in guaranteeing the Games to the IOC.¹⁵⁹ For those involved, the pre-Games testing was vital for building confidence, with a key lesson for Chris Allison being ‘for anybody else doing this in the future, do not scrimp on your testing and exercising’.

Two major risks which materialised stemmed from contracts with external partners. G4S and Ticketmaster. G4S’ failure to fulfil the terms of its contract with LOCOG resulted in the number of troops required to provide venue security from the available contingency force being increased from 725 to 3,500 on just over a fortnight’s notice from the Olympic opening ceremony.¹⁶⁰ While Ticketmaster were able to fulfil the terms of their contract with LOCOG and sold over 9 million tickets, their ticketing system was at points criticised, for instance in January 2012 when it had to be suspended after technical failure.¹⁶¹ Both were the world leaders in their field – but fell short when confronted with the scale of the Olympic challenge. Paul Deighton, referring to the ticketing and security problems, argued:

*We had a huge number of contracts, and the fail rate was tiny... for most companies what we asked them to do was one of the most difficult things they had ever done. In most cases it stretched their capability because the Games is really, really hard so catering to that is really hard.*¹⁶²

In the case of G4S the contingency plan had to be activated and the military used, reducing the cover available if they had been needed for another problem. Things turned out well – with the public reacting very positively to the presence of troops and ‘discovering their military’.¹⁶³

The risks for which no pre-planned mitigating actions existed were those created by the government itself. The abolition of ring-fenced funding for school sport was planned, but the consequence of

¹⁵⁶ The Major Projects Association found that “plans for new technology were probably over-ambitious” on the project, leading them to recommend that new technologies should “represent no more than a 20% advance on existing systems” (Major Projects Association, ‘The Jubilee Line Extension’, 2000)

¹⁵⁷ Quote from interview with Dennis Hone, ODA Chief Executive

¹⁵⁸ Quote from interview with Home Office senior civil servant

¹⁵⁹ Ibid.

¹⁶⁰ House of Commons Home Affairs Committee, *Olympics Security* (2012)

¹⁶¹ <http://www.bbc.co.uk/news/uk-16430850>

¹⁶² Quote from an IfG public event

¹⁶³ Quote from Chris Allison, Metropolitan Police Assistant Commissioner

abolishing Regional Development Agencies in removing a key interface for co-ordinating local authority activity around the Olympics was not. According to a senior member of GOE ‘once government offices and RDAs went it was a lot more difficult. At one point we were working with 460 local authorities.’

One member of the LOCOG Board, Charles Allen, believes that the government did not realise that this problem would arise. He saw the abolition of RDAs as ‘more disruptive in many ways than the change of government because the RDAs were part-funding the local people’ – their removal being a consequence of the fact that ‘nobody really understood what [they were] doing’.

Assurance within government

Providing assurance to ministers about the project for which they would ultimately be accountable was a critical role for the GOE – a role that inevitably caused some tensions with the bodies which were doing their own internal assurance. The view from Paul Deighton was that GOE ‘never really in my view got right assurance vs. man for man marking. It didn’t understand what assurance really was, at times it looked like shadowing and I think that if I’d been doing that side of it I would have done it very thinly but very forensically.’ Jackie Brock-Doyle recognised why they did this though: ‘If I were sitting where they were, I would think that I wanted to know everything that was going on in the Organising Committee.’

The view from within DCMS is – predictably – different, with one civil servant saying that ‘LOCOG in particular did not always like the assurance role. Whenever you investigated it, it turned out that it was 1½ people matched by a team of 20 in LOCOG or something.’ This led, at times, to what one civil servant described as a ‘fraught’ relationship between government and LOCOG: with government feeling that it lacked sufficient knowledge about LOCOG’s plans and the organising committee arguing ‘we always told government what they wanted to know.’¹⁶⁴ Given the scale of the project, it is unsurprising that differences in this area exist. LOCOG’s status as a private company, albeit one ultimately backstopped by government, created particular challenges and for Jackie Brock-Doyle, ‘that is one of the lessons going forward. If you’re going to take private money into something it has to go into an entity which can protect them but also deliver the needs of government scrutiny.’

Those civil servants who felt that they successfully built a relationship with LOCOG saw their role differently. ‘We were here to make LOCOG a success and the issue was how I helped them’.¹⁶⁵

The assurance function between ODA and government was less challenging than that between GOE and LOCOG, owing largely to ODA’s status as a wholly publically funded executive NDPB and the greater familiarity for government in dealing with construction as opposed to operational projects. ODA had extensive internal assurance processes. David Higgins recalls:

I actually think that the audit and assurance process worked. The whole quality assurance process was a key part of the successful outcome.

Jeremy Beeton and David Goldstone’s appointments were designed to give the GOE its own independent capacity to assure progress. GOE were also in charge of programme integration: ensuring that all the elements came together. This way of working came less naturally to other government departments who led in their domain. When their secretary of state was responsible for a government guarantee, they were typically reluctant to cede authority to another government department. As Games time approached, the Cabinet Office took a greater role in looking ‘at the top risks across the whole programme’¹⁶⁶ first through established structures, latterly through an Olympic Secretariat which went live in May 2012. This was designed to create the capacity to manage the assumed inevitable crises on behalf of the Prime Minister. Departments used to dealing with COBRA-like arrangements found this helpful, and worked well with it. But there were some inevitable tensions with GOE, described by a security official:

¹⁶⁴ Quote from interview with Paul Deighton, LOCOG Chief Executive

¹⁶⁵ Quote from interview with a GOE civil servant

¹⁶⁶ Quote from interview with a Cabinet Office civil servant

We had a Cabinet Office/COBRA like arrangement which people by and large were used to and understood, but in that Cabinet Office vessel there was a lot of new wine. It had its difficult moments and could have had more, if people hadn't been determined to make it work.

And Jonathan Stephens noted that the relationship was 'one of the most difficult' among those with government departments, 'because they [the Cabinet Office] persisted in looking at it through a crisis management lens and so were surprised when there weren't really many crises'. Nonetheless a number of officials from across departments thought the Cabinet Office might have usefully played this coordinating role earlier.

Internal reviews

As a major project the Olympics were subject to a series of reviews, including Office of Government Commerce Gateway Reviews and departmental capability reviews by the Cabinet Office.

The 2007 capability review of DCMS deliberately included a reviewer with Games and construction expertise and recommended:

The Department should integrate the Government Olympic Executive (GOE) into DCMS. The Permanent Secretary should take over the Olympic accounting officer role. The Department should continue to strengthen the GOE's 'intelligent client' capability and transfer back to the Department the Executive's responsibility for delivering the DCMS contribution to Olympic legacy benefits.

This went with the flow of what Jonathan Stephens and the Treasury wanted to do. A 2009 follow-up to this review found that these changes had 'markedly improved' the leadership of GOE.

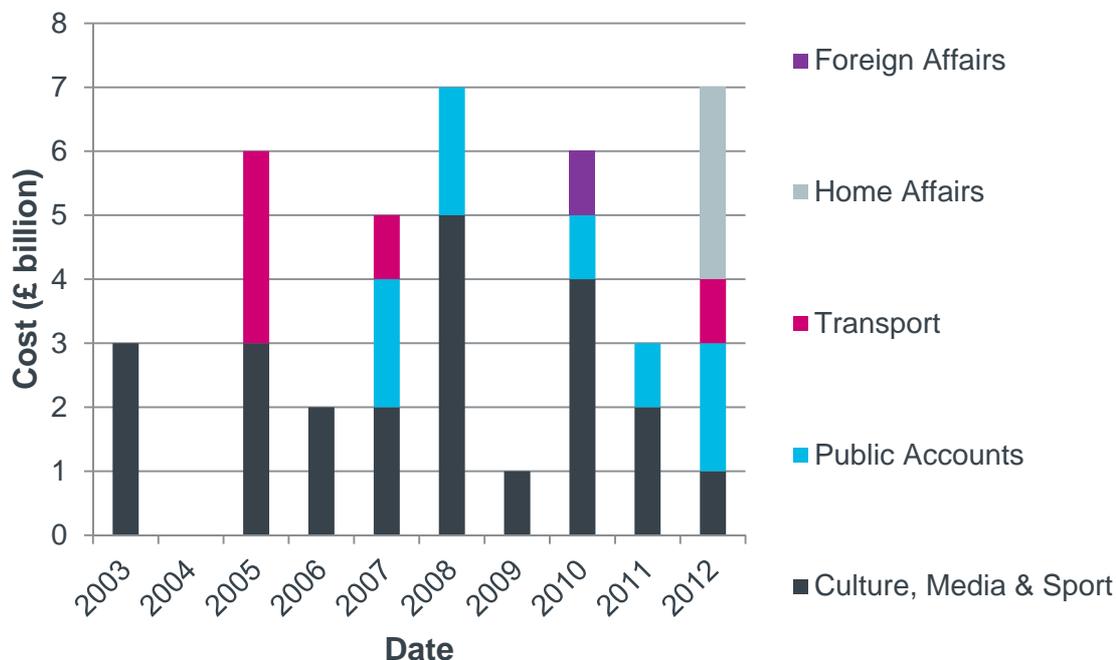
OGC Gateway Reviews of various elements of the project have received a more mixed response. Jonathan Stephens indicated 'the Gateway Reviews of the individual projects were useful and that the discipline they brought was brilliant. The ones at the programme level were much more challenging...because everyone knew far more about the project than the review team.' The role of the OGC around major projects has been passed onto the Major Projects Authority since March 2011, with a challenge remaining as to how best an external body can assure highly complex projects. The NAO recently found that the limited number of trained major project reviewers makes continuous assurance – of the type that may have allowed reviewers to delve into more of the detail of the project – impossible given current resource levels.¹⁶⁷

¹⁶⁷ National Audit Office, 'Assurance for major projects' (2012)

Parliamentary scrutiny

A project of such profile and budget was bound to attract scrutiny, both from Parliament and the Greater London Assembly. The table below shows the frequency of hearings by year.

Figure 7: London 2012 Select Committee hearings



The extent of scrutiny was inevitable but those who worked on the project – both from within and outside government – queried how much value to the project they added. For instance, Jeremy Beeton explains:

*We used to have an endless procession of people coming through our doors, from Treasury, PACs, NAO, Parliamentary Questions, Freedom of Information Act, OGC. It just went on and on... The fact that that is not joined up – to me, from the world I came from – it's completely bonkers. It's so debilitating to teams of people trying to deliver something on time, on budget.*¹⁶⁸

A DCMS official also queried NAO's role on this project, saying: 'I don't think the NAO had the expertise and experience in looking at this sort of major project.' It was also not clear that much changed as a result of oversight. One civil servant in the Cabinet Office felt that 'the level of scrutiny was constitutionally appropriate, but so far as I'm aware, nothing changed as a result of the scrutiny.' And there was a concern that when the crisis hit, over G4S, the determination of select committees to get involved at the height of the crisis could actually get in the way of a solution. In the words of another Cabinet Office official:

When the G4S scandal broke in July we needed [Nick] Buckles and the G4S board entirely focused on fixing the problem. Buckles and the G4S management team were focused on answering the Home Affairs Select Committee, and it had quite a serious effect on their Olympics management team.

The issue here was not substance, but timing. Since the Olympic closing ceremony there have been three hearings of select committees – two on the security failure and one which largely divided its time between examining security and legacy. At the time of writing, not one has spent more than twenty minutes examining what worked about the Games.

¹⁶⁸ Quote from an IfG public event

Extra-governmental scrutiny

The greatest external value seems to have come from scrutiny from two external bodies. The IOC played a crucial role after the Games were awarded, particularly through its Coordination Commission which monitored LOCOG's progress. Seb Coe highlighted the expertise that the Commission brought:

Some of the people on that Coordination Commission that we worked with had been responsible not only for delivering Games themselves, but actually probably collectively been involved with the delivery of 200 Games.

This was vital for LOCOG; while they brought in figures who had worked on previous Games – such as Doug Arnot as Head of Games Operations – the experience of members of the Co-ordination Commission in running previous Olympics was unparalleled and of great assistance to them. The key role of the Coordination Commission reflected the fact that for LOCOG, 'our senior partner in all this was the IOC. It wasn't government and it wasn't the Mayor's Office'.¹⁶⁹ While the Games had many elements, it was ultimately a major sporting event, and having an intensely focused external body assuring that the delivery of the event was on track drove a lot of decision making.¹⁷⁰

The bid not only promised the greenest Games ever but also the establishment of an independent body to review progress against this objective. The Commission for a Sustainable London 2012 was set up in January 2007 under the chairmanship of Shaun McCarthy, a former Head of Sustainability for BAA, to perform this role. Monitoring everything from food sourcing to energy policy, the Commission not only ensured that changes were made around areas such as hydrofluorocarbons being used in the Aquatics Centre, something which – had they ultimately been used – 'would have set back the cause of HFC-free Cooling 15 years'.¹⁷¹, they were also able to act as a 'critical friend' to the Olympic delivery bodies, providing political cover when they judged that commitments – such as the intention to build a wind turbine on the Olympic Park – had been broken for legitimate reason. Neale Coleman, who co-chaired the London 2012 Sustainability Group, described the Commission as a 'bloody nuisance'.

But it meant that there was someone out there who would notice and make a fuss if people were trying to cut corners, so I think they did a pretty good job.

Implications

The Olympics were too big to fail. As such they both had the resources to do in-depth assurance and testing and to invest in risk reduction, below normal project norms. But they do illustrate the role and potential value added of different sorts of assurance – with the most valuable in many ways being the powerful internal assurance processes in the delivery bodies.

The implications for other major projects are:

- Invest in assurance, testing and contingency planning; internal assurance is particularly powerful, but external assurance provides an important discipline
- On major projects consider the scope for establishing a critical friend to act as challenger but also "buffer" along the lines of the Commission for Sustainable London 2012.

¹⁶⁹ Quote from interview with Seb Coe, LOCOG Chair

¹⁷⁰ Quote from interview with a LOCOG staff member

¹⁷¹ Quote from interview with Shaun McCarthy, Chair of the Commission for a Sustainable London 2012

4. Lessons from London 2012

Government currently has 205 major projects in its portfolio, with an estimated whole-life cost of £376bn.¹⁷² The scale of projects on which government embarks is massive, and yet in spite of frequent and high-profile failures, two thirds of public sector projects are ultimately 'late, over budget or do not deliver the outcomes expected'.¹⁷³

The Major Projects Authority (MPA) was set up in March 2011 as a joint enterprise between the Cabinet Office and Treasury with the aim of addressing weaknesses in assuring major government projects. Through the Major Projects Leadership Academy – a joint enterprise with Oxford University's Said Business School – it also aims to train 200 to 300 senior civil servants in project management by 2015.

While government is placing more focus on training civil servants in project management, challenges still remain. The NAO has identified that there are insufficient numbers of MPA-accredited reviewers across government departments¹⁷⁴, with 38% of government departments lacking adequate formal plans for providing assurance on major projects.¹⁷⁵ While Olympic delivery was underway, other major projects were still on a pathway to failure, including the National Programme for IT in the NHS and the FiRE Control programme.

In this section we attempt to distil the key factors behind the success of London 2012, but also to learn from some of the things that could have been done differently. The last London Olympics was in 1948 so we are unlikely to stage anything comparable in the working lives of anyone reading this report now. But to deliver its portfolio of major projects, government needs to find ways to work cross-departmentally, with many other public and private sector partners and to deliver on time and within budget. For anyone engaged in these efforts, the observations and lessons below are intended to act as a spur to reflection – not to think how different and unrepeatable the Olympics was – but to think about the elements that can and should be replicated in different contexts.

Nonetheless there are some caveats that may limit the lessons learned.

- First, the nature of the commitment to an external organisation, in this case the IOC. That shaped the process in two ways: first by creating the conditions for the highly unrealistic initial bid (conditioned by the view within Whitehall that the UK would not win) and second by underpinning delivery with commitments in the form of unconditional guarantees. As one of our interviewees says: 'The IOC has this fantastic business model: everyone else takes the risk; they get the glory.'
- Second, the hardness of the deadline – the Opening Ceremony was going to take place on 27 July 2012 whatever happened.
- Third, the pulling power of the Olympic brand. A number of people talked about 'magic dust' of the Olympics and it inspired people to be part of the project whether to work or to volunteer.

Despite that, success was not guaranteed, nor was the process perfect. There were other factors that suggested the Games might be a stretch too far and which are usually leading indicators of project failure: the different objectives of the main protagonists and the fact that it had to survive two mayoral elections and at least one national election. That was compounded by the lack of due diligence on the initial bid – both on budget and feasibility; the lack of contingency planning on internal structures against the possibility of a London win and the subsequent fight over who led; internal political divisions within government which had been marked by early scepticism of some key players; and later the 2008 crash which meant many of the initial assumptions had to be revised. It took two years for the final longer-term

¹⁷² National Audit Office, *Assurance for Major Projects* (2012)

¹⁷³ National Audit Office, *Initiating Major Projects* (2011)

¹⁷⁴ National Audit Office, *Assurance for Major Projects* (2012)

¹⁷⁵ Public Accounts Committee, *Assurance for Major Projects* (2012)

internal structures and personnel to be finalised. There was a similar lag in central government getting its act together on security.

Moreover, the relationship first with the bid company and then with LOCOG was uncomfortable for some in government and there are clear divides on whether LOCOG was 'just-in-time' or a lean, cost-conscious organisation that was always on track to deliver a fantastic Games. More specifically, there were ambiguities between ODA and LOCOG on what state the stadia would be in for handover – more precisely what LOCOG's responsibility for 'overlay' meant. And the line between LOCOG and government responsibility for security was a source of tension and probably drawn in the wrong place. A number of people also remarked on the size of the Government Olympic Executive and there remain people who were involved in the early stages who still feel that the government effort would have been better coordinated by a predominantly civil service style 'light touch secretariat'.

We can point to what worked well in the way government and the wider public sector approached the Games. But we cannot judge the counterfactual of whether they would have worked as well, or better, with different arrangements.

Lesson 1: Project trumps silo

A repeated theme across the board was that, whatever the competing agendas, organisations and personalities, everyone was committed to the success of the 'project' with a sense that the failure of one element meant the failure of everyone. Lin Homer, Chief Executive of HMRC¹⁷⁶, thought the Olympics benefited from 'a massive degree of energy released by the high profile, values-based project'. It would be easy to assume that that is inevitably the case for the Olympics and take it for granted – but instead this was in marked contrast with previous experience. David Higgins compared what went on in London to Sydney:

ODA and LOCOG had different purposes. The history of the Olympics is that the two organisations can be in conflict. One of the early decisions we made was not to have an ODA brand... there was only one brand – London 2012.

We have emphasised the importance of the early decision to locate ODA and LOCOG in the same building in Canary Wharf. The view that ODA and LOCOG would either succeed together or fail together, whatever their differences of structure or approach, was a crucial driver of project success.

But the commitment to the success of the project went well beyond the two delivery bodies. It characterised the contribution of government departments by the end though with some coming on board later than others. A senior official outside DCMS/GOE comments that 'everyone won by being a bit more broad minded in the way we operated'.¹⁷⁷ And a DCMS official said 'it was in no-one's interests for the project to fail'. That applied across the wider public sector as well. This emphasis on collective project success and common purpose was noted as being in stark contrast to the more usual siloed ways of departmental working.

Lesson 2: Bring together the right people in effective teams

The project was a necessary magnet to attract good people, but it was not sufficient. There was a deliberate move, supported by the Treasury, that the search for people had to be worldwide to get the best people into key roles in ODA and in the Government Olympic Executive. The importance of having 'world class' people, with strong track records, recruited through a global process, was stressed throughout – and many emphasised that the arbitrary cap on public sector salaries that the Coalition has

¹⁷⁶ Lin Homer is also a former Chief Executive of UKBA and Permanent Secretary of the Department for Transport

¹⁷⁷ Quote from interview with an FCO senior civil servant

(partially) imposed would have prevented the recruitment of some of the people who were repeatedly identified as being critical to Games success. That did not mean always recruiting the obvious candidate, as was clear from the appointment of Paul Deighton from his role as Chief Operating Officer of Goldman Sachs Europe to run LOCOG.

In the early post-bid days however internal government processes were found lacking, with an inability to mobilise internal talent and deploy it onto the riskiest government project. Although this capacity is now being developed as part of the Civil Service Reform Plan, the lack of a planned redeployment of people – who have gained scarce project management skills from their time in GOE – into other, similar projects across government, is striking.

The final aspect of getting the right people onto the project was the need to move fast when it became clear that changes of personnel were needed. This is best emphasised by the widely lauded act of Barbara Cassani stepping down as chair of the bid company, recognising she was not the right person to lobby for the bid she had developed, and making way for Seb Coe as London formally became a candidate city.

The second critical success factor was the creation of effective teams, both within and between organisations. This applied across the board, where new organisations were created from scratch. In GOE for instance, secondees and DCMS staff worked alongside external recruits and consultants. The track record of external recruits into the Civil Service is not great, as former Cabinet Secretary Gus O'Donnell has pointed out¹⁷⁸, but one of the successes of GOE was recognising the complementary skills of team members, using private sector recruits' specific skills and the Civil Service's ability to handle relationships and make the Whitehall machine work. One issue that clearly grated – and would potentially be an even bigger issue on a less compelling project – was the gross disparity between the salaries of the external recruits compared to their civil service colleagues. As one pointed out his annual salary was less than his boss's bonus.

Lesson 3: Personnel stability and personal relationships matter

Putting the first two lessons together, a critical success factor for the Olympics was the quality of the relationships between the principals. That in turn was the product of two things: continuity of personnel in key roles, and their willingness to invest in building trust.

In contrast to public sector – and in particular civil service – norms, people stayed with the project. Seb Coe and Paul Deighton stayed at the top of LOCOG throughout. Key figures in the GOE stayed through the course and Jonathan Stephens is the second longest-serving permanent secretary in government today, having been told on appointment by the Cabinet secretary that he was there for the duration.¹⁷⁹ People in the GOE stayed to the end of the project, even though in some cases they were told this could hold their career back.

Even more striking was the political continuity with Tessa Jowell, Hugh Robertson and Don Foster staying as the Games leads for their respective parties from before the bid. Continuity in the Mayor's Office was achieved through Neale Coleman, who also played a critical integrating role between government, the GLA and the boroughs.

That stability of the key members of what Tessa Jowell's 'coalition of the willing' was underpinned by strong relationships both between politicians, despite their ideological differences, and between the organisational leaders. David Higgins made clear that he invested a lot of effort in ensuring good relations with Paul Deighton at LOCOG:

¹⁷⁸ Lessons from a Land Down Under, IfG blog, 13 June 2012, <http://www.instituteforgovernment.org.uk/blog/4527/lessons-from-a-land-down-under%e2%80%a6/>

¹⁷⁹ Permanent Secretaries, IfG blog, 20 November 2012, <http://www.instituteforgovernment.org.uk/blog/5204/permanent-secretaries/>

I said to Paul very early on that we should never fight, our organisations should never see us at each other's throats and if we ever got to a stage when where we couldn't work together, I would resign.

Co-location was important in making sure relations worked well.

Not all relationships had time to grow naturally. The value of the test events was to put people who needed to work together at Games time together so that they could get to know each other in the way that the old hands already did:

*Those various events allowed the team to come together so that when we started doing this for real, we weren't saying 'who the f**k are you'? We knew each other and knew how people reacted in a crisis.¹⁸⁰*

Lesson 4: Political cooperation creates space for project success

Cross-party support is a pre-condition of bidding, with the IOC aware that Games need to survive political transitions. But the level of political cooperation in this Games is still remarkable and avoided the Games becoming a political football. Partly this was achieved through the exceptional political continuity highlighted above.

Transparency and trust was the other ingredient for political cooperation. Robertson received regular briefings from DCMS and then GOE on the state of the project without government political representatives present which dramatically eased the transition after the election.

The early commitment and the regular briefings paid dividends by depoliticising the Olympics, even when the new higher budget was set (perhaps because it was easier for a government that aspired to take office before Games time). This might not have been the case if they Games had not been so obviously on track. Being part of a bi-partisan consensus can also be politically difficult for the individuals involved but David Higgins, for example, was clear that politicians did not use detailed briefing on the project for partisan advantage. This pays huge dividends for managing a project which could have been chopped and changed as politicians moved. Legacy has suffered from the absence of the same degree of political consensus.

Lesson 5: Change and time discipline are crucial

The poor reputation of public sector projects stems from the fact they go over budget (for example the Scottish Parliament which cost ten times its initial budget¹⁸¹) and are late. The Olympics had the hardest of hard deadlines. But the London Olympic build came in well under the (expanded) 2007 budget – and was completed ahead of schedule. The post-bid phase of the Olympic project benefited from three things.

The first was the time invested between 2005 and 2007 in getting the scope right. Tessa Jowell emphasised the importance of getting the first two years of the project right – the scoping, the budget and personnel. Second was the rigorous scope control and formal handovers between phases within ODA. Third was the ability to make timely decisions which benefited from the private sector emphasis on the costliness of delay. As Jeremy Beeton put it: 'civil servants and government don't really understand programmes, and they don't really understand the importance of time and the consequences of not doing things on time. All the things civil servants have to do...they have to do 100%. In my world, if it's good enough get on with it.' Structures were also created to allow fast decisions when needed (for instance in deciding that the construction of the Village needed to be exclusively publically financed).

¹⁸⁰ Quote from interview with Chris Allison, Metropolitan Police Assistant Commissioner

¹⁸¹ Scottish Parliament, *The Holyrood Inquiry* (2004)

Finally, political continuity and consensus meant the project was spared a politically inspired change (the Boris Greek touch in the village and the emblematic decision to dispense with the ‘wrap’ being the two notable exceptions). Ministers learnt the lessons of the Dome and the arm’s-length structures established kept them away from design and creative content.

*ODA was genuinely going to be arm’s length. Our experience of meddling with Wembley and the Dome had persuaded us that ministers simply shouldn’t be involved in these decisions.*¹⁸²

Lesson 6: Limit innovation

There is another linked lesson here – which is to limit innovation. That is at first sight counter-intuitive – with big projects crying out for new solutions.

Both on the build and the operations side, those involved saw clear advantages in using tried and tested methods. As John Armitt pointed out: ‘we on occasions resisted anything which was going to be too technically clever because we couldn’t take the risks. It’s the dilemma you have: will you be first or second in the field? It might sound dull being second but it’s often better.’ This applied on the operational side as well – which was based on working through organisations and processes that had worked before albeit not at that scale or intensity – and only filling the essential gaps that the additional Games pressures needed. Thus TfL led on the Olympic Route Network; the security strategy was based on existing counter-terrorism arrangements. The policing plan used existing structures and local authorities scaled up their normal efforts on waste and recycling. Innovation was confined to gap filling, for example, by creating the Coordination Centres for both transport and security where these did not exist or developing the travel demand management programme.

As a number of people pointed out, the Olympics did not necessarily require people to do new things, but it did require them to scale up existing functions to meet unprecedented demand. Two of the risks that materialised in the project came when organisations were not capable of doing that: when Ticketmaster (who run the biggest ticketing operation in the world) were forced to abort the January round of ticket exchange and allocation, and when G4S (the biggest provider of private security personnel in the world¹⁸³) was forced to admit that it would be unable to meet its contracted staffing provision for venue security. This underlines the fact that change of scale requires a departure from business as usual and needs to be treated as a potentially risky innovation.

Lesson 7: Budget realism and transparency brings benefits

It took two years for a more realistic budget to be set. But when it was, it brought a range of positive benefits. The one judgement that is impossible to make is whether a tighter budget with less contingency would have ended up in a lower outturn.

First, once the £9.3bn was settled, it was stuck to and gave everyone a basis for proper management. The Treasury insistence on including a big slug of contingency into the budget, for whatever reason, proved to be very helpful in allowing risk to be managed at the appropriate level. The contingency also allowed for the public refinancing of the Village in the wake of the financial crisis, a number of unpredicted costs to be absorbed at later stages of the project and expedited decision making. The second consequence was the change in the Treasury’s role. From being hostile and disinterested in the pre-bid stage, once the Treasury realised the Games were going to happen they very actively participated in setting a realistic budget, getting involved with the ODA, and then became very

¹⁸² Quote from interview with a former Downing Street adviser

¹⁸³ <http://www.guardian.co.uk/business/2012/sep/11/g4s-failed-olympic-security-lord-coe>

supportive partners of GOE who described them as ‘inside the tent all the way through’.¹⁸⁴ This more collaborative approach was very beneficial.

The decision to leave costs in the budgets of big delivery departments, within the funding package, created a useful dynamic for Games delivery. But legacy suffered from the lack of a dedicated budget.

However the principle of project budgeting could have been taken further, to allow complete flexibility between capital and one-off resource costs.

A realistic budget and project plan were a necessary precondition for transparency but everyone we spoke to agreed that the exceptional degree of transparency surrounding reporting progress on the project and budget, by both ODA and GOE, was hugely valuable. It not only provided a basis for defusing potential criticism, and making clear that the project could stay within budget, but it also pre-empted the inevitable PQs and Freedom of Information requests that the team would otherwise have spent valuable time dealing with. Transparency also acted as a driver for cost reduction according to GOE – since all costs would be public – and it was a crucial enabler of the degree of political cooperation that the project enjoyed. Over time the transparency built confidence both that the venues would be ready in time and that the budget envelope would hold, as those responsible for planning could show the ability of the generous contingency to absorb additional costs.

Lesson 8: Arm’s-length bodies and the public sector can deliver

The Olympics was not delivered by Whitehall, though Whitehall played an important role in ensuring and assuring delivery. It was delivered by specially created arm’s-length bodies, acting in concert with a range of well-established organisations but who were nonetheless required to operate at a scale and intensity that most had not done before.

The heavy lifting for the Games was done by an executive non-departmental public body (ODA). LOCOG was a private company limited by guarantee, with three stakeholders – the Secretary of State for Culture, Media and Sport, the Mayor and the BOA. Another executive NDPB which predated the bid, UK Sport, performance managed the plethora of sporting bodies into delivering a medal haul which fell exactly within their expected range. But the wider delivery landscape included a range of government departments and their agencies, the GLA and a number of London boroughs and other local authorities and the devolved administrations (notably Weymouth, but also every local authority the Torch relay passed through), as well as the police service, the military, the security services, Transport for London and the private rail operators. Early on the London Development Agency was able to act in advance of the establishment of legal establishment of the ODA to manage the land assembly. Each of these bodies had to work in effective partnership with numerous private sector contractors.

The structures reflected learning from earlier Games (as well as IOC requirements) but also from previous failures where accountabilities were unclear and where there was insufficient independence from ministers. Form followed function and the newly created bodies had both the resources and the powers they needed to deliver the Games. ODA benefited from a strong board with the right sort of expertise.

GOE acted as ODA’s sponsor and was comfortable with that relationship. However it is not clear that people within government worked through enough in advance the consequences of the incentives LOCOG faced and the implications for the relationship. LOCOG faced the IOC and did not see itself as ‘sponsored’ by government despite the guarantee. LOCOG did not fit into other people’s timetables that easily, which caused frustration as did its opacity on its plans. There were times too when people in government thought it was slow to recognise political sensitivity whether over ticketing (Gus O’Donnell remarked ‘People at LOCOG just did not realise the ill will generated by people repeatedly trying and

¹⁸⁴ Quote from interview with David Goldstone, GOE Director of Finance and Build

failing to get tickets') or at public discontent that allocated seats were not occupied at early stages of the Games. The LOCOG reaction was perfectly logical given they regarded their prime clients as the IOC and the athletes, and were driven by commercial rather than other imperatives, but it led to a degree of disconnect with government.

The final role of the public sector was to act as provider of last resort: the military had to backfill for G4S and cover the shortfall in security personnel. This persuaded Defence Secretary Philip Hammond of the value of the public sector in providing resilience.

That's the thing that I'm learning, that the application of the lean commercial approach model does have relevance in areas of the MOD but equally you can't look at a warship and say 'How can I bring a lean management model to this?' because it's doing different things with different levels of resilience that are not generally required in the private sector... We don't ask the military to prepare to maybe be able to do something or to have an 80% chance of delivering. We ask the military to be in a position that, if we ask them to do a task, they are absolutely able to do it for us.¹⁸⁵

Lesson 9: Design in safety and sustainability from the start

Two things that went very well on the Olympics were safety and sustainability. That is because they were put at the heart of the project from the start not added on as afterthoughts.

One of the things that most of the engineers working on the Games are proudest of is that no one was killed on the Olympic site, in contrast to previous Games. A Health and Safety Executive senior employee stressed that this was because of the vital role played by ODA and CLM in embedding the right culture in their contractors:

ODA and CLM genuinely engaged in the project, and by that engagement – particularly health and safety – showed that if the client takes a real interest and actively demonstrates leadership and seeks assurance that the standards set are being achieved, you can make a real difference to project outcomes.

Similarly on security, the Senior Responsible Owner (SRO) for Olympic security, Charles Farr says that VIPs he showed round the Games venues 'were astonished at what could be achieved aesthetically while building in security' and attributed that to the generous funding and high calibre of the ODA.

The Games had been sold on an ambitious 'one planet' prospectus with the ambition of being 'the greenest games ever'. Governments have repeatedly committed themselves to ambitious sustainability objectives but fallen short on delivery. The Olympics would be the benchmark against which other projects would be measured. One of the notable features about London 2012 was the way the ODA integrated sustainability from the start – both generating innovation and cost reductions, rather than treating it as an add-on at the end which adds to cost rather than saving it. Early specification meant that ODA could insist on standards from contractors for example. Shaun McCarthy explained: 'The sustainability standards were set well before the big budget change: the velodrome contractors tried to get sustainability standards relaxed and were turned down by David Higgins because they'd signed the contract knowing the standards.'

One of the commitments in the bid was to set up an independent commission to review progress on meeting high sustainability standards. This proved a valuable institutional innovation that acted as a challenger and also as a buffer between the ODA, LOCOG and potentially critical NGOs when scope changes were needed – as on the decision to abandon the wind turbine on the site. This offers a blueprint on how future major projects can be used to raise sustainability standards. According to Shaun McCarthy, 'if government procured like the ODA then sustainable procurement would be sorted'.

¹⁸⁵ Philip Hammond interview in the Independent, 14 August 2012, accessed at <http://www.independent.co.uk/news/people/profiles/philip-hammond-games-humanised-the-face-of-armed-forces-8038712.html>

Lesson 10: Beware false economies

Could the Olympics have been done for less money? Possibly yes, although it is impossible to know whether the Games could have been delivered to the same standard. Many interviewees commented on the ‘generous funding’ of the ODA (particularly in contrast to LOCOG) and the fact that there have been substantial bonuses – not least for the project management consortium.

But when delays and litigation can both cost substantial sums of money, the Olympic project is notable for the absence of both. Part of that is because of investment upfront in scoping the programme. John Armitt says:

That front end costs money. Whether its private sector or public sector clients, they don't like spending money at the front end. They think they should only start spending money when the construction work starts. But if you spend more money on investigation and understanding what you really want whether it's with a hospital or anything, you stand a lot less risk of getting to the end and having a consultant walk in and tell you that it's not suitable for them to work in.

It also lies in investing in project management and using highly incentivised contracts designed to allow contractors to make decent margins without having to constantly rescope the project. This contrasted both with the use of inflexible fixed price contracting for Wembley stadium¹⁸⁶ and the lack of milestones or investment in project management in the FiReControl project.¹⁸⁷ One interviewee contrasted the ODA approach with normal government practice which screws down the initial contract price only for it to balloon at the back end:

When I went to talk to a large government department a few weeks ago, they just couldn't start to comprehend that we had capped the downside for the contractor. They said that their contractors had to lose 40% before they would help them, and I said 'Well, either you're mad or they're mad. Don't kid yourself that that's actually going to help you. The contractor is terrified that it's going to go wrong. They're not optimistic about their ability to do it well. They'll be cutting costs all the time which leads to poor-quality work.'

Similarly, the determination to make the project work meant that the salaries paid to many of the principals were well in excess of the current notional ‘cap’ at the Prime Minister’s salary. But attracting top players with very established track records was core to the success of the project and a very small cost compared to overall project value.

Third, there were areas where long-term value may have been sacrificed to short-term cost constraints – not least on the flexibility of the stadium for future use and a failure to establish mechanisms to entrench parts of the wider legacy on volunteering and sporting participation. At the time adding in the bit extra to cover these would have looked difficult to justify. With the benefit of hindsight it looks as though it may have been a missed opportunity.

Lesson 11: Plan, assure, test

It is difficult to get the level of assurance and planning right. People in the GOE admit that there was a considerable degree of “overplanning” in the Olympics and some people have criticised the extent of the industry which grew up around assurance and the extent to which different sorts of assurance and scrutiny added value. But with a project of this profile ‘over’ was definitely preferable to ‘under’ planning.

Internal planning, assurance and audit processes within the delivery organisations worked very effectively both to ensure the project was on track and to challenge the organisation to do better. The use of the New Engineering Contract 3 (NEC3) contracts on the build meant that contractors had incentives to surface problems early, with modified contracts requiring that CLM deliver the ‘highest

¹⁸⁶ <http://www.ft.com/cms/s/2/82608ddc-cb54-11e1-b896-00144feabdc0.html#axzz2D2M4GA6h>

¹⁸⁷ Public Accounts Committee, *The Failure of the FiReControl Project* (2011)

quality skills and care' instead of the conventional 'reasonable skills and care' in their work.¹⁸⁸ LOCOG led detailed planning to reduce vulnerability to industrial action in the run-up to the Games. Construction and commercial expertise within GOE gave government more confidence in exercising its own judgement that the project was on track. Detailed contingency planning paid off when the move to use the military to cover for G4S weeks before the Games went smoothly.

Some people were more sceptical about the value of external scrutiny – whether from Treasury, PMDU or other central units. Scrutiny from central bodies far removed from the delivery of the project was seen as largely deficient, with a perception that such bodies inevitably took a superficial view. The Commission for Sustainable London 2012 offered an interesting model for project scrutiny – close enough to understand the decision making process – but was removed enough to be able to act as a genuine critical friend.

The area of risk that was least well managed was the policy risk of decisions that lay well beyond the boundaries of the core project – while the cost review as part of the CSR was managed effectively by DCMS and GOE, the smooth course of the Olympics suffered some setbacks or distractions, whether from the proposed merger of UK Sport and Sport England announced in July 2010; the knock-on effects of the abolition of the Regional Development Agencies which meant regional business coordinators lost their funding three months before the Games or the more deliberate decision by Department for Education to remove the ring-fence around school sport spending.

Good planning was underpinned by rigorous testing for extreme contingencies. Many people also pointed to the benefits – both in terms of testing processes but also building teams – with advice not to scrimp on testing and exercising.

Lesson 12: Be bold and ambitious

The final lesson is about the importance of political vision and leadership.

The evidence base for bidding for the Olympics was always weak. DCMS officials found it hard to build a business case that stacked up. The 2002 No.10 Strategy Unit study of sport concluded that 'there was no evidence that hosting a major sporting event benefitted anyone' according to one interviewee – a conclusion that was toned down when there was a real possibility of a bid. The final report advised proceeding with caution, with the establishment of a 'Mega Event Centre of Expertise' to ensure that bids for major sporting events were viable and followed a coherent strategy. A purely technocratic approach to policy making would have said that the benefits did not outweigh the costs, even on the much lower bid budget. One of the officials involved in the bid says:

*Blair and Jowell were right about the Olympics and all the officials who advised her not to do it were wrong. That's at that political level, even though at the level civil servants are supposed to operate at, about costs and benefits, they were right.*¹⁸⁹

The decision to go for the Games was a high-risk political decision. For Ken Livingstone it was an entirely logical way of getting extra government cash for regeneration in the most deprived part of the capital. But without a mayor acting for London, the Games bid could never have happened. The key actors within government were Tessa Jowell and Tony Blair, who refused to be 'scared' by previous failures and decided to go with the project, off the back of the Commonwealth Games success, on the basis that this would enhance Britain's image and was the sort of thing that the UK should do as a major country. Had the bid been lost, reputational issues would have been to the fore – a loss to Paris so soon after a general election overshadowed by the Iraq War would have been politically uncomfortable for the government. Risks remain if the 'legacy' fails to meet expectations – though the view of those we spoke

¹⁸⁸ *New Civil Engineer*, 'Major Project Report: Delivering the UK Games' (2011)

¹⁸⁹ Quote from Paul Bolt, former DCMS Senior Civil Servant

to was that physical legacy is fairly well secured compared to earlier Games. But the Olympic success illustrates the point that policies need to blend the political with the technocratic.¹⁹⁰

Conclusion: One-off or new model?

There are clear lessons from the Olympics that can be transferred directly to other major sporting projects. The team working on the Glasgow Commonwealth Games in 2014 are already doing that. The question is whether there are implications for the way other major projects or major operations are executed.

As we noted at the start of this chapter, there is a heavy dose of Olympic exceptionalism: the external commitments, which drove both the eventual funding and cross-government collaboration; the hardness of the deadline and the pulling power of the Olympics themselves. Those things helped deliver the Games but the 'soft' legacy has suffered in comparison. It is recognised that many of the lessons we draw out above apply to other major projects (although normally this recognition comes from them not being properly applied. They can and should be applied to future projects, that is:

- the focus on the project
- drawing on people with track records of performance on similar projects not only to deliver but also to help government perform its intelligent client function
- setting a realistic project budget and then managing it transparently
- the emphasis on assurance and contingency planning.

Government itself needs to adapt to allow this to happen. The creation of the Major Projects Authority is deepening project management expertise and addressing the need to increase the depth of project management and commercial skills within government and the capacity to redeploy expertise to where it is needed. This is something that was notably absent when the UK won the bid in 2005. The Civil Service Reform Plan emphasises the need for a more unified, accountable and skilled civil service. This all goes with the grain of our lessons. But it is clear too that projects need to retain the flexibility to pay to get the right people and that pay and promotion systems need to be able to incentivise people to stay with projects as long as the project needs them. This looks increasingly difficult in the current climate but we all bear the costs of false economies.

The final message is for politicians. The Olympics benefited from dynamic political leadership from within government but also from the newly created Mayor's Office. The experience also underlines the benefits of political continuity. The lack of political challenge in the early stages may have been one reason why the bid was allowed to go forward on a basis that many sensed was flawed. But once the bid was won, the project was allowed to thrive, protected from normal party politics – not least because an incoming government had a huge vested interest in taking over a project that was on track and adequately funded. The political exclusion zone around the Olympics (which did not extend to elements of legacy) would be hard to replicate for other, less high-profile and less prestigious projects. But there does appear to be such clear benefits from political cooperation around project delivery (as opposed to the principled arguments about project choice), that it would be worth testing the potential to make it the norm rather than the exception.

This has been our attempt to meet the challenge of learning the lessons from the UK confounding national scepticism and getting something right. But our aim has been to open up a discussion, not to give a definitive answer. We hope this will provoke that discussion.

¹⁹⁰ Hallsworth M, Parker, S and Rutter, J, *Policy Making in the Real World*, Institute for Government (April 2011)

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Annex 1: Interviewees

From September to November 2012 the research team on this project conducted semi-structured interviews with 58 people who worked across a range of organisations on London 2012 from 2003 onwards. These individuals worked – at various points over the life-cycle of the projects – in the following organisations:

- 10 Downing Street
- Boston Consulting Group
- Cabinet Office
- Commission for a Sustainable London 2012
- Department for Communities and Local Government
- Department for Culture, Media and Sport
- Department for Environment, Food and Rural Affairs
- Department for Transport
- Foreign and Commonwealth Office
- Government Office for London
- Government Olympic Executive
- Greater London Authority
- Health and Safety Executive
- HM Treasury
- Home Office
- London 2012 Bid Company
- London Organising Committee of the Olympic and Paralympic Games
- Metropolitan Police Service
- Newham Borough Council
- Olympic Delivery Authority
- UK Sport

Annex 2: Key personnel

John Armitt: ODA Chair (September 2007 onwards)

Jeremy Beeton: GOE Director-General (July 2007-October 2012)

Jackie Brock-Doyle: Head of Media and PR, London 2012 Bid Company (2003-2005), LOCOG Director of Communications and Public Affairs (2005 onwards)

Neale Coleman: GLA Director, London 2012 (2003 onwards), London 2012 Bid Company board member (2003-05), ODA board member (2006 onwards)

Seb Coe: Deputy Chair, London 2012 Bid Company (June 2003-May 2004), Chair, London 2012 Bid Company (May 2004-July 2005), LOCOG Chair (October 2005 onwards)

Paul Deighton: LOCOG Chief Executive (April 2006 onwards)

David Goldstone: GOE Director of Finance and Build (September 2007-November 2012)

David Higgins: ODA Chief Executive (March 2006-February 2011)

Dennis Hone: ODA Director of Finance and Corporate Services (August 2006-February 2011), ODA Chief Executive (February 2011 onwards)

Boris Johnson: Mayor of London (2008 onwards)

Tessa Jowell: Secretary of State for Culture, Media and Sport (June 2001-June 2007), Minister for the Olympics (July 2005-May 2010), Shadow Minister for the Olympics (May 2010-September 2012)

Ken Livingstone: Mayor of London (2000-2008)

Keith Mills: Chief Executive, London 2012 Bid Company (September 2003-July 2005), LOCOG Deputy Chair (October 2005 onwards)

Hugh Robertson: Shadow Minister for Sport and the Olympics (July 2005-May 2010), Minister for Sport and the Olympics (May 2010-September 2010), Minister for Sport, Olympic Legacy and Tourism (September 2010 onwards)

Jonathan Stephens: DCMS Permanent Secretary (October 2006 onwards)

Sue Street: DCMS Permanent Secretary (November 2001-October 2006)

List of acronyms

ALB: Arm's length body

BOA: British Olympic Association

CPFG: Cross-Programme Finance Group

DCMS: Department for Culture, Media & Sport

DfT: Department for Transport

GLA: Greater London Authority

GOE: Government Olympic Executive

HMT: Her Majesty's Treasury

IOC: International Olympic Committee

LDA: London Development Agency

LOCOG: London Organising Committee of the Olympic and Paralympic Games

MoD: Ministry of Defence

MPA: Major Projects Authority

MPLA: Major Projects Leadership Academy

NAO: National Audit Office

NDPB: Non-departmental public body

NEC: New Engineering Contract

ODA: Olympic Delivery Authority

OGC: Office of Government Commerce

PAC: House of Commons Public Accounts Committee

PSFP: Public sector funding package

PMDU: Prime Minister's Delivery Unit

SRO: Senior Responsible Owner

TfL: Transport for London

UKBA: UK Border Agency

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