

THIS IS GREAT

BRITAIN

LONDON 2012 OLYMPIC AND PARALYMPIC GAMES
QUARTERLY REPORT
DECEMBER 2011

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department for
culture, media
and sport

improving
the quality
of life for all

DCMS aims to improve the quality of life for all through cultural and sporting activities, to support the pursuit of excellence and to champion the tourism, creative and leisure industries.



host government department of the
Olympic and Paralympic Games

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The wait is nearly over. In just under a month's time Big Ben's chimes will herald the start of the London Olympiad and we'll be on the final straight to London 2012. The pressure is on but as we cross the threshold into 2012, preparations for the Games are in good shape.

With eight months to go until the curtain is raised on the Olympic Opening Ceremony, the construction programme to Games-time is over 90 per cent complete and the whole project remains within budget with around £500m of contingency still available. Continuing progress has been made in 2011 with venues completed and handed from the Olympic Delivery Authority (ODA) to the London Organising Committee (LOCOG); Tickets have been sold, test events are underway; the Torch Relay routes have been announced, medals have gone into production; Games Makers have been selected and Jacques Rogge and Sir Philip Craven have invited athletes from across the world to London to compete in the Games.

In fact, we are so well placed that most of the main venues have already been used by athletes to train or compete. This includes the women's GB hockey squad whom I met during a training session to test out the newly finished state of the art hockey pitch. The uniquely coloured blue and pink pitch used with a yellow ball is designed to maximise the experience for players and spectators and highlights the attention to detail that has gone into the planning for the Games.

However, the opening with the biggest impact to date is that of Westfield Stratford City. Millions of shoppers have walked through its doors and taken in the fabulous views of the Olympic Park. It is the biggest urban shopping centre in Europe and has created thousands of jobs, making it a key part of the regeneration legacy that is being created in East London.

Maximising the economic benefit of the Games is a key Government priority. That is why we launched the GREAT campaign to promote the UK as a destination for tourism and inward investment. The GREAT campaign promotes British business, creativity and innovation – all of which have been brilliantly showcased on the London 2012 project. So it is right that we champion these qualities overseas in order to further advance the economic legacy from the Games.

Our commitment to securing a legacy from the Olympic Stadium and re-opening it in 2014, underpinned our decision to halt the sale process earlier this year and keep the venue in public ownership. The legal paralysis that had hit the process threatened to undermine progress. The new model now puts us in a strong position to oversee the legacy of the Stadium and helped to deliver the World Athletics Championship to London in 2017 as a key part of the sports legacy.

However, we are not complacent and it is this attitude that has led to the careful management of the budget. This has enabled us to release funding this quarter for venue security and to support our ambitions for the four London 2012 Opening and Closing ceremonies, all from within the £9.3bn funding package.

While the Games may be close, there is still a lot of work to do in the last few months but I am confident that we will step up, as we have done throughout the project, and together put on a fantastic Olympic and Paralympic Games.



A handwritten signature in black ink, appearing to read 'H Robertson'.

Hugh Robertson MP
Minister for Sport and the Olympics

SPORT IS GREAT

BRITAIN

HOME TO THE FIRST EVER OLYMPIC AND
PARALYMPIC-INSPIRED SCHOOL GAMES

Brentford Girls Football Team



PUBLIC SECTOR FUNDING PACKAGE FOR THE GAMES

The overall Public Sector Funding Package (PSFP) for the Games remains at £9.298bn. As stated in our 2011 Annual Report in February, the breakdown of the funding package altered from April 2011 reflecting the changing focus of the programme from construction to the operational delivery of the Games.

In the 2011 Annual Report we published the baseline funding available for each part of the programme following the 2010 Spending Review (SR). This is reproduced in Table 1 below, alongside latest forecasts.

CONTINGENCY REMAINING	£m
ODA programme contingency	174
PSFP contingency and other savings	354
Total PSFP	528

TABLE 1: PSFP PROGRAMME FORECASTS AGAINST 2010 SPENDING REVIEW BASELINE

Public Sector Funding Package	SR Baseline (£m)	30 September 2011 forecast (£m)	Variance (£m)
ODA, including:	7,321	7,189	(132)
ODA excluding programme contingency	-	6,682	-
ODA programme contingency	-	174	-
ODA including programme contingency	-	6,856	-
Park transformation funds returned	-	333	-
Policing and wider security	475	475	0
Elite and community sports	290	290	0
Venue security	282	553	271
Paralympic Games	95	95	0
LOCOG Park Operations	67	67	0
Funding available to LOCOG ¹	65	118	53
Operational provisions ¹	62	95	33
'Look' of London and wider UK	32	33	1
City operations	22	22	0
Domestic and International tourism campaigns	0	25	25
GLA Olympic and Paralympic programmes	0	13	13
Saving resulting from transfer of Park transformation scope to OPLC	0	(31)	(31)
PSFP contingency and other savings remaining	587	354	(233)
Total	9,298	9,298	0

¹ As a result of post-SR reconciliations, £2m in Operational provisions baseline transferred to LOCOG baseline.

ODA BUDGET POSITION AND ANTICIPATED FINAL COST

The ODA has returned £333m to the Department for Culture, Media and Sport's (DCMS) Government Olympic Executive for transformation works to the Park which are now to be delivered by the Olympic Park Legacy Company (OPLC). The transfer of this scope has resulted in a saving of £31m; the OPLC only require £302m in order to deliver equivalent scope. This saving is the result of efficiencies the OPLC can achieve by integrating this scope with its existing plans, and the different VAT arrangements that the OPLC is subject to. The ODA's current forecast cost to completion is £6,856m (this includes £174m programme contingency). However, on a like for like basis, compared with the SR baseline of £7,321m (which included transformation works), the ODA's AFC would now be £7,189m. This represents a projected £132m saving since the Spending Review, and a £61m reduction in the last quarter due to a combination of savings, and the expectation of reduced risks going forward following the successful completion of the 'Big Build'.

Contracts for the sale of the Olympic Village to Delancey/Qatari Diar Joint Venture (QDD) were exchanged on 9 August 2011. The total agreement will deliver £557.5m of fixed income. The net benefit of the Village to the ODA sale was £14m compared to the overall position estimated within the June 2011 AFC. However, this is split across a number of projects, and other forecast movements in the quarter, relating to the costs to complete the Village works post games, have offset some of the savings. In addition, there are further potential benefits not reflected in the AFC: the timing of the total receipt in 2013-14 rather than a longer time horizon through to 2017-18; and overage that may be earned.

The main changes to the ODA's AFC in the quarter, aside from the transfer of Park transformation, were:

- A reduction of £126m – from £300m to £174m – in the level of assessed programme contingency required to meet remaining risks. The extent of the reduction reflects the achievement in July of the final Big Build set of milestones, the completion of the Village sale agreement, and the transfer of Transformation scope to the OPLC. Programme contingency held for future programme delivery costs has also been reduced as the forecast cost is now shown against the project delivery budget. The reduction excluding Legacy Transformation risks would have been £91m.
- Increased costs and further expected cost pressures totalling £18m for landscaping the Park to improve crowd flow and to open up more areas of the Park to the public during Games-time. As the last project to complete infrastructure works on the Park, Landscaping will absorb any remaining modifications or minor corrections required to finish the Park.
- An increase in the expected costs for delivering bridges and roads within and surrounding the Park, and to improve crowd flows and access to the Park at Games-time. A reallocation of the cost of construction works in the Athletes' Dining Area has also contributed to the total cost increase of £5m, but is balanced by a corresponding decrease elsewhere in the programme.
- As part of the resolution of final works on the Stadium the ODA have achieved savings of circa £12m which will be utilised by LOCOG to undertake capital works on the Stadium.
- An increase in the Aquatics Centre costs of £5m, reflecting the greater clarity now established on the final costs of commissioning the venue and making it ready for both Olympics and Paralympics use.
- An increase in the expected costs for Velopark reflecting the final cost of configuring the Velodrome, particularly lighting and media positions, and the BMX track for Games-time use.
- A reclassification of £40m of costs between Transport Capital and Operational projects reflecting the advanced understanding of operational works required at venues during Games-time for spectators. At the same time, a reduction in anticipated operational costs of £9m following focused scope definition and a re-assessment of risk in delivering spectator transport to the venues.
- An anticipated reduction in costs of £8m for security for Park construction in the pre-Games period.
- A potential saving due to the reduction of cost pressures of £8m on the International Broadcast Centre (IBC) and the Main Press Centre (MPC) for providing cooling systems to serve the building during the Games.
- As a result of the Village sale, a £29m reduction in receipts for the Stratford Development Plots and the benefit of lower forecast tax payable of £30m due to the structure of the sale. Both movements are included in the £14m improvement compared to June position.
- An increase of £37m in programme delivery. This anticipates the full future extent of enhanced payments to the delivery partner, CLM, and also takes account of success in meeting the Big Build milestones, culminating in the 'One Year to Go' celebrations in July at the Aquatics Centre. Where previous increases have brought the AFC into line with the programme at that time, this quarter's change looks to the end of the programme and the likely whole extent of payments due. Potential costs previously held in programme contingency have therefore now been included in forecast programme delivery costs.

The ODA has achieved £42m of savings in the quarter, taking the total amount of savings achieved to date since the establishment of the November 2007 baseline to over £910m.

DESIGN IS GREAT BRITAIN

WORLD FAMOUS ARCHITECTURE
FROM HISTORIC PALACES TO
ICONIC SPORTING VENUES

*London 2012 Aquatics Centre
Olympic Park*



TABLE 2: ODA ANTICIPATED FINAL COST (AFC)

Detailed breakdown of the ODA AFC at December 2011		Nov 07 ODA Baseline Budget £m	July 11 Quarterly Economic Report £m	Transfor- mation £m	Restated July 11 Quarterly Economic Report £m	December 11 Quarterly Economic Report £m	July 11 – Dec 11 Variance £m
Site Preparation and Infrastructure	Powerlines	282	285	0	285	286	1
	Utilities	256	235	(2)	233	233	0
	Enabling Works	364	393	(1)	392	388	(4)
	F10 Bridge	89	59	(1)	58	56	(2)
	Other Structures, Bridges and Highways	740	614	(69)	545	550	5
	South Park Site Preparation	116	91	(7)	84	84	0
	Prescott Lock	5	5	0	5	5	0
	Other Infrastructure (Landscaping)	243	246	(57)	189	207	18
	Total Site Preparation and Infrastructure	2,095	1,928	(137)	1,791	1,809	18
Venues	Stadium	496	486	(36)	450	438	(12)
	Aquatics	214	269	(21)	248	253	5
	Velopark	72	93	(11)	82	86	4
	Handball	55	43	(3)	40	41	1
	Basketball	58	43	(3)	40	40	0
	Other Olympic Park Venues	59	112	(11)	101	104	3
	Non-Olympic Park Venues	84	118	-	118	114	(4)
	Total Venues	1,038	1,164	(85)	1,079	1,076	(3)
Venues Operations	Venues Reconfiguration	17	55	0	55	55	0
	Total Venues Operations	17	55	0	55	55	0
Transport	Stratford Regional Station	119	120	0	120	121	1
	DLR	86	80	0	80	80	0
	Thorntons Field	47	23	0	23	23	0
	North London Line	110	107	0	107	107	0
	Other transport capital projects	178	138	0	138	98	(40)
	Other transport operating expenditure	357	397	0	397	428	31
	Total Transport Projects	897	865	0	865	857	(8)
Parkwide Projects	Logistics for site construction	337	246	(3)	243	243	0
	Security for park construction	354	275	(14)	261	253	(8)
	Section 106 and masterplanning	127	117	(20)	97	97	0
	Insurance	50	50	0	50	50	0
	Parkwide Operations	0	220	(6)	214	216	2
	Security screening and operational areas	0	56	(4)	52	50	(2)
	Other parkwide projects	0	29	(1)	28	27	(1)
	Total Parkwide Projects	868	993	(48)	945	936	(9)
Media Centre and Olympic Village	Stratford City Land and Infrastructure	522	614	(3)	611	614	3
	Stratford City Development Plots	(250)	(100)	0	(100)	(71)	29
	Village Construction – public sector funding	0	706	0	706	707	1
	Village Receipt	0	(324)	0	(324)	(324)	0
	IBC/MPC	220	305	(8)	297	289	(8)
	Total Media Centre and Olympic Village	492	1,201	(11)	1,190	1,215	25
Programme delivery		647	718	(17)	701	738	37
Taxation and Interest – includes Emergency Budget Impact		73	26	0	26	(4)	(30)
Total AFC Before Contingency		6,127	6,950	(298)	6,652	6,682	30
Assessed Risk programme contingency		968	300	(35)	265	174	(91)
Total Potential AFC		7,095	7,250	(333)	6,917	6,856	(61)
Transformation Works Funding Returned		-	-	-	333	333	0
TOTAL INCLUDING TRANSFORMATION WORKS		7,095	-	-	7,250	7,189	(61)

OLYMPIC AND PARALYMPIC SAFETY AND SECURITY

Management of the Olympic and Paralympic Safety and Security Programme, which covers the policing and wider security for the Games, is the responsibility of the Home Office. The Home Secretary is the lead minister, accountable for the delivery of the Safety and Security Strategy and the Security Programme as a whole. The Olympic Security Directorate (OSD), within the Home Office, manages the strategy and its associated programmes, and ensures their delivery through the police and other agencies, departments and organisations.

The Government carried out a full review of security arrangements in late 2010 and remains confident the right plans are in place to deliver a safe and secure Games for all. The Government's approach is intelligence-led and risk-based, giving the flexibility to respond to any changes between now and Games-time. The planning assumption we have used throughout is that the Games will be delivered in the context of a 'severe' level of terrorist threat. This is kept under regular review.

Work is now focused on assuring that the capabilities and plans relied on to deliver the Home Secretary's guarantee to make the London 2012 Olympic and Paralympic Games safe and secure will work in practice. This work will also ensure an effective fit with the other elements of Games delivery. Recognising the critical importance of this, Her Majesty's Inspectorate of Constabulary HMIC has

been commissioned to check the integrity and consistency of OSD's assurance programme and to conduct more in-depth assessments in high risk areas. The consequent programme of work is already underway and the first report has been received.

A key element of assurance is testing and exercising. The Home Office, with support from partners across Government, the emergency services and the Games community, is carrying forward a programme of Games-wide exercises to test the effectiveness, resilience and decision-making capability of key Games-time structures and processes. This programme involves table-top testing to command post exercising and full scale live play events. This ensures that security and safety plans and processes and those involved in their delivery are thoroughly practiced. It is in addition to the existing exercising programme that takes place across all levels of government and emergency services every year to test incident responses. The first Olympic Command Post Exercise, 'Yellow Fortius', was carried out successfully in September 2011 and the next exercise, 'Black Chariot', takes place in December 2011 and will involve 2,000 participants.

Funding for Olympic and Paralympic safety and security was prioritised within the 2010 Spending Review to ensure the safety of all those participating, watching and visiting the Games. The Government remains confident that the core safety and security programme can be delivered within the £475m announced in the Spending Review settlement in December 2010.

Venue security is a shared responsibility of LOCOG, as event organiser, and the Government, as the guarantor of security to the IOC. The preparation of detailed venue-specific security plans has necessarily had to follow on from the development of wider Games operational plans. As the development of venue security plans has evolved so too has the requirement for security personnel at Games time to support them. Accordingly, further funding is being made available to LOCOG to support it in delivering its responsibilities for securing Olympic and Paralympic venues. The level of Government funding is likely to increase from £282m up to £553m. This sum is containable within the overall £9.3bn public sector funding package.

The venue security budget will fund up to 23,700 venue security personnel and the associated recruitment and training costs to protect more than 100 competition and non-competition venues across the United Kingdom.

The increase in security guard numbers is not in response to any specific security threat. The core venue security operation will be performed by G4S private security guards, with additional support from the military and LOCOG volunteers. We will continue to make the best and most appropriate use of all available resources. All roles will be performed by people who are appropriately trained and qualified.

LEGACY IS GREAT

BRITAIN

**75P IN EVERY £1 SPENT ON THE OLYMPIC
BUILD WAS INVESTED IN REGENERATION**

*Queen Elizabeth Olympic Park
(This image is indicative only)*



LOCOG

Funding available to LOCOG has increased by £53m in the quarter, to £118m. We have allocated £41m to support LOCOG in delivering the Government's ambitions for the four London 2012 Opening and Closing ceremonies to ensure four excellent events that will showcase the tremendous creative talent that the UK possesses. The ceremonies for the London 2012 Olympic and Paralympic Games are a unique opportunity to portray a positive image of the UK to a huge potential global audience – an estimated 1 billion people watched the opening ceremony for the Beijing Olympics. Of the £41m, £34m has been released to LOCOG now, while the Government holds the £7m balance as a contingency specifically for ceremonies.

In addition, we expect to use the £12m saving by the ODA on the resolution of final works on the Stadium (as noted in the ODA section of this report) to fund an equivalent amount of capital works on the Stadium by LOCOG.

OPERATIONAL PROVISIONS

As planned, we have released £3m from the operational provisions budget for a programme of Games-wide testing exercises to help ensure that the integration of Games-time Command, Coordination and Communication (C3) arrangements will be operationally effective. The exercises are being delivered by LOCOG and OSD on behalf of all programme partners.

Work is continuing on a programme to ensure the safe management of spectators and visitors in the 'last mile' between transport hubs and venues. We expect to agree a final business case for this shortly, and will provide an update in our next quarterly report. We also expect to make funding available for other operational cost pressures in relation to utilities resilience and workforce transport; again, we will update further in future reports. As a result, we currently forecast an increase in operational provisions from £62m in the SR baseline, to £95m.

DOMESTIC AND INTERNATIONAL TOURISM CAMPAIGNS

We have agreed the release of funding in the last quarter for two campaigns that will use the profile of the Games to generate economic benefits for the UK.

A contribution of up to £21m from the PSFP will be made towards a £39m campaign to promote the UK as a destination for tourism and inward investment in key overseas markets. The campaign, branded 'GREAT', was launched by the Prime Minister in New York, in September. The tourism element of the campaign, led by VisitBritain, is forecast to generate 800,000 extra visitors and £400m of additional visitor spend in 2012-13 alone. UK Trade & Investment are leading a complementary campaign to increase Britain's 'share of voice' from one per cent to three per cent within the international inward investment advertising market, increasing the level of inward investment to the UK as a result.

Additional funding of up to £4m has been released for a domestic tourism campaign, which is also likely to use the GREAT branding. This campaign will be closely linked to the Olympic Torch Relay. It will build on the publicity generated by the Torch Relay to drive an increase in domestic tourism in the nations and regions of the UK.

CONTINGENCY AND OTHER SAVINGS

Following the 2010 Spending Review, £587m of the £9.298bn funding package was held as PSFP contingency for the programme. As a result of the changes in forecasts, particularly venue security, the forecast balance of PSFP contingency and other savings remaining now stands at £354m, a £233m reduction from the SR baseline. In addition to the £354m headroom in the PSFP, contingencies are held within the forecasts for individual programmes. For example, the ODA has programme contingency of £174m. Therefore, with eight months to go, around £500m (circa 25 per cent) of the original November 2007 £2.2bn contingency remains.

The PSFP contingency is available for additional cross-programme issues that may arise, including any major changes in security circumstances. The PSFP contingency will continue to be strictly controlled and will only be released to meet key programme objectives, where costs cannot reasonably be met from existing budgets.

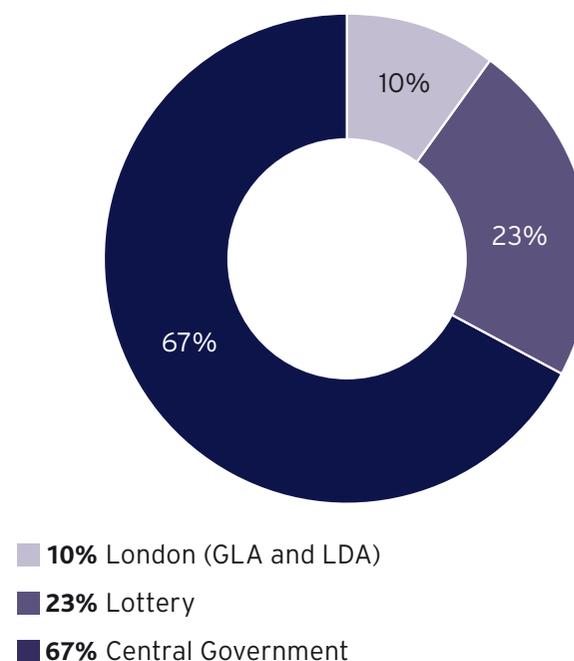
SOURCES OF FUNDING

Government funding for the Olympic and Paralympic programme, excluding security, is held by DCMS. The Greater London Authority (GLA) and the Olympic Lottery Distributor (OLD) continue to contribute, as per the 2007 Spending Review agreement. Security funding continues to be provided primarily by the Home Office.

The overall National Lottery contribution to the London 2012 Games remains at up to £2.175bn, including contributions of £750m from dedicated Olympic lottery games; £340m spending by sports lottery distributors out of their existing funds (including £290m of support for elite and community sport); and £1.085bn to be transferred from general lottery proceeds held in the National Lottery Distribution Fund.

Government remains fully committed to protecting the National Lottery's entitlement to £675m of the receipts of sale of Olympic Park land as agreed in the 2007 Olympic Funding Memorandum of Understanding (MOU) between the Government and the Mayor of London. As stated in previous reports, the 2007 MOU must now be updated to reflect the transfer of ownership of the Olympic Park land last year from the London Development Agency to the Olympic Park Legacy Company (OPLC); discussions about this revision between Government and the Greater London Authority are also now taking account of the Mayor's proposal to establish a Mayoral Development Corporation which will assume the role and assets of the Olympic Park Legacy Company. A new agreement should be in place before this transfer takes place on 1 April 2012.

Funding from:	£bn
Lottery	2.175
London (GLA and LDA)	0.875
Central Government	6.248
Total	9.298



Government Olympic Executive (GOE)

The Department for Culture, Media and Sport (DCMS) is the host department of the London 2012 Olympic and Paralympic Games. DCMS aims to improve the quality of life for all through cultural and sporting activities, to support the pursuit of excellence and to champion the tourism, creative and leisure industries. The Government Olympic Executive (GOE) has been set up within DCMS to ensure the Games are delivered on time and on budget and that they benefit the whole of the UK. This includes overseeing the entire London 2012 project, identifying and solving problems, delivering the public sector effort and being accountable to Parliament and to the public.

Olympic Delivery Authority (ODA)

The Olympic Delivery Authority (ODA) was established by the London Olympic and Paralympic Games Act 2006 and is responsible for building the permanent venues and infrastructure needed for the Games. The ODA is a non-departmental public body (NDPB) whose Board is appointed by the Minister for the Olympics and Paralympics (in consultation with the Mayor of London) and is responsible to the GOE. The ODA is the primary recipient of support from the public sector funding package, which comprises funding from the Government, the Lottery and the Mayor of London.



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December 2011

Design: red-stone.com

Photography: All images kindly supplied by the ODA plus:

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