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IS**

GREAT

BRITAIN

**LONDON 2012 OLYMPIC AND PARALYMPIC GAMES
QUARTERLY REPORT
JUNE 2012**

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department for
culture, media
and sport

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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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This is the last economic report before the London 2012 Olympic and Paralympic Games and reflects on what has been achieved in delivering the Games. Many thousands of people have worked on the Games to get us to the position we are at today – on time and under budget – and I would like to thank each and every one who has played their part.

The Olympic Park has become so familiar on the East London skyline that it is easy to forget the contaminated industrial land that was there before. In just six years the Olympic Delivery Authority (ODA) has built the equivalent of two Heathrow Terminal 5's in half the time, creating a fabulous new park with outstanding venues and green spaces complemented by improved transport links and a massive new shopping centre. It has become an iconic corner of London built using the experience and talents of companies from across the country and it is testament to the skill of the British construction industry.

We are also on course to deliver the programme within budget, despite the adversity of the global economic climate and the loss of private sector funding. Being able to absorb the unanticipated costs of constructing the Olympic and Paralympic Village and media centres without going over budget is a real achievement, thanks to the skilled and careful management of the programme. Today we are still under budget with only a matter of weeks to go until the Games begin.

With under 50 days to go, we are getting ready to welcome the world. The London 2012 Organising Committee has held 42 test events in 28 venues. More than 8,000 athletes have taken part in 183 days of competition for all Olympic sports and six Paralympic sports. These events gave 350,000 spectators the chance of a sneak preview of the world-class sport to come this summer. The success of these events proves that we are in good shape to host a fantastic Games, but we are not complacent as we enter the home stretch. There is still a lot of hard work to do to refine the operational planning over the final days.

Against this backdrop, the Olympic Torch has set off around the UK. Its arrival was a watershed moment for London 2012 and the scenes at RNAS Culdrose when we touched down from Athens were unforgettable.

This is an exciting time for the whole country as the Torch takes London 2012 to every corner of the UK and offers the millions that will see it pass their own memories to cherish.

With the Torch touring the whole country, the build for Games successfully complete and the test events finished, the focus is turning to our athletes and the fantastic sport to come. Team GB – thanks to the continued efforts of UK Sport, the British Olympic Association, British Paralympic Association and the National Governing Bodies of Sport – has never been better prepared. We expect them to do the country proud.

I hope you enjoy your London 2012 Olympic and Paralympic Games.



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

Hugh Robertson MP
Minister for Sport and the Olympics

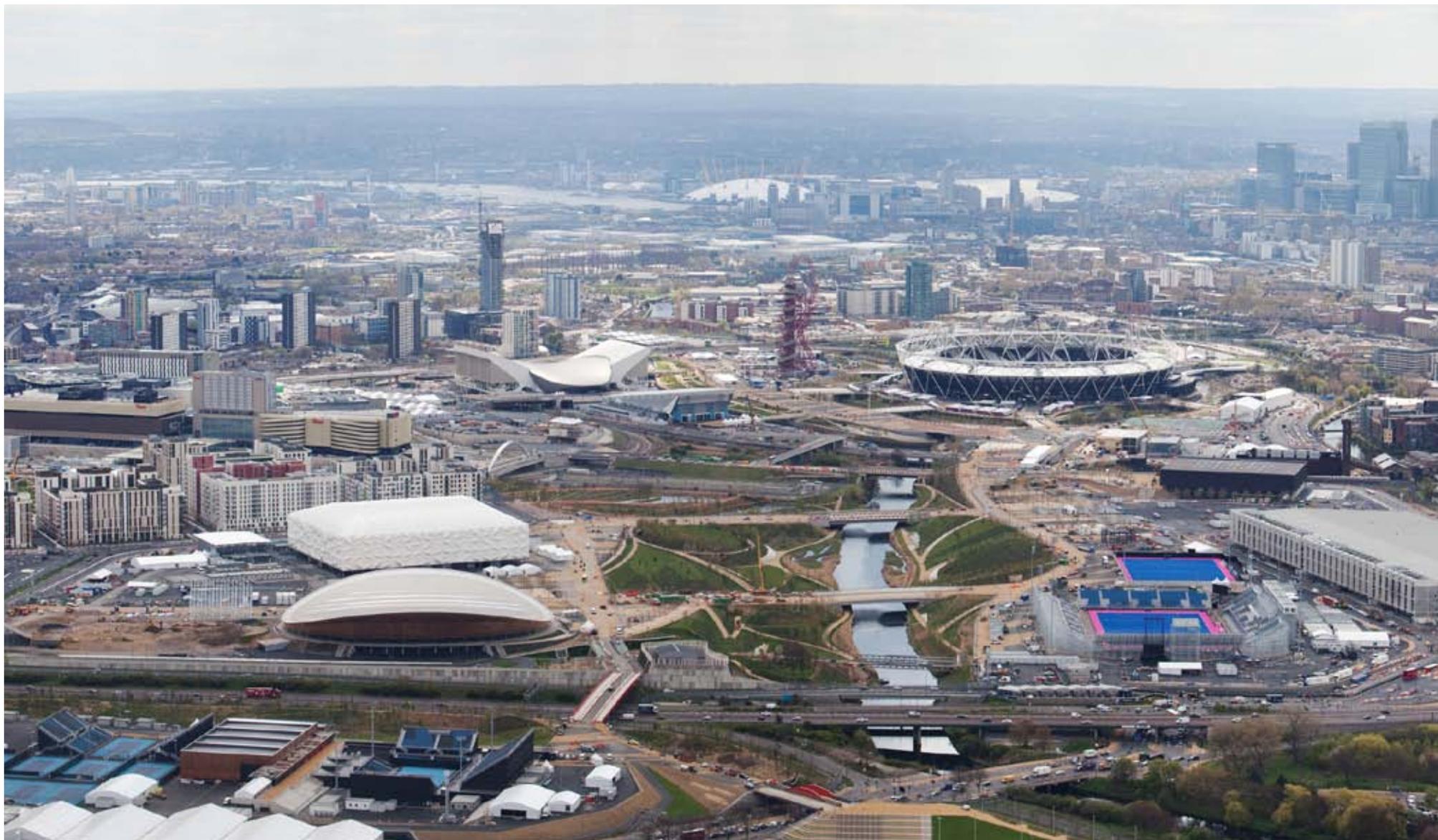
THE TRANSFORMATION OF THE LONDON 2012 OLYMPIC PARK

2005–2012

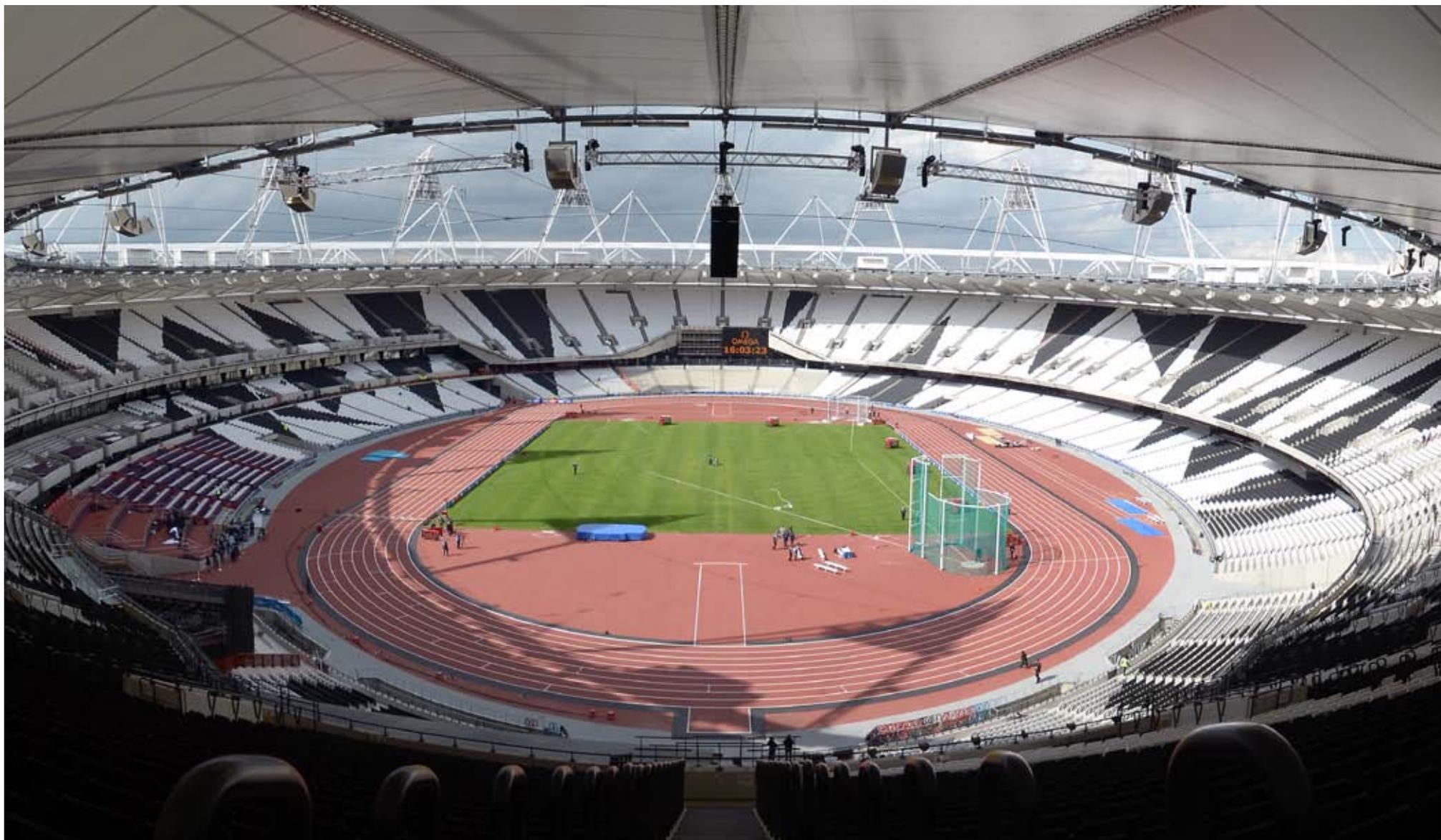




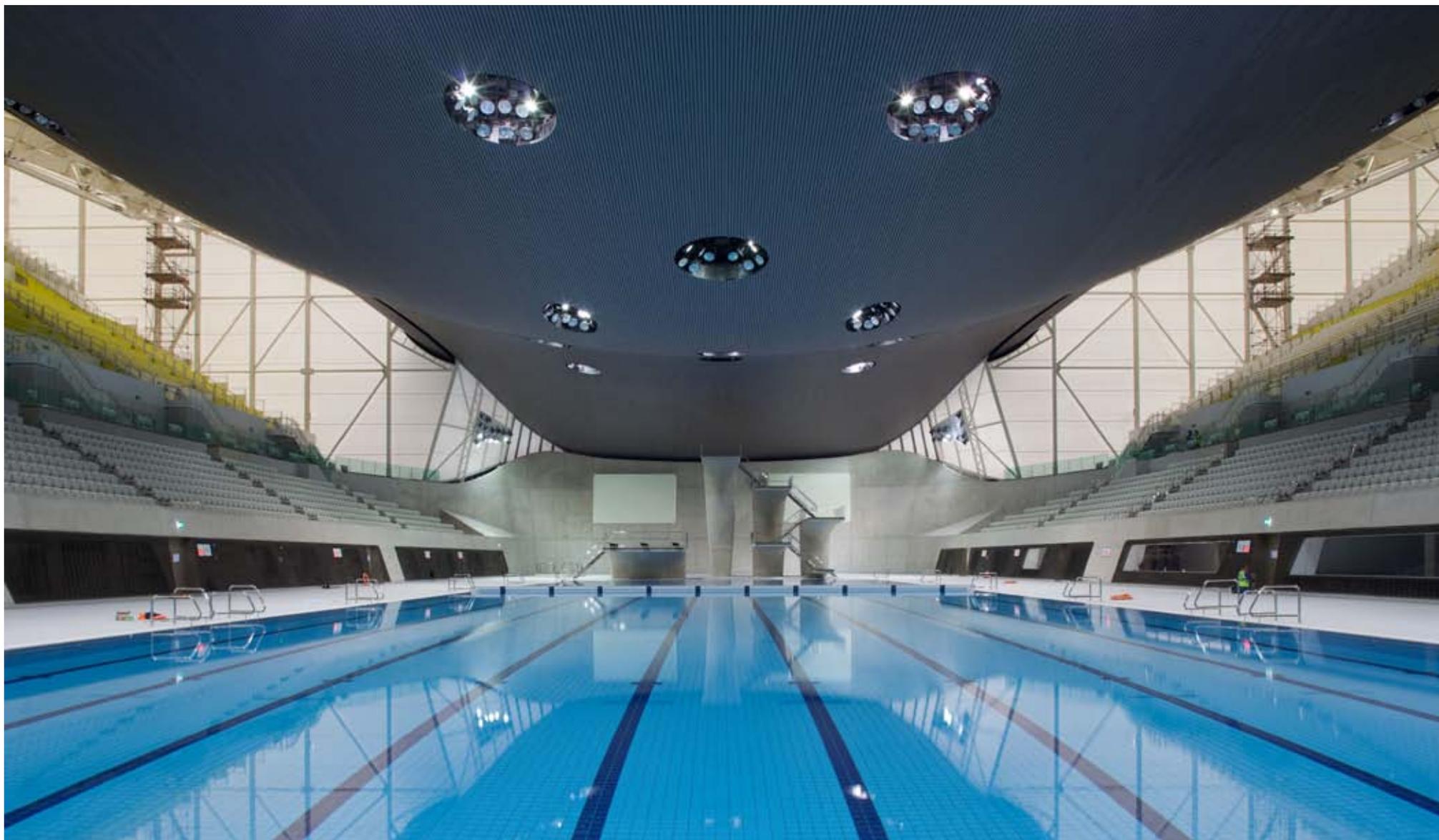
For more than a century, parts of the Olympic Park site were a dumping ground for industrial and domestic waste; the land was scattered with dilapidated buildings and run-down infrastructure. The old car breakers yard (right) is now the site of the Aquatics Centre.



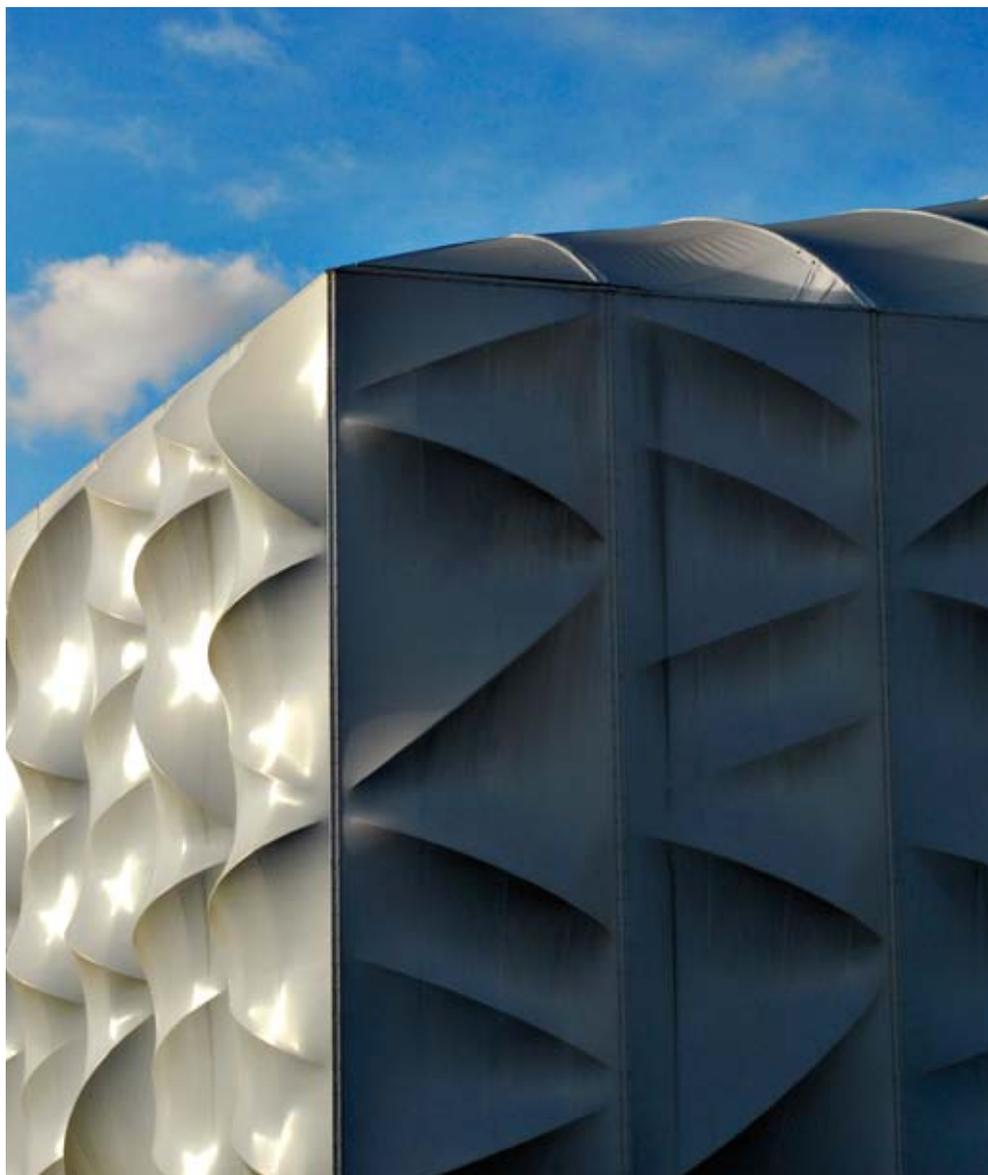
Panoramic aerial view of the Olympic Park looking south (April 2012).



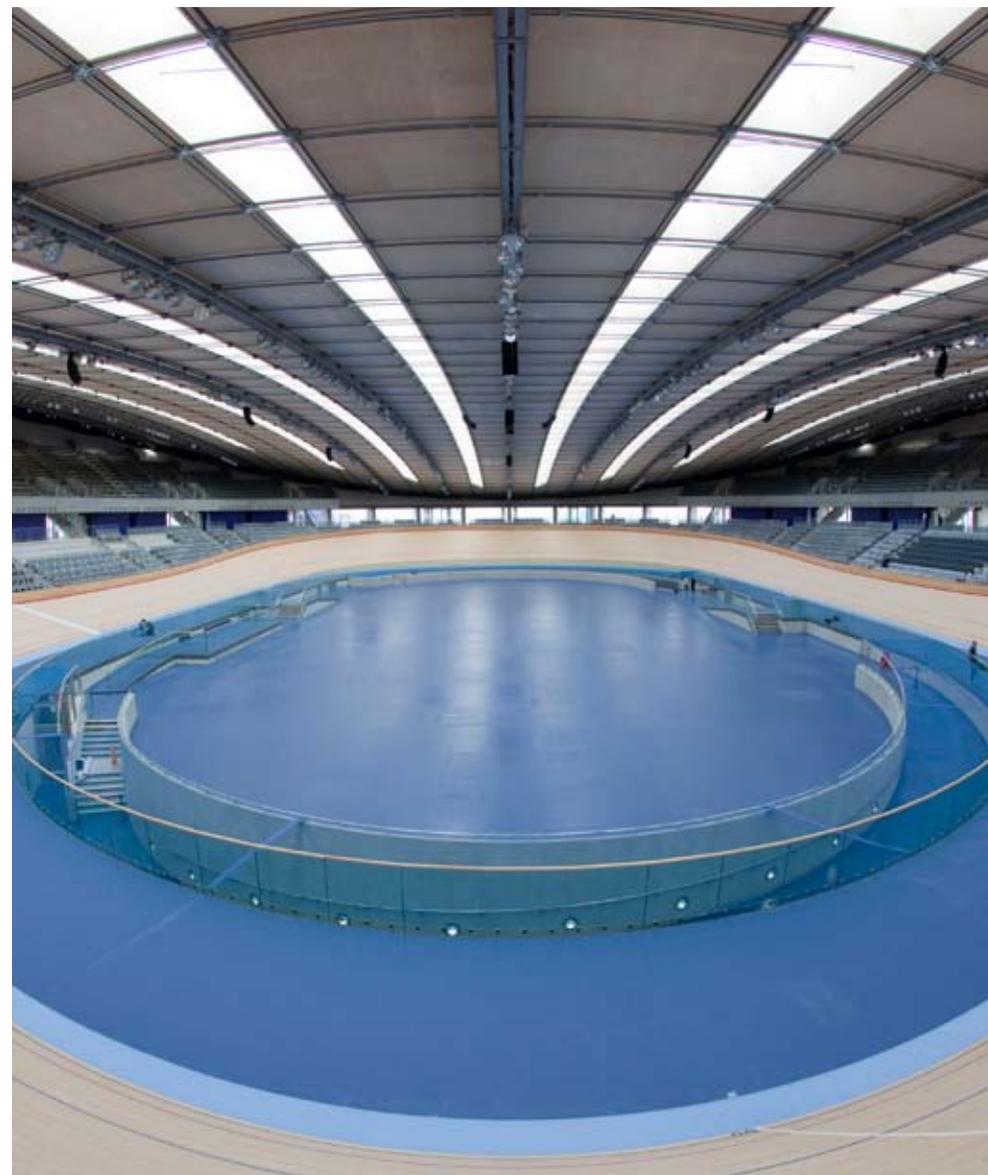
Olympic Stadium – The lightest Olympic Stadium ever built, containing just 10,000 tonnes of steel.



Aquatics Centre – Its iconic curves rest on an innovatively engineered tripod structure.



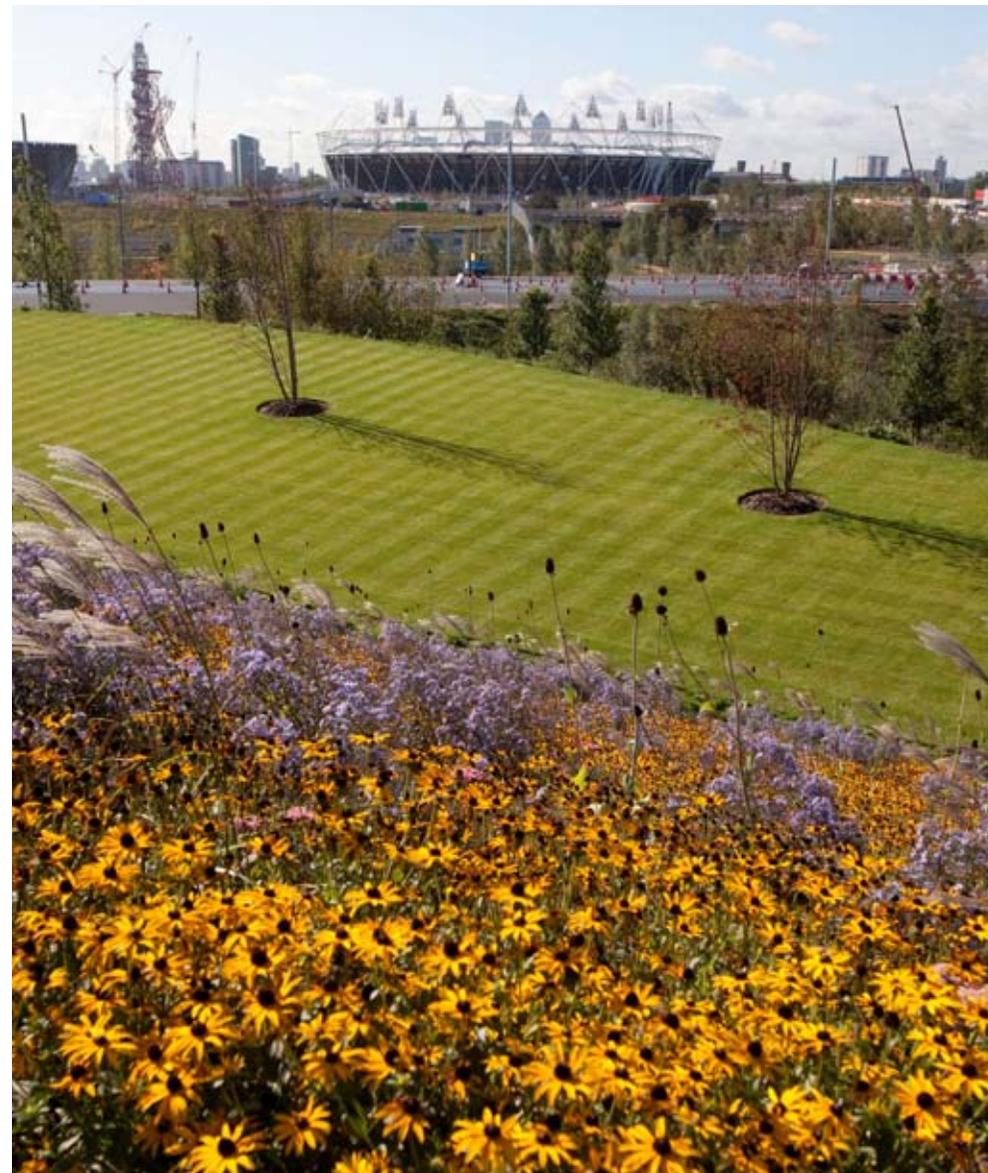
Basketball Arena – One of the largest ever temporary venues built for any Games.



Velodrome – Built with 100% legally and sustainably sourced timber and is almost 100% naturally ventilated.



The Olympic and Paralympic Village will be converted into more than 2,800 homes after 2012.



There are 45 hectares of wildlife habitat on the Olympic Park, including reed beds, grasslands, ponds and woodlands.



Westfield Stratford City represents a £1.4bn investment in East London; creating 10,000 permanent new jobs from opening day.

London 2012 Olympic and Paralympic Games – Quarterly Report June 2012



Transport upgrades ahead of the Games have included trebling the capacity of Stratford Regional station and improving accessibility at several London underground stations.

PUBLIC SECTOR FUNDING PACKAGE FOR THE GAMES

The overall Public Sector Funding Package (PSFP) for the Games remains at £9.298bn. With less than 50 days to go to the start of the Games, there remains a total of £476m uncommitted funding in the PSFP. As shown in Table 1, this comprises £388m centrally-held PSFP contingency, and £88m ODA programme contingency to cover assessed risk. The balance of PSFP contingency has decreased by £37m in the period to 31 May 2012, while ODA programme contingency has decreased by £14m, in line with the ODA's latest forecast of its requirement to cover assessed risk. The combined result is that uncommitted funding in the PSFP has reduced by £51m.

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.

As stated in previous reports, 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 our February 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 2 on the following page, alongside latest forecasts.

TABLE 1: CONTINGENCY REMAINING (all figures to nearest £m)

	31 December 2011 (£m)	31 March 2012 (£m)	31 May 2012 (£m)	Variance from 31 December 2011 to 31 May 2012 forecast (£m)
ODA programme contingency	102	88	88	-14
PSFP contingency and other savings	425	403	388	-37
Total PSFP	527	491	476	-51

TABLE 2: PSFP PROGRAMME FORECASTS AGAINST 2010 SPENDING REVIEW BASELINE AND PREVIOUS FORECAST (all figures to nearest £m)

Public Sector Funding Package	SR Baseline (£m)	31 December 2011 forecast (£m)	31 March 2012 forecast (£m)	Funding released 31 March to 31 May 2012 (£m)	Variance from 31 December 2011 to 31 May 2012 forecast (£m)
ODA ¹ , including:	7,321	6,777	6,761	-	-16
<i>ODA programme contingency</i>	-	102	88	-	-14
Park Transformation ¹	0	294	296	-	+2
Policing and wider security	475	475	475	-	-
Elite and community sports	290	290	290	-	-
Venue security	282	553	553	-	-
Paralympic Games	95	95	95	-	-
LOCOG Park Operations	67	67	68	-	+1
Funding available to LOCOG	65	154	183	-	+29
Operational provisions ²	62	95	102	15	+22
'Look' of London and wider UK	32	33	33	-	-
City operations	22	23	23	-	-
Domestic and International tourism campaigns	0	4	4	-	-
GLA Olympic and Paralympic programmes	0	13	13	-	-
PSFP contingency and other savings remaining	587	425	403	388	-37
Total	9,298	9,298	9,298	-	-

1 The ODA's SR Baseline included £333m for Park Transformation. This scope will now be delivered by the London Legacy Development Corporation (formerly OPLC), and the ODA has therefore returned £333m to GOE. The current forecast for Park Transformation, as shown in the table, is £296m.

2 Additional funding for operational provisions was released after the 31 March quarter end, but before the publication of this report. This release is shown as an extra column in the table and is explained on page 21.



A swimmer competing in the 2012 School Games Finals at key Olympic Park venues in May this year.

OLYMPIC DELIVERY AUTHORITY

The ODA's Anticipated Final Cost (AFC) now stands at £6,761m with construction for Games virtually complete. Of the £16m reduction in the quarter, the ODA has returned £11m to GOE for works to training venues and on security and logistics operations on the Olympic Park, which are now to be delivered by LOCOG. The further reduction of £5m is due to a combination of net savings and reduced risks as the ODA closes out its scope of works. The ODA's AFC includes £88m of programme contingency.

The main changes to the ODA's AFC in the quarter were:

- A reduction of £14m in the assessed programme contingency required to meet remaining risks. This reflects the completion and handover of all ODA constructed venues on the Olympic Park and the Olympic and Paralympic Village, together with infrastructure works including landscaping now almost complete.
- An increase of £12m on Structures, Bridges and Highways due to a combination of additional scope or reconfiguration of existing works required to make the best operational use of the Olympic Park during Games-time, as well as additional costs on contractual close out.

- A reduction in costs for Utilities (£3m), Landscaping (£1m), Stadium (£3m), Aquatics Centre (£2m) and Logistics (£4m) as savings have been achieved against the expected cost of closing out commercial contract issues.
- A reduction of £8m for non-Olympic Park venues comprising £5m returned to GOE for overlay works at a number of training venues to be delivered by LOCOG, and savings in closing out contracts for the Shooting venue at Royal Artillery Barracks and delivering works at Eton Dorney.
- An increase of £8m on other transport operating expenditure due to additional anticipated costs on delivering venue transport operations and transport requirements during the Paralympics.
- A reduction of £10m on security, mostly due to the transfer of £8m for security capital works and equipment to Parkwide Operations, and £2m returned to GOE for operational security to be delivered by LOCOG.
- A reduction of £5m on infrastructure costs to the Stratford City site following the resolution of certain commercial issues, and a reassessment of the remaining works to be delivered.

- An increase of £6m in Park Operations costs comprising a transfer of £8m from security for various security capital works and equipment, partly offset by a £2m reduction resulting from LOCOG's delivery of operational security and logistics on the Park.
- An increase of £11m on the Olympic and Paralympic Village construction costs reflecting potential increased costs through the commercial contract close out process, including a potential £5m increase in the retrofit costs to be incurred post-Games. An increase of £3m on the IBC/MPC also reflects close out cost pressures.
- A reduction of £8m in programme delivery costs due to savings achieved on the costs of the ODA's delivery partner (CLM) and a potential reduction in IT costs to be incurred through to the end of the programme.

With additional savings in the period to 31 May, the amount saved by the ODA against the original budget has now reached £1,004m.

As at the end of May 2012, the ODA's programme was more than 98 per cent complete. As this includes post-Games work – for instance removing partitions and fitting new kitchens in the Olympic and Paralympic Village – the ODA is not able to reach 100 per cent by the start of the Olympic Games.

TABLE 3: ODA ANTICIPATED FINAL COST (AFC) (all figures to nearest £m)

	Nov 07 ODA Baseline Budget £m	31 December 2011 forecast £m	31 March 2012 forecast £m	Variance from 31 December 2011 forecast £m
Detailed Breakdown of the ODA AFC at 31 March 2012				
Site Preparation and Infrastructure				
Powerlines	282	286	287	1
Utilities	256	238	235	(3)
Enabling Works	364	386	386	0
F10 Bridge	89	56	55	(1)
Other Structures, Bridges and Highways	740	553	565	12
South Park Site Preparation	116	82	82	0
Prescott Lock	5	5	5	0
Other Infrastructure (Landscaping)	243	208	207	(1)
Total Site Preparation and Infrastructure	2,095	1,814	1,822	8
Venues				
Stadium	496	431	428	(3)
Aquatics	214	253	251	(2)
Velopark	72	86	87	1
Handball	55	41	41	0
Basketball	58	40	40	0
Other Olympic Park Venues	59	101	101	0
Non-Olympic Park Venues	84	111	103	(8)
Total Venues	1,038	1,063	1,051	(12)
Venues Operations				
Venues Reconfiguration	17	55	55	0
Total Venues Operations	17	55	55	0
Transport				
Stratford Regional Station	119	121	120	(1)
DLR	86	80	80	0
Thorntons Field	47	23	23	0
North London Line	110	107	107	0
Other transport capital projects	178	98	99	1
Other transport operating expenditure	357	457	465	8
Total Transport Projects	897	886	894	8
Parkwide Projects				
Logistics for site construction	337	243	239	(4)
Security for park construction	354	238	228	(10)
Section 106 and masterplanning	127	96	94	(2)
Insurance	50	50	50	0
Parkwide Operations	0	203	209	6
Security screening and operational areas	0	48	49	1
Other Parkwide Projects	0	26	27	1
Total Parkwide Projects	868	904	896	(8)
Media Centre and Village				
Stratford City Land and Infrastructure	522	623	618	(5)
Stratford City Development Plots	(250)	(71)	(71)	0
Village Construction – public sector funding	0	701	712	11
Village Receipt	0	(324)	(324)	0
IBC/MPC	220	292	295	3
Total Media Centre and Village	492	1,221	1,230	9
Programme Delivery	647	737	729	(8)
Taxation and Interest	73	(5)	(4)	1
Total AFC Before Contingency	6,127	6,675	6,673	(2)
Assessed Risk programme contingency	968	102	88	(14)
Total Potential AFC	7,095	6,777	6,761	(16)

PARK TRANSFORMATION

As stated in our December 2011 Quarterly Report, the ODA has returned £333m for transformation works to the Park which are now to be delivered by the London Legacy Development Corporation (LLDC). The LLDC is forecasting to deliver the legacy works for £296m, a £37m reduction from the SR baseline as a result of efficiencies and the different VAT arrangements that the LLDC is subject to. The forecast has increased by £2m in the quarter, from £294m, as scope and funding has been finalised.

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 Office for Security and Counter Terrorism (OSCT), 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 remains confident that 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, higher than at present to maximise flexibility. 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 carried out a review of the integrity and consistency of OSCT's assurance programme and conducted more in-depth assessments in high risk areas. HMIC has reported on the main issues and work flowing from this is underway.

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. There have been a series of Olympic Command Post Exercises between September 2011 and April 2012 and a Live Exercise took place in late February 2012.

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 has announced that £600m will be available for safety and security during the London Olympics in 2012. However, the Government is confident it can deliver this for around £475m.

Venue security is a shared responsibility of LOCOG, as event organiser, and the Government, as the guarantor of security to the IOC. As outlined in our December 2011 Quarterly Report, funding is being made available to LOCOG to support it in delivering its responsibilities for securing Olympic and Paralympic venues. Venue security funding remains unchanged at £553m and is contained within the overall £9.3bn Public Sector Funding Package. This will fund venue security personnel and the associated recruitment and training costs to protect more than 100 competition and non-competition venues across the UK.



Over 1,500 athletes competed in the 2012 School Games in the Olympic Park.

LOCOG PARK OPERATIONS

The forecast cost of LOCOG Park Operations has increased by £1m in the quarter, as a result of a transfer of scope and funding from the ODA following LOCOG taking ownership of the Park. The ODA's AFC has reduced by an equivalent amount.

LOCOG

Funding made available to LOCOG has increased by £29m in the quarter, as a result of transfers from the ODA, and for additional infrastructure works. A summary of the programmes funded within this budget line are set out in Table 4 opposite:

LOCOG took over responsibility for the Olympic Park from the ODA in January 2012, and are now best placed to undertake many of the necessary finalisation works. As a result, we have released up to £9m to LOCOG for a series of minor works to venues and infrastructure so that they meet the precise specification required, and up to £5m for the structural resilience of venues. We have also released £8m to LOCOG to install various spectator facilities such as concession pods and toilets in and around the Olympic Stadium, which fulfill a planning condition for the Stadium, and are proposed to remain in legacy.

We have also agreed to transfer £9m of scope and budget from the ODA to LOCOG for items that LOCOG are now better placed to deliver:

- Works to finalise Games-time training venues, including overlay.
- Pre-Games operational security, including security searches at vehicle screening areas on the Olympic Park, and security testing.

Finally, in the past quarter the forecast cost for pre-Games perimeter security has reduced by £2m due to efficiencies realised through LOCOG's operational delivery approach.

TABLE 4: BREAKDOWN OF FUNDING AVAILABLE TO LOCOG (all figures rounded to nearest £m)

Timing	Description	£m
Previously released (as described in previous Quarterly Reports)	Ceremonies	41
	Funding set aside for LOCOG	25
	Contribution to Village	25
	Venue changes	11
	Pre-Games perimeter security	18
	Stadium works	12
	Capital works	12
	Paralympic conversion	6
	Cultural Olympiad	3
Total at 31 December 2011		154
Released in quarter to 31 March 2012	Finalisation of Olympic Park venues and infrastructure	9
	Stadium concession pods	8
	Games-time training venues	5
	Structural resilience of venues (forecast)	5
	Pre-Games operational security	4
	Pre-Games perimeter security saving	-2
	Increase in quarter	29
Total at 31 March 2012		183

OPERATIONAL PROVISIONS

A summary of the individual programmes funded within operational provisions is set out in Table 5.

TABLE 5: BREAKDOWN OF FUNDED PROGRAMMES IN OPERATIONAL PROVISIONS

(all figures rounded to nearest £m)

Description	£m
Last Mile, Road Events and Central London Zone (£4m increase in quarter)	61
Operational transport (£3m increase in quarter)	20
Utilities Resilience	13
Games-wide testing	3
Transport (forecast)	5
Subtotal at 31 March 2012	102
Additional funding released for Last Mile, Road Events, and Central London Zone	15
Total at 31 May 2012	117

The forecast for operational provisions has increased by £22m in the period to 31 May 2012. We have released additional funding of £19m for crowd management in Central London and in the Last Mile between transport nodes and Games venues. The increase in cost is the result of:

- An extension of scope to cover the wider Stratford Gate area (rather than merely a narrow corridor from Stratford station to the Olympic Park).
- The need for LOCOG to recruit and train additional staff to address the shortage of qualified stewards, as a result of a lack of supply in the market.
- An additional £15m released in May 2012 for a series of necessary crowd safety measures including stewarding, barriers and pedestrian bridges.

In the last quarter we also agreed the funding available to meet Host City Contract requirements to provide free public transport for Games Maker volunteers and some other essential workforce to travel to venues at Games-time. We had previously forecast the required funding for this scope at £17m, so the agreed provision represents a £3m increase in the cost for this programme. The increase is the result of a revised fixed price settlement with TfL and Train Operating Companies, where they will now bear the risk of any increase in transport usage above predicted levels.

We continue to forecast a requirement to release further funding for transport. We will update further in our next report.

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. 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 being transferred from general Lottery proceeds held in the National Lottery Distribution Fund. The dedicated Olympic Lottery games have now delivered the full income of £750m required.

The National Lottery distributors' entitlement to £675m of receipts from the sale of land on the Olympic Park in return for their additional funding contribution to the London 2012 Olympic and Paralympic Games has been preserved in the revised arrangements for the sharing of the receipts included in the Government's Funding Settlement for the GLA which was finalised on 6 February 2012. The Written Ministerial Statement made to Parliament by the Secretary of State for Communities and Local Government on 6 February announced the finalisation of the Funding Settlement, which confirmed that the National Lottery distributors will share receipts with the Mayor of London after the first £223m of receipts has been allocated to the Mayor.

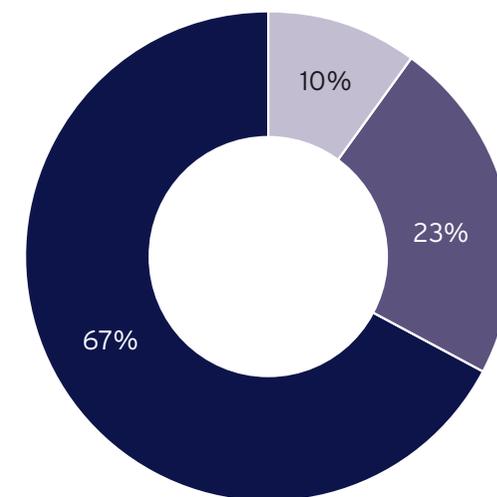
This is an improvement on the 2007 Memorandum of Understanding between the Mayor and Government, under which the National Lottery distributors were not due to benefit until £650m of receipts had first been realised for the London Development Agency. The revised receipts sharing arrangements were enshrined in a contractual agreement between the Secretary of State for Culture, the Olympics, Media & Sport and the Mayor of London on 29 March 2012, before the transfer on 1 April 2012 of the role and assets of the Olympic Park Legacy Company to the new Mayoral Development Corporation, the London Legacy Development Corporation (LLDC). The LLDC will take forward the regeneration of the Olympic Park and the surrounding area now that the responsibilities have devolved to the Mayor.

FUTURE REPORTING

This is our final pre-Games Quarterly report. We will not publish a report for the period up to end of June as the Games will then be taking place. Following the Games, we will publish a report covering the full period to 30 September, including a post-Games updated forecast of anticipated final cost of the PSFP against the £9.3bn budget.

TABLE 6: SOURCES OF FUNDING

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



- 10% London (GLA and LDA)
- 23% Lottery
- 67% Central Government

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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Design: red-stone.com

Photography: All images kindly supplied by LOCOG and ODA plus:

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