



department for
culture, media
and sport

London 2012 Olympic and Paralympic Games Quarterly Report July 2010



host government department of the
Olympic and Paralympic Games

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.

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This quarter has been a challenging one where tough decisions have had to be taken. With the country's crippling budget deficit to tackle, we looked to make our contribution by re-evaluating spending decisions and commitments.

London 2012 was not exempt from this review and we were able to gain £27 million in savings by reducing the Olympic Delivery Authority's (ODA) budget. This means the overall funding package for the Games is now £9.298bn, instead of the £9.325bn announced in March 2007. I'm pleased that the ODA have found the £27 million of savings by driving a better deal in some of its procurement exercises and through continued efficient delivery. In doing so we have kept our promise to do nothing that will affect the successful delivery of the London Olympic and Paralympic Games.

But in these difficult economic times, savings alone are not enough. London 2012 must continue to ensure an economic legacy that reaches communities all over the UK. Through the Games, more and more people are gaining employment and skills training in a range of careers and many more companies are winning business contracts. At present, there are approaching 10,000 workers on the Olympic Park and Village, and business opportunities worth millions of pounds have been gained across the UK. In addition, various events and workshops have been organised here and overseas to promote trade and business prospects between the UK and other countries.

My priority to deliver a spectacular celebration of sport in 2012 is resolute. The programme for the Olympic and Paralympic Games is well on track and within the allocated budget, with over 70 per cent of the venues and infrastructure programme to the Games already completed. Our progress was observed and commended by the International Olympic Committee (IOC) who in July conducted one of their regular check-ups for London 2012. It made me proud to hear the President of the IOC saying that he was "truly impressed" by the progress made on the Olympic Park.

I want to see London 2012 leave a lasting legacy of mass participation in sport. It is my vision that the Games will inspire a whole new generation of young people to take up sport and keep it up for life. During the quarter, we have taken an important step forward by announcing plans to set up an Olympic and Paralympic-style sports competition for UK-wide schools. Through this annual event, every child in every school in the country will have the chance to take part in competitive sport.

27 July marks two years to go until the start of the 2012 Olympic Games. Work has begun on the field of play of the Olympic Stadium and seeing it made me excited to think that we would all be watching the first athletes competing on the track in just 24 months' time. My excitement and ambition fuels me on this uphill journey to the Games. It is not going to be easy, but we are all working hard and are well placed to face the challenges ahead.



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

Hugh Robertson MP
Minister for Sport
and the Olympics

'Steps' to be 500th Inspire Mark project

By Dan O'Hara, 16, from Trafford (S2R)*



Lord Seb Coe, Yorkshire Inspire Programmer James Tabberer, Steps to Inclusion Project Lead Michelle Dent and Minister Hugh Robertson



An S2R reporter interviewing Minister Hugh Robertson



An S2R reporter interviewing Olympian Claire Cashmore

On 15 June we headed over to Leeds to report on the Inspire Network Event. This was an exciting event to celebrate the awarding by LOCOG of the 500th Inspire Mark to the 'Steps to Inclusion' project, which aims to inspire disabled people to take part in sport. It also aims to use the inspiration of the London 2012 Games to break down barriers in society.

Our day kicked off by interviewing the Olympic silver medallist diver Leon Taylor, where I asked him why London 2012 is relevant to the people of Yorkshire. Throughout the day there were various speakers talking about their projects, which are all inspired by London 2012. There were speeches from different speakers and projects, including a project called 'Today's Youth, Tomorrow's Leaders', which encourages young people to volunteer in sport at school and in the community. We interviewed some of the young leaders who told us about their experiences volunteering, and spoke about the power of London 2012.

The most nerve racking part of the day was meeting and interviewing Hugh Robertson, who is the Minister for Sport and the Olympics. We put a lot of effort into the preparation, by fine-tuning the questions so that they were the best that they could be. I don't know what

we were so nervous about, because Hugh was a really friendly person and gave an interesting interview! At the time, Hugh had only been in the job for a few weeks, so we found out what he plans to do to make the 2012 Olympics and Paralympics a success, and how the whole country will get involved.

* The London 2012 Inspire programme recognises outstanding non-commercial projects and events inspired by the Games. Supporter to Reporter (S2R) is an Inspire project led by Radiowaves. It gives young people real-life sports reporting opportunities at national and local events, using the power of sport to build young people's self-esteem, communication skills and sense of responsibility. They receive training to produce audio, video, text and image reports, which are published on a youth-led website.



Opening up business opportunities worldwide

London's special status as host of an Olympic and Paralympic Games provides a once-in-a-lifetime opportunity to promote and strengthen trade both across the UK and internationally.

The benefits are reaching UK companies directly as they win contracts with London 2012 and in the supply chains of its contractors. Over 1,360 companies have directly supplied the ODA; and of these, around two-thirds are small or medium-sized enterprises (SMEs).

Various international activities have continued apace this quarter. While millions of spectators and viewers around the world watched the excitement of the World Cup, UK Trade & Investment (UKTI) took the opportunity to showcase UK businesses as part of the host2host programme in South Africa. The programme helps to develop trade between the UK and hosts of other Olympic and Paralympic Games and major sporting events. Over 800 companies attended the UKTI events in South Africa during the World Cup. Another example of international collaboration is the UKTI's team in the East Midlands working with regional partners to maximise the benefit to the region of Loughborough University hosting the Japanese Pre-Games Training Camp.



Shin Ebihara, Japanese Ambassador to the UK, Steve Crane, founder of Business Link Japan and David Warren, British Ambassador to Japan

Case study

Loughborough sets Olympic standard for UK-Japan trade

The Japanese Olympic team's decision to base itself in Loughborough in 2012 is resulting in a revitalisation of business, cultural and tourism ties between the East Midlands town and the world's second largest economy, Japan.

The business relationship kicked off with 'Japan Day' at Holywell Park, Loughborough earlier this year. The landmark event was organised by UKTI and Business Link Japan and was attended by the Japanese Ambassador to the UK, Shin Ebihara, and the British Ambassador to Japan, David Warren. It highlighted the mutual benefits in business and tourism of the two countries working together. In addition to talks given by the respective dignitaries, workshop sessions covering healthcare, food and drink, environmental, transport and creative industry opportunities in Japan were held.

Steve Crane, founder and director of Business Link Japan, said: "I am very excited that Loughborough won the bid to play host to the Japanese Olympic team, which will mean that hundreds of athletes and support staff will come to the East Midlands over the next three years. There is huge potential for East Midlands businesses to work very closely with Japan."

A significant outcome of the event is a major trade mission organised by UKTI to visit Japan in July. The mission will be meeting companies and government to discuss opportunities for partnership.

Case study

The 'Business of Sport' – The World Cup Opportunity

Under the UKTI host2host initiative, a series of events took place in South Africa during the FIFA 2010 World Cup. South Africa joined the host2host programme in August 2009 keen to exchange ideas, host events and promote Government to Government dialogue with the UK to maximise economic benefit between host countries of major sports events. A strong delegation from three host cities met with UK companies at the 2012 Business Summit in November 2009 and events in South Africa were a tangible follow-up.

Events were held across South Africa, with networking receptions designed to facilitate introductions between the UK, international and South African businesses at the 'UK Pavilion' to coincide with key England fixtures – providing a conducive and atmospheric space for business. The Pavilion's opening night also saw the first use of the London 2012 'Host Country' brand presented by the British High Commissioner to South Africa, Dr Nicola Brewer, with guests including the Minister of Sport for Kenya.

UKTI also helped sponsor a 'Business Breakfast' in Cape Town in conjunction with City Authorities focussed on the UK, prior to the England V Algeria match. Keynote speeches were made by the Mayor of London Boris Johnson and UKTI Business Ambassador Lord Digby Jones at the event.



Hendrietta Bogopane-Zulu, Deputy Minister of Public Works; Jeremy Hunt, Secretary of State for Culture, Olympics, Media and Sport; Judith Slater, Deputy British High Commissioner; Gert Oosthuizen, Deputy Minister of Sport and Recreation; and Hlengiwe Buhle Mkhize, Deputy Minister of Correctional Services

CompeteFor

CompeteFor is a free brokerage service that gives registered businesses unique access to London 2012 and other contract opportunities. Acting as a 'dating agency' that matches specific profiles, CompeteFor brings buyers and suppliers in the London 2012 supply chain together and also provides links to business support and advisory services. Whilst ensuring transparency and business diversity, the service offers tremendous prospects for the business community in the UK and a legacy of increased capacity, competitiveness and expertise.

Thus far, more than 118,000 businesses have registered on CompeteFor. Out of these, more than 48,000 have received business support as a result of registering on CompeteFor.

For more information on CompeteFor, visit www.competefor.com and the business section of the London 2012 website www.london2012.com/business

Case study

London 2012 helps seal more deals for Yorkshire manufacturer

A global plastic injection moulding company from East Yorkshire is celebrating new business which it has generated through a London 2012 Olympic and Paralympic Games contract. The TRU Group, based in Gilberdyke, East Yorkshire, has produced 2,500 plastic monitoring tags for a nursery of birch trees destined for the Olympic Park.

The tags will help identify the trees for the Olympic Village, which are being grown as part of a BAM Nuttall landscaping contract at Hillier Nurseries in Hampshire. Established 20 years ago, TRU Group employs 20 staff and manufactures all of its products in its UK-based factory.

TRU Group Director Maryann Mell took the initial call from BAM Nuttall and was pleased to be involved in the Games. BAM Nuttall and Hillier Nurseries are both individually planning to use the company on a regular basis to use a similar product for a variety of items and components.

Maryann said: "All our staff have a positive attitude and every order is important to us and you never know where it may lead. The London 2012 contract has helped raise our profile, and has led to more business which is good."

Department for Business, Innovation and Skills Minister of State, Mark Prisk, said: "It is good to see that small companies like TRU Group and others across the UK continue to win contracts and take advantage of the opportunities all the way down the supply chain that London 2012 offers.

"With just over two years to go until the 2012 Olympic and Paralympic Games, I would urge all companies, especially SMEs, to take steps to maximise their economic benefits from the Games and my Department is here to help."

Connect to London

Think London held a three-day business programme – 'Connect to London' – in June. The programme aimed to follow up on the campaigns held in international markets in 2009 and to invite senior business executives to London so they could "see for themselves" what London has to offer companies looking to expand and set up a European presence.

All 55 participating delegates were planning on setting up a London office within the next two years, many of them much sooner. The delegates came from the United States, Canada, China, Australia, the Netherlands, France and Spain; and took part in a programme of presentations and workshops on business opportunities both inside and outside of the 2012 Games. They were also provided with networking opportunities at a business partnering reception at Chicago Booth and at a dinner at the Painted Hall in Greenwich. At these events, they were able to meet London businesses, 2012 sponsors and members of local government and London boroughs. Thus far, Think London has confirmed that two companies on the Connect to London programme have set up their London presence and will be recruiting locally. Follow up is now underway to establish how many more of the delegation will be setting up their UK entity later this year.

Think London partnered with Lloyds TSB, Visa Europe and Greenwich Council for the Connect to London programme. This programme is part of Think London's longer term objective to use the 2012 Olympic and Paralympic Games as a catalyst to increase the levels of foreign direct investment into London and support the creation of 5,000 jobs by 2016.



The Connect to London delegation outside the Painted Hall in Greenwich, London



Delegates at the Connect to London programme organised by Think London

6,500+

Over 6,500 contract opportunities have been made available through CompeteFor to date.

98%+

More than 98% of the ODA's suppliers are based in the UK.

48,000+

More than 48,000 enterprises have received business support as a result of registering on CompeteFor.

250

250 strong inward investment leads that have been generated through CompeteFor are being pursued by UKTI's global network.

1,360+

Over 1,360 companies have directly supplied the ODA.

400+

Over 400 Games-themed events were held by the Regional Development Authorities and devolved administrations last year, informing business about support services that can help them 'get fit' to compete for Games-related and other contracts.

Continuing to boost jobs and skills

Even in the face of challenging economic conditions, London 2012 is continuing to help people into work and equipping them with the skills for long-term employment.

Over 18,500 people have worked on the Olympic Park for five or more days between April 2008 and June 2010. The number of workers employed on the Park has continued to climb as construction began on the historic Eton Manor site, the final permanent venue to be built on the Olympic Park.

The Olympic Board has agreed a package of measures to help ensure that the benefits of the London 2012 Games are spread to the Borough of Barking and Dagenham. These measures reflect the arrangements in place for other East London Boroughs, for example, access to the job brokerage service and involvement in East London legacy planning.

Committed to maintaining workforce equality, the ODA aims to create opportunities for women, disabled people and people of Black, Asian or minority ethnic origin (BAME) in the Olympic Park and Village. During June 2010, 18 per cent of the workforce was of BAME, which exceeds

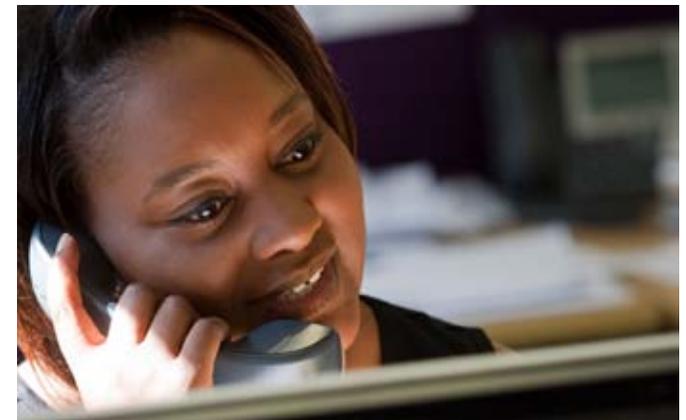
the ODA's benchmark of 15 per cent. Furthermore, the ODA has secured funding for 100 training places for disabled people who wish to obtain a CSCS (Construction Skills Certification Scheme) card. The CSCS cards are mandatory for anyone wanting to work in a construction role on the Olympic Park. They show the card holder's competency in their specific job and that the card holder has passed a health and safety test.

With five per cent of the contractor workforce being women, the ODA's 'Women into Construction' project is continuing to utilise the London 2012 Games to challenge existing perceptions about women who work in construction. The ODA was awarded the First Women 'Business of the Year' award for its work done across the employment and skills area, with a special mention of the Women into Construction project, that will have lasting benefits even after the organisation is disbanded.

Plans are on track for the launch of a third new construction training centre in East London in September. This will help meet the skills needs of the construction industry and workforce in London and the South East.



Labourer John Pym in the Olympic Village



Olympic Park Handover Information Manager Rudo Manakore for the Olympic Village

Case study

Paul Henry studied Civil Engineering at Cardiff University before working on the Olympic Park. As a site engineer, he is responsible for all of the technical information on site, providing lines and levels for the builders and making sure work is carried out to the drawings.

His employer – Skanska – is proud of their health and safety record and environmental management, and his role is key in making sure that the works conform to those standards.

Paul says that “the Olympic Park is a huge landmark and will definitely go down in history”.

Being from Tower Hamlets, Paul knew the site before the Games were awarded to London. He had family who worked on Pudding Mill Lane industrial estate. “As a child I used to visit the family when they worked there, so I knew the area really well,” he says. He feels that the change to the surrounding areas has had a massive impact.

He says that his company has given him a lot of responsibility but have also given him a lot of guidance and support.

When his work on the Park has finished, Paul would like to move on to another major project, and work towards his Chartership. He would like to stay working in the east end of London so he can continue to see the positive effects on the local area.

Personal Best

'Personal Best' is a training and volunteer programme that uses London 2012 as a motivating force to help people who are out of work and socially excluded, including those with a disability, into long-term employment. In addition to studying for a Level 1 qualification in event volunteering, which includes developing team skills, basic fire awareness and conflict resolution, participants undertake voluntary work placements to enable them to pick up transferable skills on the job. Awarded the Inspire Mark by LOCOG, the programme was piloted in London and then rolled out to other regions.

In the North East, Personal Best is being delivered in partnership by Learning and Skills Council North East, One North East and LOCOG. Around 200 individuals from the region have signed up to the pre-employment programme since its regional launch last year. At a recent ceremony in Newcastle, the first 89 Personal Best participants celebrated their graduation from the programme alongside Olympic gold medallist Jonathan Edwards.

Case study

Jessica graduates with a personal best

Jessica Bridgett felt at a loss when her two young children became old enough not to depend on her as much. The 40-year-old from North Shields had bypassed a working career to be a full-time mother.

Without training, experience or confidence in her abilities, she was worried about her future and fell into depression. Her counsellor suggested that volunteering would be an effective way to build up her confidence so she signed up for Personal Best.

Jessica said: "A lot of things were happening in my personal life that were making me feel down and my confidence took a big blow as a result. I wanted to address this and so agreed to try voluntary work. I didn't really know what to expect at first and I was cautious to begin with, but with the support from Personal Best I found myself volunteering for all sorts of things and this really helped to boost my self-belief."

Jessica began volunteering at the SureStart Library at the Riverside as well as helping out with various Marie Curie fundraising events, the North East Volunteering Awards and the Wunderbar Festival in Newcastle.

She said: "I'm now not afraid to try new things and I know that if I don't then I'll never know what could have happened. I'm also more eager to meet different people and I love speaking with them and hearing all about their different experiences."



As a result of the Personal Best programme, Jessica is looking at getting back into work but will continue to get involved with volunteering opportunities whenever she can.

She added: "Personal Best has really motivated me and I'm definitely keen to get involved with larger and more challenging projects. This is just the beginning for me."

160

The award-winning London 2012 'Women into Construction' programme has helped place 160 women in construction roles on the Park and across London since 2008.

915

915 people have been placed into work through the ODA's job brokerage since April 2008.

242

At the end of June 2010, 242 apprentices had experienced work on the construction programme.

3,100+

More than 3,100 training places have been delivered through the National Skills Academy, including the Plant Training Centre and Thames House Training Centre in Newham, since April 2008.

19%

Of the 6,450-strong Olympic Park workforce during June 2010, 19% were resident in the five Host Boroughs.

11%

The proportion of the workforce in June 2010 declaring themselves to be previously unemployed before starting work on the Olympic Park was 11%.

“Having helped to put the 2,012th seat in place, I can now picture what spectators and athletes lucky enough to be here on 27 July 2012 will experience and I am sure that they will be impressed.”

Jacques Rogge, President of the International Olympic Committee



Overview

The overall public sector funding package for the Games was announced in March 2007 and totalled £9.325bn.

As part of the Department's contribution to reducing the overall national budget deficit, it was agreed that the ODA's budget would be reduced by £27m. Therefore the overall funding package for the Games now stands at £9.298bn.

With almost two years to go to the 2012 Games, the Anticipated Final Cost (AFC) – the current forecast of the final costs of the ODA's programme, including risks, scope changes and inflation – has reduced by £6m to £7.261bn due to the good progress the ODA has been making.

Whilst the ODA has achieved significant savings in the quarter, the impact of the Government's Emergency Budget in June 2010, which raises the level of Value Added Tax (VAT) to 20 per cent from next January, along with other Budget-related impacts, means that costs are estimated to rise by an additional £45m. This increase is included in the AFC of £7.261bn.

On a like-for-like comparison with the previous Quarterly Report, excluding the impact of the Emergency Budget referred to above, the AFC would be £7.216bn, a decrease of £51m from the previous quarter.

The majority of contingency remains unreleased and the ODA continues to make strong progress in preparing the venues and infrastructure in the Olympic Park, with over 70 per cent of the programme to the 2012 Games now completed.

Most of the contingency used to date has been for projects affected by the economic downturn – the Village and the International Broadcast Centre/Main Press Centre (IBC/MPC). Contingency required for other projects has been more than offset by savings elsewhere.

Programme Progress

Construction is well underway on all of the permanent venues and the infrastructure required for the Games and in legacy. Earlier this month Jacques Rogge, the President of the International Olympic Committee (IOC), installed the 2,012th seat in the Olympic Stadium.

On visiting the Olympic Park, Jacques Rogge said: "The Olympic Stadium is the centrepiece of the Games because it is where, during the Opening Ceremony, the athletes' and spectators' Olympic dreams become reality and it is also where the Games come to an end as the flame is extinguished after 16 days of exciting competition.

"Having helped to put the 2,012th seat in place, I can now picture what spectators and athletes lucky enough to be here on 27 July 2012 will experience and I am sure that they will be impressed.

"The progress that has been made on the Stadium, and in the Olympic Park in general, is truly impressive and I congratulate the entire London 2012 team on their work."

The structure of the Main Press Centre is now complete as is the structure for the temporary Basketball Arena. The roof and ceiling of the Velodrome has been completed and work is underway on the foundations for the temporary stands for the Aquatics Centre.

The ODA sets out in advance the milestones it has planned to achieve for different phases of the 'Big Build'. The ODA has announced that it has hit all of its milestones to July 2010 – Big Build: Structures – and further details of the ODA's completed milestones can be found on pages 17 to 21. The ODA has now published its final set of milestones – Big Build: Completion – to be achieved by July 2011.

There are approaching 10,000 workers on the Olympic Park and Olympic Village and the programme continues to provide jobs and millions of pounds of business opportunities to companies all around the UK at a difficult time for the economy. Seventy-five pence of every pound the ODA spends is an investment in long-term regeneration so a considerable physical legacy from the Games is already largely delivered.

Savings

A total of around £700m in savings has been achieved by the ODA since the November 2007 baseline was agreed, including over £100m of savings achieved in the quarter ending 30 June.

The majority of these savings have been achieved on Structures, Bridges and Highways, Logistics, Security, Transport, Enabling Works, IBC/MPC and savings from inflation. Most have been used to offset increases across the programme, which has meant that lower levels of contingency have been utilised.

Progress against milestones

Over the past two years the ODA has set out in advance the milestones it has planned to achieve for different phases of the project. The most recent milestones to 27 July 2010 have all been completed on time.

Milestone 1: Raising the bar

By 27 July 2010: The structure of the Olympic Stadium including the roof will be complete. The first seats will be fitted and work on the field of play about to start.

Progress: The Olympic Stadium is structurally complete with the cable-net roof covering almost finished ahead of schedule. Work has started on the drainage on the field of play, the venue's 14 lighting towers are in place and the first seats have been installed.



Milestone 2: Starting blocks

By 27 July 2010: The Aquatics Centre's permanent structure and roof will be complete and all three swimming pools will be dug out.

Progress: The permanent structure and roof of the Aquatics Centre are in place, while inside, the three pools have been dug out, lined and tested.



Milestone 3: Bespoke venue

By 27 July 2010: The Velodrome structure and roof will be complete, with work about to start on installing the timber track.

Progress: The Velodrome's structure has been completed and its cable-net roof has been lifted into place. Seating has started to be installed and the correct atmospheric conditions are being created for the track to be fitted in the autumn.



Milestone 4: Lights, camera, action

By 27 July 2010: The structure of the International Broadcast Centre (IBC) and multi-storey car park will be finished, with roof and wall cladding well underway. The Main Press Centre's (MPC) structure will be nearing completion.

Progress: The structures of the IBC/MPC and multi-storey car park are all finished. The IBC has been fully clad and windows are in place on three sides of the MPC.



Milestone 5: Net gains

By 27 July 2010: The Handball Arena and Basketball Arena structures will be in place with internal works underway. Building work will have begun on the new Eton Manor sporting facilities.

Progress: The structure of the Handball Arena has been completed, with cladding about to start. The Basketball Arena, pictured, has been erected and is already fully clad. Work has begun inside both venues. Work has also begun at Eton Manor.



Milestone 6: Beds for athletes, homes for Londoners

By 27 July 2010: The majority of the Olympic Village homes will be structurally finished and internal works will have started. All the major infrastructure needed to support the development will be complete.

Progress: Three-quarters of the floors in the blocks across the 11 residential plots are structurally complete, with the first plot fully clad and fitting-out underway inside. Work has started on the new educational academy and healthcare facilities. All the major infrastructure has been finished.



Milestone 7: Waves of progress

By 27 July 2010: All works at the Eton Dorney Rowing venue will be complete. The new lake and competition courses at the Lee Valley White Water Centre will be finished, with the facilities building almost complete. A planning application will have been submitted for the Shooting facilities at the Royal Artillery Barracks.

Progress: The enhancements at Eton Dorney were completed in spring 2010. The lake, courses and pumps at the Lee Valley White Water Centre, pictured, have been finished, and the facilities building is structurally complete. Planning permission was granted in February 2010 for the Shooting and Paralympic Archery facilities at the Royal Artillery Barracks.



Milestone 8: Changing the face of the earth

By 27 July 2010: More than half of the new bridges and underpasses will be complete and parts of the Olympic Park Loop Road in operation. Planting will have begun across the Park.

Progress: More than half of the bridges and underpasses are structurally complete with work underway on nearly all the remaining structures. Planting has started to transform the Park's landscape.



Milestone 9: Making connections

By 27 July 2010: The Energy Centre, Primary Substation, main sewer and deep sewer pumping station will all be operational.

Progress: The Primary Substation, main sewer and deep sewer pumping station are operational. The Energy Centre will be commissioned in line with requirements for heating across the Park in the autumn.



Milestone 10: Green light ahead

By 27 July 2010: All major transport improvements will be in progress or complete, and the next level of detailed planning for transport operations during the Games will have been completed.

Progress: Many of the transport improvements have been completed and are already benefiting Londoners, including much of the ODA's improvements at Stratford Regional Station and increases in capacity on the Docklands Light Railway. The consultation draft of the second edition of the 'Transport Plan for the London 2012 Olympic and Paralympic Games' has been published.



For further detail on these milestones and progress against them, please visit:
www.london2012.com/publications/big-build-structures-update.php

Public Sector Funding Package for the Games

The original funding package for the Games was £9.325bn as announced in March 2007. As a result of the in-year budget reductions announced by the Government on 24 May 2010, the funding package has reduced by £27m to £9.298bn. The financial breakdown and sources of income for the package are shown below.

Table 1: Breakdown of the £9.298bn funding package

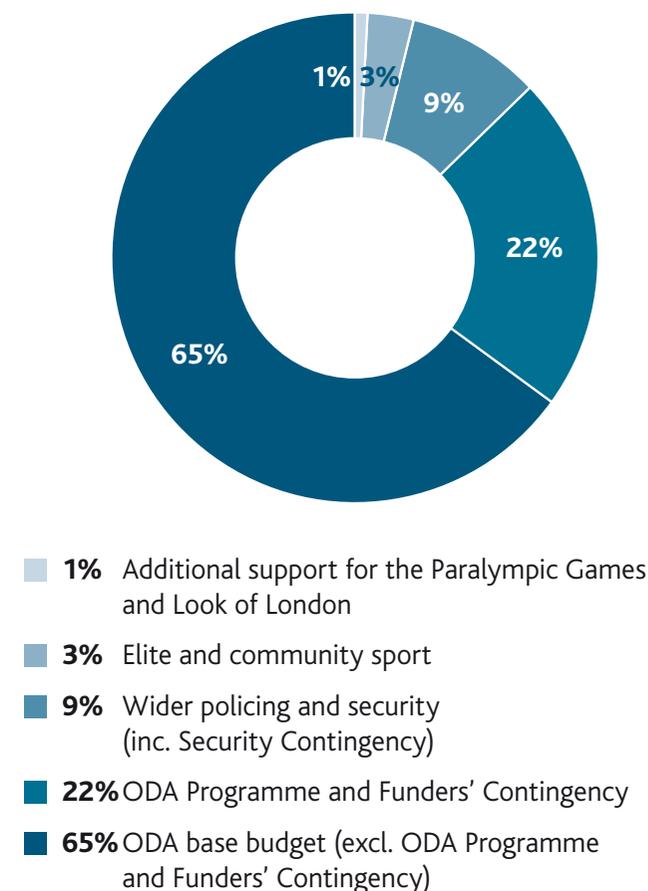
		£m	£m	£m
Total public sector funding package				9,298
ODA	ODA Base costs inc VAT		6,100	
	Programme Contingency		968	
	Funders' Contingency		1,004	
Total available to ODA				8,072
Non ODA	Elite and community sports	290*		
	Paralympic Games	66**		
	Look of London	32***		
			388	
Security		600		
Security Contingency		238		
			838	
Total non ODA				1,226

* The £290m contribution from the Sport Lottery Distributors has been invested in maximising the benefit to British sport of hosting the Games, through support of elite and community sport. The key areas that this contribution has been invested in are:
 – programmes of support for elite athletes and coaches;
 – development of facilities for elite and community use; and
 – community programmes/projects for clubs, coaches and volunteers, to increase participation and improve performance.

** The £66m is the Government's planned contribution towards the hosting of the Paralympic Games by LOCOG.

*** The programme of works, currently being designed, will be for use on non-capital, presentational works – such as street decoration and signage, etc.

Figure 1: Overview of £9.298bn funding package



Sources of funding

Following the General Election in May, the new Government made clear that the Olympic Programme would be expected to make a contribution to the £6.2bn of efficiency savings required across Government in 2010-11, as the first step in its strategy to reduce the national deficit. The ODA has agreed to deliver further efficiency savings of £27m. Consequently, the Government's grant has been reduced by £27m and the overall Public Sector Funding Package reduced from £9.325bn to £9.298bn.

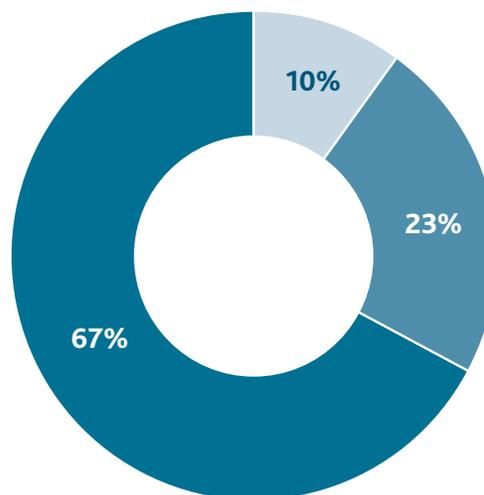
In our May report, we said that in February 2010, the Government had agreed to relieve the London Development Agency (LDA) of £300m of its contributions to the ODA's budget in the next spending review period. In return, the LDA had committed to reducing its debt position by an equivalent amount.

This means that funding will be made available from the Exchequer to cover the LDA's reduced contributions. The Greater London Authority (GLA) contribution will be capped at £625m and the LDA contribution capped at £250m, with no further payments from the LDA after 31 March 2011.

We explained that this decision was reached as a result of the agreement between the Government and the Mayor in relation to the transfer of ODA land in and around the Olympic Park to the Olympic Park Legacy Company, and the consequential impact on the LDA's ability to repay debt taken on when it assembled the land for the Olympic Park.

Table 2: Sources of funding

Funding from:	Total contribution £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

This decision was reviewed by the new Government and was re-confirmed on 8 July 2010.

Under the confirmed arrangements, the interests of the Lottery under the 2007 Memorandum of Understanding between the Government and the Mayor are still protected.

With the extra £300m of grant-in-aid replacing £300m of LDA funding, over £6bn of the £9.298bn Public Sector Funding Package will come from Central Government. Funding for the ODA comprises contributions from DCMS, the Department for Communities and Local Government (CLG) and the Department for Transport (DfT). The funding of the £838m for wider policing and security is primarily the responsibility of the Home Office, working with other Government Departments.

The overall National Lottery contribution to the 2012 Games will be 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.

Cash flow

The outcome of the spend analysis up to the end of June 2010 is as follows:

November 2007 Forecast Spend to end June 10 £m	Actual Spend to end June 10 £m
4,738	3,973

The variance between forecast and actual spend reflects savings achieved on infrastructure works (such as Structures, Bridges and Highways), logistics and security offset by additional spend on the Village, now publicly funded, together with planned changes to the delivery programme.

Overall budget position and Anticipated Final Cost

There have been some movements in the ODA's budget and the overall Anticipated Final Cost (AFC) in the last quarter:

Movements in ODA budget 2010-11

- As agreed in May 2010, the ODA has reduced its budget by £27m in this financial year 2010-11 with a consequential reduction in the lifetime budget.
- Specific savings have been made on the IBC/MPC, £11m, security for site construction, £13m, and the remainder from the Velodrome and the temporary Basketball Arena. In each case the saving has been achieved through efficient delivery of these projects and through procurement gains; not a reduction in scope.

Movements in ODA lifetime budget

During the quarter, the ODA's lifetime budget was adjusted to account for the increases in the transport budget and in the budget for the infrastructure for the Olympic Village and Stratford City, as forecast in the previous quarter. These increases were funded from savings achieved elsewhere across the programme, meaning that contingency was not utilised.

Movements on overall AFC

Through a combination of additional savings made in the last quarter and the expectation of reduced risks going forward, the overall AFC to completion for the project has also decreased.

Below are the potential movements in the AFC:

- There is a potential reduction in costs of £17m on the Olympic Stadium through savings made by efficient delivery and procurement gains as the project moves towards completion in the first half of 2011.
- There is a potential saving of £18m on the IBC/MPC – in addition to the £11m saving in 2010-11 referred to above – due to efficient delivery of this project. The structure of the MPC was recently completed and the structure of the IBC is already complete.
- There is a potential saving of £9m on security for Park construction due to savings through procurement, in addition to the £13m in 2010-11 referred to above. Again this is through efficiencies and procurement savings, not scope reduction.
- There is a potential cost increase of £7m on the Aquatics Centre to ensure the project remains on schedule to complete next summer. This potential increase is due to the complicated nature of the build on what is the most challenging venue on the Olympic Park on the most constrained part of the site. Contractors are working at five different heights on the venue from the roof, itself a significant and complex engineering challenge, to the pools themselves with work also started on the temporary stands.

– There is a potential cost increase of £31m in the Enabling Works project, due largely to an increase in the volume of materials being processed through the on-site 'soil hospital'. This facility sorts and treats construction soil generated across the site, and recycles it for re-use on projects on the Olympic Park, to minimise costly disposal of unsuitable material, and the need to import suitable new material.

At this stage no further contingency has been released for these future cost pressures as it is anticipated that they can be covered in full or in part by savings going forward.

The like-for-like decrease in the AFC from last quarter, taking into account the savings made, additional cost pressures and the reduction in assessed programme risks, is £51m.

Impact of Emergency Budget

The AFC of £7.261bn includes the impact of the Emergency Budget of 22 June 2010, which incorporated an increase in VAT of 2.5 per cent from 4 January 2011, Employers National Insurance changes, Insurance Premium Tax increases and a two-year pay freeze for public sector workers earning more than £21k per annum. The total cost increase as a result of the Government's Emergency Budget is estimated at £45m and this is included within the current AFC.

Park Operations

As reported in the February Annual Report, it has been agreed that the ODA will take on additional responsibilities for the operation of the Olympic Park and its venues and facilities between 2011 and the handover to legacy owners by 2014. This includes Facilities Management, logistics and access arrangements and security, which protects the assets and supports their use through the test events period and the Games until handover to a successor body.

The ODA previously published that the cost of this work would be between £110m and £160m depending on the finalisation of scope, delivery approach, procurement and other factors. A business case is being prepared by the ODA for approval in the autumn. To facilitate the procurement of services and early security works, the Government approved a £13m release of contingency in February 2010 and this is included in the current AFC of £7.261bn. However, the potential additional scope of up to £147m is currently excluded pending the finalisation of scope and cost, and this could therefore increase the AFC to £7.408bn. It is intended to include the latest cost estimate for these services in the AFC in the next quarterly report in parallel with finalising the business case.

Table 3: Changes to ODA budget

	Original baseline £m	Allocated contingency £m	Revised baseline £m	Contingency available £m	Maximum available ODA budget £m
November 2007	6,127	0	6,127	1,972	8,099
Village Interim Funding		95	95	(95)	
Contingency releases published Jan 09		35	35	(35)	
September 2008	6,127	130	6,257	1,842	8,099
Village additional funding		231	231	(231)	
IBC/MPC		135	135	(135)	
September 2008	6,127	496	6,623	1,476	8,099
Inflation savings		(77)	(77)	77	
VAT rate reduction		(24)	(24)	24	
Other movements		28	28	(28)	
March 2009 – pre village funding	6,127	423	6,550	1,549	8,099
Village investment		261	261	(261)	
March 2009 – post Village funding	6,127	684	6,811	1,288	8,099
Basketball		(3)	(3)	3	
Security Resilience		19	19	(19)	
June 2009	6,127	700	6,827	1,272	8,099
Barking feasibility reports / Eton Manor / Aquatics		2	2	(2)	
September 2009	6,127	702	6,829	1,270	8,099
Aggregate Tax (£0.4m)		0	0	0	
December 2009	6,127	702	6,829	1,270	8,099
Parkwide Operations		13	13	(13)	
Stratford City post-Games development		75	75	(75)	
March 2010	6,127	790	6,917	1,182	8,099
Reduction in ODA budget as part of public sector in-year reductions	(27)		(27)		(27)
June 2010 before Village receipts	6,100	790	6,890	1,182	8,072
Village future receipts		(324)	(324)		
June 2010 after Village receipts	6,100	466	6,566		
Net future cost pressures			121		
Total before assessed programme risks			6,687		
Assessed programme risks			529		
TOTAL AFC			7,216		
Impact of Government Emergency Budget of 22 June 2010 on AFC			45		
Total AFC after 22 June Emergency Budget impact			7,261		

Contingency

No contingency has been released in the last quarter. As of the end of June 2010, the gross allocation of contingency remains at £790m, leaving a contingency balance of £1,182m available. The net allocation is £466m, assuming the £324m additional funding made available in May 2009 to the Olympic Village from contingency is repaid from the future sale of Olympic Village homes.

The ODA now estimates the value of programme risks going forward to be £529m, excluding the new scope for Park Operations, a reduction in the quarter of £51m.

It is expected that contingency will be needed to fund Park Operations and the figures will be known in the autumn.

Table 4: Anticipated Final Cost (AFC)

Total available budget £8,072m

		Nov 07 ODA Baseline Budget £m	May 10 AFC £m	July 10 AFC £m	Variance May 10- July 10 £m
Site preparation and infrastructure	Powerlines	282	285	285	0
	Utilities	256	199	205	6
	Enabling works	364	349	380	31
	F10 Bridge	89	63	63	0
	Other structures, bridges and highways	740	611	611	0
	South Park site preparation	116	120	116	(4)
	Prescott Lock	5	5	5	0
	Other infrastructure (landscaping)	243	225	228	3
	Total site preparation and infrastructure	2,095	1,857	1,893	36
Venues	Stadium	496	533	516	(17)
	Aquatics	214	250	257	7
	Velopark	72	95	94	(1)
	Other Olympic Park venues	172	201	200	(1)
	Non-Olympic Park venues	101	131	132	1
	Total venues	1,055	1,210	1,199	(11)
Transport	Stratford Regional Station	119	125	125	0
	DLR	86	80	80	0
	Thorntons Field	47	23	23	0
	North London Line	110	107	107	0
	Other transport capital projects	178	164	173	9
	Other transport operating expenditure	357	359	355	(4)
	Total transport projects	897	858	863	5
Parkwide projects	Logistics for site construction	337	273	270	(3)
	Security for park construction	354	321	299	(22)
	Section 106 and masterplanning	127	122	122	0
	Insurance	50	50	50	0
	Other parkwide projects	0	98	104	6
	Total other parkwide projects	868	864	845	(19)
Media Centre and Olympic Village	Stratford City land and infrastructure	522	590	597	7
	Stratford City development plots	(250)	(100)	(100)	0
	Village construction (public sector funding)	0	687	697	10
	Village receipt	0	(324)	(324)	0
	IBC/MPC	220	337	308	(29)
	Total Media Centre and Olympic Village	492	1,190	1,178	(12)
	Programme delivery	647	684	684	0
	Taxation and interest	73	24	25	1
	Total budget before contingency	6,127	6,687	6,687	0
	ODA programme contingency available	968	613	578	(35)
	Total after ODA programme contingency	7,095	7,300	7,265	(35)
	Available programme contingency*	0	(33)	(49)	(16)
	Retained savings**	0	0	0	0
	Total potential Anticipated Final Cost (AFC)	7,095	7,267	7,216	(51)
	Impact of Government Emergency Budget of 22 June 2010 on AFC			45	45
	Total AFC after 22 June Emergency Budget impact***			7,261	6

* Available Programme Contingency represents the amount of Programme Contingency available in excess of assessed risks.

** Retained Savings represents savings generated which will be used to meet future cost pressures.

*** AFC excludes additional Parkwide Operations scope estimated at £147m and, if included, the AFC would be £7,408m.

Olympic and Paralympic security finance update

Management of the Olympic 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 for Olympic and Paralympic safety and security, and is accountable for the delivery of a Safety and Security Strategy, Delivery Plans and the Safety and Security Programme. The Olympic Security Directorate (OSD), within the Home Office, develops and manages the Strategy and its associated programmes and ensures their delivery through other agencies, Departments and organisations.

By the end of the 2009-10 financial year, approximately £60m had been spent on the additional costs of Olympic safety and security. This provision is distinct from the ODA's and LOCOG's security budgets.

Funding for future years will be determined as part of the forthcoming Comprehensive Review Settlement (CRS). The Government is carrying out an audit and review of the Olympic Safety and Security Programme which will feed into the CRS.

LOCOG finance update

The London Organising Committee of the Olympic and Paralympic Games (LOCOG) is responsible for the overall staging of the Games. It is a company limited by guarantee established by a joint venture agreement between its stakeholders, namely: the Secretary of State for Culture, Olympics, Media and Sport; the Mayor of London; and the British Olympic Association. LOCOG is ahead of schedule in generating the c£2bn needed to stage the Games in 2012, a major achievement in the current economic climate.

With the exception of a 50 per cent contribution towards the cost of the Paralympic Games, LOCOG is expected to be self-financing through sponsorship, ticketing, merchandising and contributions from the IOC.

The Government is the ultimate guarantor to the IOC of LOCOG's budget, and therefore responsible for meeting any shortfall between the latter's costs and revenues. It consequently takes a close interest in LOCOG's plans and budget.

By June 2010, LOCOG had secured nearly three-quarters of the income required for its £2bn budget to stage the Games. This included over £600m of local sponsorship revenue. It has signed up 32 local sponsors in the following categories:

Table 5: LOCOG sponsors as at 30 June 2010

Official Partners	Official Supporters	Official Providers and Official Suppliers	Official Partner of the Paralympic Games
Adidas	Adecco	Airwave	Sainsbury's
BMW	ArcelorMittal	Atkins	
BP	Cadbury	The Boston Consulting Group	
British Airways	Cisco	Crystal CG	
BT	Deloitte	Eurostar	
EDF Energy	Thomas Cook	Freshfields Bruckhaus Deringer LLP	
Lloyds TSB	UPS	GlaxoSmithKline	
		Gymnova	
		Holiday Inn	
		John Lewis	
		McCann Worldgroup	
		Mondo	
		Next	
		The Nielsen Company	
		Populous	
		Ticketmaster	
		Trident	

LOCOG is concentrating on securing its remaining unsecured revenue from tickets sales, merchandising, licensing and continuing its sponsorship drive. Securing income reduces the risk to the Government of a shortfall. LOCOG continues to work on its budget, revenue and costs alongside relevant partners working closely with the Government Olympic Executive.

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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