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GREAT

BRITAIN

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

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department for
culture, media
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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

CONTENTS

1 Foreword	4
2 Quarterly budget update	9
– Public Sector Funding Package for the Games	9
– Olympic Delivery Authority	11
– Park Transformation	13
– Olympic and Paralympic Safety and Security	13
– Paralympic Games	14
– LOCOG Park Operations	14
– LOCOG	14
– Operational provisions	15
– ‘Look’ of London and wider UK	15
– Sources of funding and treatment of underspend	16
– Remaining works on the Olympic and Paralympic Programme, and future reporting	16

The London 2012 Olympic and Paralympic Games was one of Britain's greatest sporting summers.

I am now completely focussed on delivering a lasting legacy from the Games. However, the publication of this final quarterly economic report is a good time to reflect on a remarkable time.

London 2012 was all about sport and Team GB and Paralympics GB did us proud, as did the London Organising Committee who staged a show the like of which we have never seen before. Our medal counts propelled Britain to third in both the Olympic and Paralympic medal tables - a huge achievement for a country of our size. This reflects enormous credit on the athletes, but also on UK Sport, the BOA, the BPA, the sport national governing bodies, coaches and support staff who showed that this country's elite and high performance sports system is in good shape.

The sporting highlights were many - from Helen Glover and Heather Stanning winning the first gold medal on the lake at Eton Dorney to 'Super Saturday' with Mo Farah, Jess Ennis and Greg Rutherford's sensational winning performances. They were followed by Ellie Simmonds, Jonnie Peacock, David Weir, Sarah Storey and Hannah Cockcroft who excelled for Britain during the Paralympic Games, leading to a remarkable tally of 65 Olympic and 120 Paralympic medals.

The British public also did us proud. The Games Makers showed the country at its very best with their unwavering enthusiasm; while the general public were welcoming, supportive, fair and knowledgeable. I know how much these attributes meant to athletes, coaches, families, spectators and dignitaries who came to London for the Games.

They were joined by the Armed Forces, Police, Transport for London and many other public sector workers who showed the world the very best face of Britain. It was a great national triumph.

It is now nearly two months since the Paralympic flame was extinguished by Ellie Simmonds and Jonnie Peacock, but there is still much work to be done on the Park. The transformation has begun to turn it into a stunning new quarter of the capital when it reopens as the Queen Elizabeth Olympic Park.

Importantly, we remain under budget, as forecast. Funds from the Olympic budget are still necessary in the transformation phase so we cannot provide an absolutely final budget cost - but it remains highly likely that the public sector funding package for London 2012 will come in under £9bn.

It is thanks to the hard work and expertise of the Olympic Delivery Authority, and its contractors, that we kept within a strict, well-managed budget. The ODA laid the firm foundations and the London Organising Committee ran a truly remarkable Games.

Wherever you went, either on the Park or at one of the impressive venues off it, the atmosphere was incredible. LOCOG worked hand-in-glove with the Royal Parks and local councils to create world class temporary venues at Horseguards Parade and Greenwich Park, as well as with existing facilities like ExCeL, Wimbledon and Wembley to ensure a great experience for both athletes and spectators.

Both the ODA and LOCOG have made my job easier; making this report a chance to highlight all that is good about UK plc.

After years of publishing these reports and updating readers on everything that is new in the delivery programme, it seems appropriate for me to finish on a line borrowed from Lord Coe at the Closing Ceremony of the Olympics that sums up the project perfectly: **"When our time came, Britain, we did it right."**



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

Hugh Robertson MP
Minister for Sport and Tourism



The Olympic Stadium.



One of several artworks in the Olympic Park – the RUN sculpture by artist Monica Bonvicini.



The Aquatics Centre.



Panoramic view of the Velodrome and Basketball Arena during the Paralympic Games.

PUBLIC SECTOR FUNDING PACKAGE FOR THE GAMES

Following the conclusion of the Games, the Anticipated Final Cost (AFC) of the Olympic and Paralympic Programme is £8,921m. This represents a projected £377m saving against the Public Sector Funding Package (PSFP) of £9,298m. There are substantial works on the programme that are ongoing, such as the retrofit of the Olympic Village and the closeout of ODA and LOCOG contracts. This report therefore provides a forecast of the final position of the programme, rather than a final account.

In addition to the projected £377m saving, the ODA holds £73m to cover assessed risk relating to its contract close-out and post-Games works and income, and the Government holds £30m as a prudent provision against LOCOG post-Games risks. Therefore, there is a total of £480m uncommitted contingency remaining within the PSFP.

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 following the Games with outstanding final reconciliation still to be completed.

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

	31 May 2012 (£m)	30 September 2012 (£m)	Variance from 31 May 2012 to 30 September 2012 (£m)
ODA programme contingency	88	73	-15
Contingency held against LOCOG post-Games risks	0	30	+30
PSFP contingency and other savings	388	377	-11
Total PSFP	476	480	+4

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 May 2012 (£m)	30 September 2012 (£m)	Variance from 31 May 2012 to 30 September 2012 (£m)
ODA ¹ , including:	7,321	6,761	6,714	-47
<i>ODA programme contingency</i>	-	88	73	-15
Park Transformation ¹	0	296	296	-
Policing and wider security	475	475	455	-20
Elite and community sports	290	290	290	-
Venue security	282	553	514	-39
Paralympic Games	95	95	111	+16
LOCOG Park Operations	67	68	78	+10
Funding available to LOCOG:	65	183	224	+41
Contingency held against LOCOG post-Games risks	-	0	30	+30
Operational provisions	62	116	137	+21
'Look' of London and wider UK	32	33	32	-1
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	388	377	-11
Total	9,298	9,298	9,298	-

¹ The ODA's SR baseline included £333m for Park Transformation. This scope is now being 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.

OLYMPIC DELIVERY AUTHORITY

The ODA's AFC now stands at £6,714m, a £47m reduction since the previous report. The reduction includes £16m of net funding returned to GOE, comprising £21m for venue transport operations now being delivered by LOCOG, offset by the ODA taking on an additional £5m of delivery responsibility for transport hubs. In addition the ODA has returned a further £1m in funding for employees transferred to LLDC. The remaining £30m improvement in the AFC is due to a combination of net savings and reduced risks, including a reduction of £10m for contingency held in respect of Park Operations. The ODA's AFC includes £73m of programme contingency held against remaining assessed risks.

With the additional savings achieved in the period to 30 September 2012, the amount saved by the ODA against the original budget has now reached £1,032m. The latest savings are largely from the efficient delivery of Games-time Transport operations (such as ORN and rail services), corporate Security services, and Venues.

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

- A reduction of £8m in Utilities and £10m increase in Structures, Bridges and Highways costs as final account settlements continue on commercial contracts.
- A total reduction of £46m in Transport costs. This includes the net return of £16m to GOE but also a significant reduction in cost as a number of risk provisions held for Games-time were not required (such as additional late running trains beyond those already provided).

- A reduction of £4m in Security costs following a review of security provisions for post-Games assurance and review work, in light of the successful Games.
- A reduction of £5m in Parkwide Operations, largely as a result of the reclassification of costs to the Village construction project.
- A reduction in the costs of other Parkwide Projects of £3m. This was largely due to the efficient delivery of the ODA's statutory obligations on advertising and trading, mostly through advice and without the need for the use of enforcement powers.
- A reduction of £10m in Land and Infrastructure costs, resulting from the ODA finalising its position in relation to rates and land purchase costs below previously estimated levels.
- An increase of £36m in the costs of completing the Village. This includes internal transfers of £5m from ODA Park Operations and £14m from ODA programme contingency for previously identified improvements to the final build. The £17m balance is for additional forecast costs following a reassessment of the retrofit works. This includes buying losses, the continuing impact of contractor insolvency, acceleration and re-phasing to de-risk the programme and ensure timely transfer of the accommodation to the purchasers by 31 March 2014, enhanced security operations, and additional assurance costs to ensure programme delivery remains to timetable.

- A reduction of £15m in assessed programme contingency to meet remaining risks in the ODA's programme. This includes the draw down of £14m to the Village construction project (as above), and a reduction for amounts held in respect of Games-time risks.

The ODA still has significant delivery responsibilities and risks to manage in the post-Games period, whilst seeking to close out its commercial contracts. Its works will include removing partitions in the Village, installing new kitchens and converting the 2,818 apartments/houses plus surrounding infrastructure into its legacy mode. The ODA will also be converting the Chobham Academy and Polyclinic/Health Centre from their Games-time configurations into the form they can be used by the community in legacy, ready for their re-opening in 2013.

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

Detailed breakdown of the ODA AFC at 30 September 2012		Nov 07 ODA Baseline Budget £m	31 May 2012 forecast £m	30 September 2012 forecast £m	Variance from 31 May 2012 forecast £m
Site Preparation and Infrastructure	Powerlines	282	287	287	0
	Utilities	256	235	227	(8)
	Enabling Works	364	386	386	0
	F10 Bridge	89	55	55	0
	Other Structures, Bridges and Highways	740	565	575	10
	South Park Site Preparation	116	82	81	(1)
	Prescott Lock	5	5	5	0
	Other Infrastructure (Landscaping)	243	207	208	1
	Total Site Preparation and Infrastructure	2,095	1,822	1,824	2
Venues	Stadium	496	428	429	1
	Aquatics	214	251	251	0
	Velopark	72	87	88	1
	Handball	55	41	41	0
	Basketball	58	40	40	0
	Other Olympic Park Venues	59	101	102	1
	Non-Olympic Park Venues	84	103	102	(1)
	Total Venues	1,038	1,051	1,053	2
Venues Operations	Venues Reconfiguration	17	55	55	0
	Total Venues Operations	17	55	55	0
Transport	Stratford Regional Station	119	120	120	0
	DLR	86	80	80	0
	Thorntons Field	47	23	23	0
	North London Line	110	107	107	0
	Other transport capital projects	178	99	92	(7)
	Other transport operating expenditure	357	465	426	(39)
	Total Transport Projects	897	894	848	(46)
Parkwide Projects	Logistics for site construction	337	239	238	(1)
	Security for park construction	354	228	224	(4)
	Section 106 and masterplanning	127	94	94	0
	Insurance	50	50	50	0
	Parkwide Operations	0	209	204	(5)
	Security screening and operational areas	0	49	48	(1)
	Other Parkwide Projects	0	27	24	(3)
Total Parkwide Projects	868	896	882	(14)	
Media Centre and Village	Stratford City Land and Infrastructure	522	618	608	(10)
	Stratford City Development Plots	(250)	(71)	(71)	0
	Village Construction – public sector funding	0	712	748	36
	Village Receipt	0	(324)	(324)	0
	IBC/MPC	220	295	297	2
Total Media Centre and Olympic Village	492	1,230	1,258	28	
Programme Delivery	647	729	725	(4)	
Taxation and Interest	73	(4)	(4)	0	
Total AFC Before Programme Contingency	6,127	6,673	6,641	(32)	
Assessed Risk Programme Contingency	968	88	73	(15)	
Total Potential AFC	7,095	6,761	6,714	(47)	

PARK TRANSFORMATION

The forecast for Park Transformation remains unchanged at £296m. The handover of the Park from LOCOG to the LLDC, the Mayoral body responsible for delivering the transformation works, is underway and on track.

OLYMPIC AND PARALYMPIC SAFETY AND SECURITY

Despite issues with the supply of security guards from G4S in the run up to and during the Games, the Games concluded with no major safety and security incidents. The contingency plan to deploy additional armed forces and police personnel that was put in place to meet the shortfall in G4S guards was fully effective, ensuring robust security at all Games venues. Queues to clear pedestrian and vehicle screening regimes were manageable throughout. Respondents to surveys conducted by LOCOG reported consistently high satisfaction scores on user experience of Games security and overall feelings of safety and security.

Management of the Olympic and Paralympic Safety and Security Programme, which covered policing and wider security for the Games, was the responsibility of the Home Office. The Home Secretary was 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, managed the strategy and its associated programmes, and ensured their delivery through the police and other agencies, departments and organisations.

The Government's approach was intelligence-led and risk-based, ensuring flexibility to respond to changes in circumstance. The planning assumption we used throughout was that the Games would be delivered in the context of a 'severe' level of terrorist threat, higher than the 'substantial' level experienced in the run up to and during the Games. This planning basis was kept under regular review throughout the Games planning cycle.

Significant assurance activity, including testing and exercising, was undertaken in the period leading up to the Games to prove and harden safety and security measures and operations. This work also ensured an effective fit between safety and security activity and other areas of Games delivery. Her Majesty's Inspectorate of Constabulary (HMIC) carried out a number of reviews of high risk areas; its recommendations were taken forward and, where relevant, factored into Games-time operations.

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. Following the Spending Review the Government announced that it intended to deliver the programme for £475m, though up to £600m remained available if required. In the event this programme was delivered in full for £455m. Costs decreased as contingency held for Games-time was not required, and costs for the policing operation reduced.

Security at Games venues was a shared responsibility between LOCOG, as event organiser, and the Government, as the guarantor of security to the International Olympic Committee (IOC). As outlined in our December 2011 Quarterly Report, funding was made available to LOCOG to support it in delivering its responsibilities for securing Olympic and Paralympic venues. This budget funded venue security personnel and the associated recruitment and training costs as well as temporary security fencing, screening equipment and other venue security infrastructure to protect more than 100 competition and non-competition Games venues across the UK.

The final cost of security at Games venues is to be determined, with negotiations ongoing between LOCOG and G4S following G4S's failure to deliver its Games contract in full. This report indicates a forecast contribution from the PSFP of £514m, a reduction of £39m from the £553m publicly-funded budget previously announced. The saving is the result of a pre-Games reduction in the planned total guarding hours required to secure the venues, and the return of unspent contingency held against Games-time risks that were not realised. The reduction does not assume any savings resulting from the enforcement of LOCOG's contract with G4S, which remains the subject of commercial negotiation.

PARALYMPIC GAMES

The PSFP meets half the incremental cost of the Paralympic Games, in line with the Government guarantee given at the time of the bid. LOCOG, the Government, and the Olympic Lottery Distributor have reviewed the forecast final costs of the Paralympics following the conclusion of the Games. The PSFP contribution remains at 50 per cent, but has increased to £111m in line with an increase in the incremental cost of the Paralympics.

This increase is in part a result of correcting the previously estimated cost allocations between the Olympics and Paralympics as actual cost splits are determined, and in part a result of cost increases arising in the lead up to and during the Games. These included; increases in the venue and infrastructure costs due to the very significant adverse weather conditions pre-Games; increases in ticketing costs as a consequence of unprecedented ticket sales; and increases to Games-time workforce and accommodation costs.

LOCOG PARK OPERATIONS

£10m of contingency previously held by the ODA for Park Operations was released to LOCOG, who were better placed to manage the works required in Games time. There is no overall impact to the cost of Park Operations as a result.

LOCOG

Funding made available to LOCOG has increased by £41m in the period since 31 May 2012. Having taken over responsibility for the Olympic Park earlier than originally planned, in January 2012, following the completion of all main venues the previous July, LOCOG were best placed to undertake a range of works rather than the ODA. A summary breakdown of the additional funding released to LOCOG is set out in Table 4.

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

Description of funding available to LOCOG	£m
Funding previously released up to 31 May 2012 (as described in previous Quarterly Reports)	183
Capital works with legacy benefit	+26
Finalisation of Olympic Park venues and infrastructure	+14
Post-Games Park and Village security	+5
Saving on structural resilience of venues	-4
Forecast funding available to LOCOG as at 30 September 2012 before post-Games risks	224
Provision for post-Games risks	+30
Forecast funding available to LOCOG as at 30 September 2012 including provision for post-Games risks	254

Two grants were made available to LOCOG immediately prior to the start of the Games, one for £9.3m to cover additional costs of venue preparation as a result of the extremely wet weather in the months leading up to the Games and one for £5m to cover Games Time contingency requirements. LOCOG has since confirmed that it will not require these grants as it has been able to cover both the pre-Games expenditure and Games Time contingency spends from within its own budget.

We have released up to £26m to LOCOG for capital works on the Olympic Park that will have lasting legacy value. This includes site works such as drainage and cabling, and venue works such as internal fit out and services installation. We released a further £14m to LOCOG for a series of other minor works to venues and infrastructure to ensure that they met the required specification for the Games.

We have also released £5m to LOCOG for Park and Village security for the period immediately following Games-time until handover to the LLDC and ODA. Separately, LOCOG has achieved a £4m saving on the funding previously released to ensure the structural resilience of venues at Games-time.

Finally, we have made a prudent provision of up to £30m against LOCOG's post-Games risks. These risks include venue reinstatement and other closedown activities. This funding has not been released to LOCOG at this point and may only be accessed to meet unavoidable costs that it cannot otherwise absorb. Nevertheless, it is appropriate to make this provision in order to forecast a prudent anticipated final cost of the Olympic and Paralympic programme.

OPERATIONAL PROVISIONS

The forecast for operational provisions has increased by £21m in the period since 31 May 2012. 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	30 September 2012 (£m)	Movement since 31 May 2012 (£m)
Last Mile, Road Events, Central London Zone and transport nodes crowd management	79	+2
Operational transport	45	+21
Utilities Resilience	10	-2
Games-wide testing	3	-
Forecast total	137	+21

We released additional gross funding of £6m to ensure safe crowd management in Central London, at transport nodes, and in the 'Last Mile' between transport nodes and Games venues. This included additional stewards, plus a contribution towards Operational Information Screens at key national rail stations and Heathrow Airport. This was offset by £4m of savings achieved in the delivery of other scope items within this programme. As a result, there has been a net £2m increase in the forecast cost of this programme.

Transport scope relating to traffic management and parking near venues was transferred from the ODA to LOCOG, the latter being better placed to deliver the requirements. This was not an increase in cost; the scope transfer resulted in a corresponding £21m reduction for the ODA, as described on page 11.

A £2m saving to the PSFP was generated on utilities resilience resulting from unspent contingency due to the smooth operation of utilities during the Games.

'LOOK' OF LONDON AND WIDER UK

A £1m saving was generated on the 'Look' programme as a result of the return of Games-time contingency that was not required.

SOURCES OF FUNDING AND TREATMENT OF UNDERSPEND

Government funding that is still required 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 has been provided primarily by the Home Office.

The centrally-held contingency funding remaining in the £9.3bn Public Sector Funding Package, currently forecast at £377m, is largely the remainder of the Government's contribution to the PSFP. This will be retained by HM Treasury, though any monies remaining at the conclusion of the programme in the Olympic Lottery Distribution Fund will be transferred to the National Lottery Distribution Fund for the benefit of the Lottery good causes.

The National Lottery and GLA will both benefit from a share of receipts from the agreed sale of the Olympic Village in March 2014. As part of the agreement put in place when public funding for the Village was approved in 2009, the Lottery and the GLA will receive repayments of £69m and £30m respectively.

In addition, the National Lottery is entitled to receive £675m from receipts from the sale of land in the Olympic Park in return for the National Lottery distributors' additional contribution of £675m to the PSFP when it was reviewed and increased in March 2007. This entitlement was 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 Ministerial Written 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.

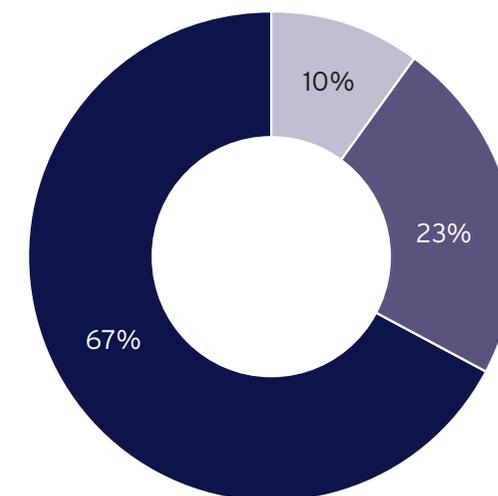
REMAINING WORKS ON THE OLYMPIC AND PARALYMPIC PROGRAMME, AND FUTURE REPORTING

The Games may be over but the Olympic and Paralympic programme is not yet complete. The ODA's Village retrofit programme is ongoing (as described on page 11), and the LLDC is beginning its programme of works to transform the Park into its legacy mode. The ODA and LOCOG also have

an extensive range of contracts to closeout, which means that the costs presented remain estimates in several instances.

Nevertheless, this is our final Report on the Games in this format. We will make further public updates as required through the post-Games transformation phase until the completion of the programme in 2014.

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) was set up within DCMS to ensure the Games were delivered on time and on budget, to the benefit of the whole of the UK. This included overseeing the entire London 2012 project, identifying and solving problems, delivering the public sector effort and being accountable to Parliament and to the public. The GOE will be subsumed into DCMS on 31 October 2012.

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. The ODA will continue to manage the delivery of the Village retrofit programme through to March 2014, but will otherwise complete substantial close-out in 2013.



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