



department for  
culture, media  
and sport

# London 2012 Olympic and Paralympic Games Quarterly Economic Report May 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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**One of the greatest events of my political life was the moment I was with the bid team in Singapore and we were told the 2012 Olympic and Paralympic Games were coming to London. It was a fantastic achievement and ever since, I have done everything I can to support the people working hard to make the London 2012 Games the event of a lifetime.**

I have a big responsibility to the public and know just how important their support is to making sure we host a successful Games. To keep this confidence, we have to let the public know how well preparations for the Games are progressing and that we are open about where the money being spent on the programme is going.

This is why I am pleased to be able to publish this update – it shows that during the busiest and most challenging year of construction, the project remains right on track and within budget. Over 65 per cent of the venues and infrastructure programme to the 2012 Games is now complete. This is excellent progress and means we are in a good position to overcome future challenges.

There are currently almost 10,000 people working hard on the Olympic Park and Village sites. The construction of the venues and infrastructure is providing thousands of valuable construction jobs, training and career opportunities in London and around the UK.

As well as being accountable to the public for assuring a winning Games, my key priority is making sure that the full potential of the Games is realised beyond 2012 when the festivities are over. The Games has a unique power to inspire, especially for young people. We need to capture this power and encourage more children and young people to take up sport.

The London 2012 Olympic and Paralympics Games are a marathon, not a sprint. With a little over two years to go, we are definitely on track to putting on the biggest celebration of sporting achievement the UK has ever seen.

This is an incredibly exciting but challenging time to be taking up the reins of the 2012 Games and I am hugely privileged to be the new Minister for Sport and the Olympics. The Games have been part of my life for so long and I'm thrilled to have the opportunity to help steer the project though to the home stretch.



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

**Hugh Robertson MP**  
Minister for Sport  
and the Olympics



Aerial view of the Olympic Stadium, with the new lighting towers suspended on the inner ring of the stadium roof, April 2010.

# Opening up business opportunities for UK companies worldwide

The London 2012 Olympic and Paralympic Games continue to provide a welcome catalyst to the UK's economic recovery. Around £5bn in direct contracts from the Olympic Delivery Authority (ODA) have been awarded so far, whilst thousands more businesses are benefitting across the country through work in the supply chains of the ODA's contractors. At the Olympic Park, the 'big build' remains on budget and on schedule, with employment on the Park and Village set to peak at around 11,000 later this year, making 2010 the site's busiest and most productive year to date.

As the 'two years to go' mark approaches in July, the Government is also looking beyond 2012 to ensure that the UK reaps every possible economic benefit from our hosting of the Games and seeks to capitalise on the significant opportunity to establish itself as a global centre of excellence for delivering international sporting events. After all, the Games are not just about the finishing line, but are also about the 'bottom line'. They are an economic stimulus package in themselves and provide an enormous opportunity to develop and open up new markets for UK businesses, form new business partnerships and create a sustainable economic legacy for the whole country.

UK Trade & Investment (UKTI), the Government's international business development organisation, is utilising its 'host2host' programme to maximise business and economic outcomes between Olympic host nations primarily through developing trade between them. On 26 March 2010, the UK signed a host2host trade agreement with Brazil, hosts of the 2016 Summer Games.

An estimated £30bn worth of investment in infrastructure is scheduled to take place in Brazil in preparation for the hosting of the World Cup in 2014 and the 2016 Olympic and Paralympic Games. UKTI estimates that they will together generate business opportunities worth up to US\$27bn for UK companies. Already, bilateral trade between Brazil and the UK has increased by 38 per cent to over £4bn in the past year, and our shared status as Olympic hosts offers us a chance to add further momentum to this trend.

UK expertise in planning and delivering both large infrastructure projects and major sporting events means our firms are well placed to take advantage of these opportunities.

The Brazil agreement follows existing host2host agreements with Canada (Vancouver 2010 Winter Games), Singapore (2010 Youth Games), South Africa (2010 World Cup) and Russia (Sochi 2014 Winter Games), which have already produced hundreds of millions of pounds worth of contracts for UK businesses.

With Olympic-related prospects linked to 2012 and far beyond, UK companies can look forward to many exciting future opportunities, both at home and abroad, thanks to London's hosting of this once-in-a-lifetime event.



Lord Coe tries his hand at pottery making on a visit to Wedgwood, who are producing the London 2012 commemorative mugs.

## Case study Vancouver 2010

The Vancouver 2010 Games were memorable for a number of reasons beyond the excellence of the sport and the beauty of the surroundings. Many who visited Vancouver commented particularly on the sense of national pride and participation in the Games.

The host nation constructed 14 promotional pavilions at the Olympic Park, which represented regions, provinces and even individual cities and provided information on business expertise, tourism, innovation and social issues. Other countries, including the Netherlands, Korea, Germany and Russia, had 'houses', as did many of the large global sponsors, such as Panasonic, Coca-Cola, Samsung, Acer and GE. These temporary structures comprised a public-facing element, as well as being able to accommodate the significant amount of business activity that is undertaken during an Olympic Games.

Already, other countries, major companies and even private entrepreneurs are enacting plans for 'houses' in London during Games-time in 2012. It is expected that at least 25 countries will set up these facilities in the capital during the six weeks of the Games.

We in the UK need to decide what we will do to showcase ourselves during the Olympic and Paralympic Games – particularly if we want to secure a prestigious location.

The Department for Business, Innovation and Skills (BIS) welcomes your ideas on what the UK and London should do to showcase themselves during Games-time. Get in touch via the BIS website: [www.bis.gov.uk](http://www.bis.gov.uk)





### Case study

## Chestnut hurdle Olympic fence

Kent fencing company Chestnut Products Ltd has been contracted to install the perimeter fencing to the main Olympic Park and also to supply and install the perimeter fencing for Broxbourne's White Water Canoe Centre. It also works directly for BAM Nuttall on a supply and install basis for general fencing around the Park.

Established in 1947 as a small business involved in the artisan craft of coppicing and fabricating chestnut fencing, the company has now grown and developed its services in the commercial fencing market.

The London 2012 Olympic Games and Paralympic Games contract was awarded in June 2008. The perimeter fence installation began in January 2009, and is due for completion within the next few months.

Chestnut's Quantity Surveyor and Marketing Manager Roderick Parrish says: "The London 2012 contract has had many positive impacts on our business. Apart from the obvious financial advantage of securing a large contract, we have taken on new staff and developed our ability to effectively run large scale operations. It has raised our profile to contractors working within the Olympic Park, allowing us to compete for many other fencing packages for the Games.

"For the Broxbourne Canoe Centre we were invited to tender for the perimeter fence on a supply and install basis.

"We have already employed extra staff as a direct result of winning the perimeter fencing installation package and our entire team has gained knowledge and experience.

"The supplier we have been working with has also benefitted greatly. They have increased their production facilities and staffing levels to cope with the increased demand and profile of their business."

The company has 14 staff at its Tonbridge site out of an overall workforce of 22, and has an annual turnover of between £2.5-£3m.

Mr Parrish adds: "Winning the London 2012 perimeter fence installation has been a huge help in this time of recession for our business. Where many tenders and jobs have been paused or cancelled altogether, the work on the Olympic site has maintained our ability to keep our staff in gainful employment and avoid job losses. The cash flow has been improved by quicker payments."

## CompeteFor

CompeteFor is a free brokerage service for buyers and suppliers in London 2012's supply chains that is opening up contracts to businesses like no other Games previously. With strong links to business support services, it is playing a crucial role in helping UK companies get ready to compete for contracts. Thus far over 113,000 UK businesses have registered and more than 6,100 contract opportunities have been advertised.

CompeteFor is being used by over 660 buying organisations including the London Development Agency, the Host Boroughs Unit, Greater London Authority, Transport for London, Metropolitan Police, London Fire and Emergency Planning Authority and Crossrail. The City of Westminster is placing all of its procurement through CompeteFor. Other local authorities piloting CompeteFor include Tower Hamlets, Haringey, Waltham Forest, Barking and Dagenham. With the London Organising Committee of the Olympic and Paralympic Games' (LOCOG) procurement commencing earlier this year and a number of other local authorities considering a pilot in the coming months, there will be many more opportunities to get involved.

For more information on CompeteFor visit: [www.competefor.com](http://www.competefor.com) and the business section of the London 2012 website: [www.london2012.com/business](http://www.london2012.com/business)

## Case study

### Creating UK jobs by reaching out internationally

A New York-based provider of branding and design solutions recently opened an office in the UK thanks to support received after registering on the London 2012 CompeteFor website.

The company, which serves industries such as sports, entertainment, fashion, technology, food and beverages, registered on CompeteFor in January 2009. Boasting Olympic experience with sponsors and governing bodies, the company was looking to promote its capabilities to LOCOG and its partners.

The firm was subsequently contacted by representatives of UKTI and Think London, who discussed business opportunities in the UK. They helped the provider to establish a London office four months later and to recruit UK staff.

The company's Chief Executive explained: "UKTI and Think London provided us with invaluable support in setting up our London operation, including guidance and assistance with visa applications, introductions to professional services agencies, networking with prospects and support agencies and access to ready-to-use office space."



USA Olympic Trials 2008 branding.

# 113,000+

Over 113,000 companies are now registered on CompeteFor with over 6,100 contract opportunities advertised so far

# 1,300+

Over 1,300 suppliers have worked directly with the ODA to date

# 6,100+

Over 6,100 suppliers from the Host Boroughs are registered with CompeteFor and over 60 per cent of them have been shortlisted for a CompeteFor contract

# 40,000+

Over 40,000 businesses have received business support as a result of registering on CompeteFor

# 98%

98 per cent of the ODA's suppliers are based in the UK. 48 per cent are businesses registered outside of London

# £6bn

The ODA and LOCOG between them expect to procure directly £6bn worth of contracts, creating thousands of supply chain contracts

# 69%

69 per cent of ODA suppliers are small or medium-sized businesses

Building the venues and infrastructure for the London 2012 Olympic and Paralympic Games will give people in London and the UK access to thousands of construction jobs, training and career opportunities.

The Olympic Park project has entered its most challenging year with construction underway in every part of the Park and the workforce expected to reach a peak of 11,000 on the Olympic Park and Olympic Village. Approximately 30,000 workers in total will have been employed on the Olympic Park and Village from 2005 to 2012, with many more through the supply chain up and down the UK.

LOCOG is developing its employment and skills strategy, which is due to be published in the autumn. The strategy aims to set out the roles and skills development opportunities – predominantly short-term contracts – that will be created during Games-time.

The ODA is working with partners at the Skills Funding Agency, London Development Agency, five Host Boroughs, Jobcentre Plus and its contractors to deliver a set of challenging targets to maximise opportunities for sustainable employment.

Several courses are being offered to help the Park workforce develop their skills and enhance their long-term employment prospects. For instance, members of the security guarding team who work to ensure that the London 2012 Olympic Park construction site is safe and secure are taking the opportunity provided by the ODA's security contractor to complete a professional qualification. Thus far, 42 members have been awarded the National Vocational Qualification (NVQ) Level 2 in 'Providing Security Services', while more than 200 others are in the process of gaining it.

The ODA is continuing to address young people's career opportunity needs through a new Construction Ambassadors programme and the existing London 2012 Apprentice Programme. As part of the National Skills Academy for Construction (NSAFC), the ODA's Employment and Skills team has recruited more than 30 construction industry professionals working for Olympic Park contractors to become new Construction Ambassadors. The Ambassadors are currently undergoing training and their role is to inspire youth, informing them about the range of opportunities offered in the construction industry. The Apprentice Programme recently held events in Hackney and Greenwich where young people gained valuable insight into what companies look for when recruiting apprentices. They were able to hear presentations and have informal sessions with Olympic Park contractors and construction industry training providers about the opportunities their companies could provide.



**Francis Haffner, an apprentice working on the Aquatics Centre.**

## Women into Construction

The 'Women into Construction' project is specifically designed to help women access and gain training, jobs, skills and experience on the Olympic Park. It has made real progress in the battle to break down traditional barriers that women still face in the construction sector.

The unique offer of tailored support, training, encouragement and employment opportunities provided is making a difference to both the women taking part and to contractors, who are impressed with the quality of the women candidates coming through the project.

To date, Women into Construction has helped more than 150 women into a range of jobs on the Olympic Park, provided 400 women with careers advice and guidance and entered a further 170 women into pre-employment training in practical construction skills such as plant driving and working at heights.

Initiatives such as the 'Digger School', a publicly funded plant training centre on the Olympic site which has trained over 700 people thus far, are also helping to open up the industry to new workers other than the 'traditional' builder – most crucially, women.

The 'Work Placements for Women Trained in Construction' scheme was also recently launched. This creates a bridge between college and employment for women who have already chosen to enter a particular career in construction by helping them to find work placements.

Since its launch, six women have undertaken placements at the Olympic Stadium as plumbers and electricians. In addition, two female engineering undergraduates have undertaken placements at the Handball Arena. These women have been joined by a trainee architect on the Waterpolo project and a trainee surveyor and a project manager on the Athlete's Village.

The achievements of the Women into Construction project have set new standards, which it is hoped will serve as a model for other large-scale construction projects to replicate. By encouraging increased numbers of women into the construction workforce, the legacy of the Games will be reinforced in terms of building sustainable skills and achieving socio-economic goals.



**Group portrait of the female workers currently employed on the Olympic Park, with London Assembly member Jennette Arnold, December 2009.**

**Case study**

**Catherine Neary,  
Plumbing Apprentice**

Catherine is a first-year plumbing apprentice participating in the London 2012 apprenticeship programme. The programme has allowed her to add practical experience towards achieving her qualification of NVQ Level 2. She is being offered the chance to train on a major construction site by getting involved in the temporary plumbing requirements, from running pipe work to connecting to existing water supplies and lagging. The Women into Construction project team matched Catherine's details to the apprenticeship places available.

She says: "So far the experience has been a good one, but I'm still learning. I know now that I want to be a plumber and need my qualification to get on. I know that I am training for a very good job and this experience on site is great for my CV."



## Case study

### Driving for the future

Ten women have completed their training to become bus drivers on the Olympic Park as part of the London 2012 Women's Project.

The women, most of whom were previously unemployed, will now move onto work placements as part of their preparation for taking up their new positions.

The women were presented with their Passenger Vehicle Training certificates at Stratford Town Hall following a tour around the Olympic Park with their family and friends. If they wish, the women can continue to work for Hackney Community Transport once their contracts finish in 2011.

Semra Kamil Yusuf, one of those who successfully completed the programme, said: "I was unemployed for five years, lost my confidence and self-esteem and found it very difficult to get into employment. I looked into courses that I could do which would lead to employment and I found this programme.

"Gaining employment has changed my life tremendously as I was very depressed and had a lack of self-confidence. This has helped me financially, emotionally and socially. My life has turned around again. I am excited to be part of London 2012."



# 6,400+

Over 6,400 people working for contractors on the Olympic Park

# 830+

Over 830 previously unemployed people have been placed into work through the Job Brokerage since April 2008

# 160+

Over 160 women have been helped into a range of jobs on the Olympic Park by the London 2012 Women into Construction project

# 3,200+

Over 3,200 people working on the Olympic Village

# 199

199 apprentices working on the Olympic Park and Village

# 2,800+

Over 2,800 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

# 12%

The proportion of the workforce previously unemployed before starting work on the Olympic Park

# 20%

The percentage of the contractor workforce on the Olympic Park who were resident in the five Host Boroughs

**“The ‘big build’ workforce is continuing to grow as we enter our toughest year. We are meeting our commitments to ensure employment and training opportunities for people living around the Olympic Park. The project remains on track and that is testament to the skill, professionalism and hard work of every single member of the workforce.”**

ODA Chairman, John Armitt



## Overview

The overall £9.325bn Public Sector Funding Package for the Games remains unchanged and the project remains on time and within budget.

As we approach two years to go to the Games this July, the Anticipated Final Cost (AFC) – the current forecast of final costs of the ODA's programme, including risks, scope changes and inflation – has again not significantly increased in the quarter. The current AFC is £7.267bn compared to £7.262bn at the end of the last quarter (December 2009), an increase of £5m, less than 0.1 per cent.

As noted in the Annual Report published in February 2010, the ODA is currently developing the scope and costings for Park Operations and a further update will be included in the next quarterly report.

The majority of contingency remains unreleased and the ODA continues to make strong progress in preparing the venues and infrastructure in the Olympic Park and elsewhere, with over 65 per cent of the programme to the 2012 Games now completed.

## Programme Progress

Over the past year the skyline of east London has changed dramatically. The stadium is now at its full height, with the addition in recent weeks of 14 floodlight gantries. The roof of the Velodrome has been lifted into place and the pools in the Aquatics Centre are structurally complete. Work is well underway to transform former industrial land into a new, green park for the capital.

The ODA sets out in advance the milestones it has planned to achieve for different phases of the 'Big Build'. All of the most recent milestones are expected to be completed on schedule by 27 July 2010. Further detailed information about progress can be found on pages 17-21.

Progress should become even more visible throughout 2010 and people will be able to see the stage for the London 2012 Games and the lasting legacy we will leave as a result.

This legacy includes community facilities such as the Village's Polyclinic healthcare facilities and Chobham Academy, a world-class new education campus with 1,800 places for students aged 3-19. Planning permission and funding for these amenities were recently granted to the ODA.

The academy will open in 2013 and will be created in partnership with Newham Council and the Department for Education. Adult learning facilities and a community arts complex will also be built within it, and during the Games the school building will be used as the main base for organising and managing athlete teams.

ODA Chief Executive David Higgins said: "Chobham Academy will be a world-class development and puts an educational legacy at the heart of our regeneration ambitions for east London."

There are now around 10,000 workers across the Olympic Park and Village sites and the programme continues to provide jobs and millions of pounds of business opportunities to companies around the UK.

## Savings

A total of around £600m in savings has been achieved by the ODA since the November 2007 baseline was agreed, including c£130m achieved in the last quarter. Most of these savings have been used to offset cost increases across the programme, which has meant that lower levels of contingency have been needed.

The majority of these savings have been achieved on the Structures, Bridges and Highways, Logistics, Security, Transport and Enabling Works projects, as well as savings from reduced inflation and the VAT rate reduction.

## Progress against milestones

The ODA sets out in advance the milestones it plans to achieve for different phases of the project, to ensure transparency and accountability. In July 2009, the ODA published the 10 milestones that it planned to achieve by 27 July 2010 – the date two years from the Opening Ceremony of the London 2012 Olympic Games. These milestones and progress against them are set out below.

### Milestone 1

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: On track

The Olympic Stadium's cable-net roof was moved into position in December 2009. The venue's 14 lighting towers have been lifted into place on top of the inner ring of this roof. The five bridges linking the Stadium 'island' with the rest of the Olympic Park are structurally complete and around half of the island's 300 trees have been planted.



### Milestone 2

The Aquatics Centre's permanent structure and roof will be complete and all three swimming pools will be dug out.

#### Progress: On track

The structure of the Aquatics Centre's spectacular wave-shaped roof was completed in autumn 2009 and the installation of the roof's covering has begun. The 3,000-tonne structure now sits on its three permanent concrete supports.

The three concrete swimming pools have been completed and tested – filled with more than 10 million litres of water to check they are watertight – and are ready for tiling.

During the Games, the majority of spectators will use a 48m-wide bridge to enter the Olympic Park. This bridge



will span the North London Line, the Waterworks River and part of the Aquatics Centre. All six abutments (supports on land) and piers (supports in water) for the bridge have now been completed and the parts of the bridge that span the river and railway have been lifted into place.

### Milestone 3

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

#### Progress: On track

The Velodrome's lower tiers and the steelwork supporting the track were completed at the end of 2009. The upper tiers and the structural steelwork that give the roof its distinctive double curves have also been finished. The venue's cable-net roof has been lifted into place.



### Milestone 4

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: On track

The structure of the IBC was finished in late summer 2009 and the cladding of the building has now been completed. The structure of the MPC has reached its full height, with work underway on the top floor of the building. The frame of the multi-storey car park has been finished.



## Milestone 5

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: On track

The foundations of the Handball Arena were completed in December 2009 and the first parts of the venue have been built above ground (pictured). All the contracts for the construction of the Basketball Arena have been awarded and the first parts of the venue are now visible above ground.

Planning permission for the new sporting facilities at Eton Manor was granted at the end of 2009 and construction will start in the coming weeks.



## Milestone 6

The majority of the Olympic Village homes will be structurally finished and internal works will have started. The entire major infrastructure needed to support the development will be complete.

### Progress: On track

Blocks on three of the 11 residential plots within the Olympic Village are structurally complete and work has begun on the external cladding of these blocks. Construction is well underway on the other eight blocks and Chobham Academy, the new world-class education campus being built within the Village.

Planning permission for the new community facilities and Polyclinic being built in the Village has been granted. These will serve athletes during the Games, and then residents of the Village and the wider community after 2012. Planning consent for the layout of the roads and pedestrian areas – known as the 'streetscape' – and the public spaces in the Village has also been granted.



## Milestone 7

All works will be complete at the Eton Dorney rowing venue. The new lake and competition courses at Broxbourne White Water Canoe 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: On track

The foundations for the new Broxbourne White Water Canoe Centre were completed at the end of 2009. The embankments for the canoe course have been formed, the starting pool for the competition course (pictured) has been completed and the venue's finish lake is being excavated. At Eton Dorney, work has concluded on the enhancements necessary for the Games, including a new 50m-span finishing line bridge that was lifted into place in January 2010.

Planning permission for the temporary facilities for the Games at the Royal Artillery Barracks has been granted.



## Milestone 8

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: On track

The earthworks for the wetland areas in the north of the Olympic Park have started, ready for planting to begin in the coming weeks. A contractor has been appointed to landscape the south of the Park. The first of 4,000 semi-mature trees was planted in November 2009.

Construction is now underway on more than two-thirds of the bridges and underpasses that are being built, including the Central Park bridge, which spans the River Lea at a focal point between the Olympic Stadium and Aquatics Centre. More than half the bridges and underpasses have already been structurally completed.



## Milestone 9

The Energy Centre, Primary Substation, main sewer and Deep Sewer Pumping Station will all be operational.

### Progress: On track

The Olympic Park's Primary Substation (pictured) was switched on in autumn 2009 and is already supplying power to the Stratford City development. Equipment has been installed inside the Energy Centre and work has begun on the outside of the building's structure.



The Deep Sewer Pumping Station and main sewer are operational and the electricity network that has been installed across the Park has 'gone live'.

## Milestone 10

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: On track

The 'Consultation Draft of the Second Edition of the Transport Plan for the Olympic and Paralympic Games' was published in 2009. Stratford International Station opened for the High Speed 1 domestic services in December 2009, while work continues to improve capacity and accessibility at Stratford Regional Station.

The improvement works along The Greenway walking and cycling route are nearing completion and the first section has reopened for use. Planning permission has been granted for the improvements that the ODA is making to provide safe pedestrian access onto The Greenway from West Ham Station, one of the three gateway stations to the Olympic Park.



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

## Public Sector Funding Package for the Games

The financial breakdown of the £9.325bn Games funding package and sources of income for the package, as announced in March 2007, is shown below.

**Table 1: Breakdown of the £9.325bn funding package**

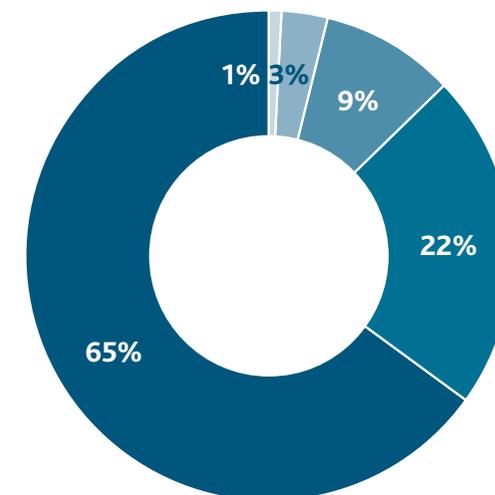
	£m	£m	£m
<b>Total public sector funding package</b>			<b>9,325</b>
<b>ODA</b>			
ODA Base costs inc VAT		6,127	
Programme Contingency		968	
Funders' Contingency		1,004	
<b>Total available to ODA</b>			<b>8,099</b>
<b>Non ODA</b>			
Elite and community sports	290*		
Paralympic Games	66**		
Look of London	32***		
		388	
Security	600		
Security Contingency	238		
		838	
<b>Total non ODA</b>			<b>1,226</b>

\* 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 £9.325bn funding package**



- **1%** Additional support for the Paralympic Games and Look of London
- **3%** Elite and community sport
- **9%** Wider policing and security (inc. Security Contingency)
- **22%** ODA Programme and Funders' Contingency
- **65%** ODA base budget (excl. ODA Programme and Funders' Contingency)

## Sources of funding

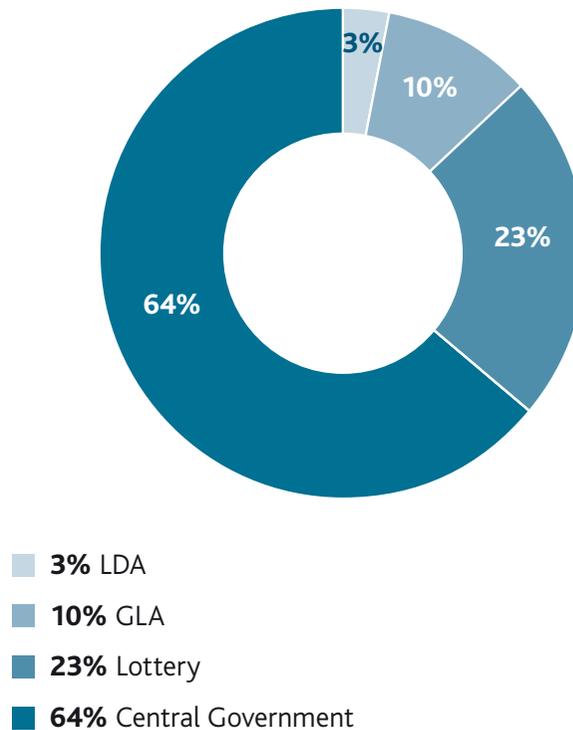
Changes to the funding contributions by the Government and the London Development Agency (LDA) have been agreed in the quarter. Currently, almost £6bn of the £9.325bn public sector funding package will come from Central Government. Funding for the ODA comprises contributions from DCMS, Communities and 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. Central Government funding for the Games for the period 2008-09 to 2010-11 has been secured through the Comprehensive Spending Review and the remaining balance will be confirmed in subsequent Spending Reviews.

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.

It was expected that the London contribution would be made up of £925m funding from the Greater London Authority (GLA) (including an estimated £625m contribution from the London council tax); and £250m funding from the LDA.

**Table 2: Sources of funding**

Funding from:	Total contribution £bn
Lottery	2.175
London (GLA and LDA)	1.175
Central Government	5.975
<b>Total</b>	<b>9.325</b>



However, in February 2010, the Government agreed to relieve the LDA of £300m of its contributions to the ODA's budget in the next spending review period. In return, the LDA has 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.

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.

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

## Cash flow

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

	November 2007 Forecast Spend to end March 10 £m	Actual Spend to end March 10 £m
	4,374.2	3,551.9

The variance between forecast and actual spend reflects savings achieved on infrastructure works (such as Structures, Bridges and Highways, and Enabling Works), logistics, transport 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 (AFC)

There have been some movements in the ODA's budget and in the overall AFC in the quarter:

### Movements in ODA Budget

- Around £130m in savings has been achieved during the quarter, mainly from Transport, Logistics, Corporation Tax, Structures, Bridges and Highways, Security and Landscaping.
  - As reported in the GOE Annual Report in February, there is a reduction in forecast receipts from the ODA's right to share in the development returns of land adjoining the Olympic Village. This reduction is due to the deterioration in the property market and the fact that the Village is now wholly owned by the public sector.
- The ODA's budget has now been adjusted to take account of this forecast reduction in receipts, estimated at £150m. The reduction has been offset by an expected associated saving of £45m in Corporation Tax and with £30m of the other savings achieved by the ODA, as mentioned above. The balance of £75m has been met from Programme Contingency.
- The Village construction budget increased by £6m due to continuing investment in security arrangements for the Olympic Village site, as outlined in previous reports.

These movements have not affected the AFC as their impact was reflected in the AFC in the Annual Report published in February.

- The budget for South Park Site Preparation has been transferred from the Venues budget into the Site Preparation and Infrastructure budget. This move reflects the fact that the majority of the costs are for the site preparation and landscaping of this area of the site around the Stadium island and south of the Greenway, currently the location of the concrete batching plant. This will also be the location of the Athletes' Warm-Up Track.

### Movements in overall AFC

The movement in the overall AFC is a consequence of a number of factors:

- the actual savings and budget changes as described in the previous section.
- a reduction in the level of assessed risks from £629m last quarter to £580m this quarter.
- a potential increase in Transport costs of £23m due to the development in scope for Venue Transport Operations and Local Area Traffic Management to coordinate and manage a range of different transport operations serving each venue. This scope includes demand forecasting and testing, coordination of park and ride operations, direct coach parking, traffic management and parking controls around venues, blue badge parking, the installation of cycle parking at all venues and shuttle bus operations. There are also potential cost pressures on implementing and operating the Olympic Route Network (ORN) and other transport operational costs around the Olympic Park and other venues.

- a potential increase of £30m in the costs of the infrastructure for the Olympic Village and Stratford City. Part of this increase relates to the adoption of roads and infrastructure after the Games and post-Games conversion work. The remaining costs include the acquisition of land adjacent to the Olympic Park needed for Games-time logistics purposes; payments for land to London and Continental Railways (LCR); and other costs and fees associated with the project.
- a potential budget increase in the Enabling Works project due to the transfer of scope from other parts of the programme related to soil cleaning, together with a reduced expectation of savings from previously forecast levels.

If the cost pressures described above materialise, it is anticipated that they will be covered at least in part by savings.

Taking into account savings made, the reduction in assessed programme risks and additional cost pressures, the overall increase in the forecast AFC since the last quarter is £5m, less than 0.1 per cent.

### 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. It is estimated that this activity may cost between £110m and £160m depending on the finalisation of scope, delivery approach, procurement and other factors. A business case is being prepared when a more accurate costing will be available and a further update will be included in the next quarterly report.

**Table 3: Changes to ODA Budget**

	Original baseline £m	Allocated contingency £m	Revised baseline £m	Contingency available £m	Maximum available ODA budget £m
<b>November 2007</b>	6,127	0	6,127	1,972	8,099
Olympic Village interim funding		95	95	(95)	
Contingency releases published Jan 09		35	35	(35)	
<b>September 2008</b>	6,127	130	6,257	1,842	8,099
Olympic Village additional funding		231	231	(231)	
IBC/MPC		135	135	(135)	
<b>January 2009</b>	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)	
<b>March 2009 – pre Olympic Village funding</b>	6,127	423	6,550	1,549	8,099
Olympic Village investment		261	261	(261)	
<b>March 2009 – post Olympic Village funding</b>	6,127	684	6,811	1,288	8,099
Basketball		(3)	(3)	3	
Security resilience		19	19	(19)	
<b>June 2009</b>	6,127	700	6,827	1,272	8,099
Barking feasibility reports/Eton Manor/Aquatics		2	2	(2)	
<b>September 2009</b>	6,127	702	6,829	1,270	8,099
Aggregate Tax (£0.4m)		0	0	0	
<b>December 2009</b>	6,127	702	6,829	1,270	8,009
Parkwide Operations		13	13	(13)	
Stratford City post-Games development		75	75	(75)	
<b>March 2010 before Olympic Village receipts</b>	6,127	790	6,917	1,182	8,099
Olympic Village future receipts		(324)	(324)		
<b>March 2010 after Olympic Village receipts</b>	6,127	466	6,593		
Net future cost pressures			94		
<b>Total before assessed programme risks</b>			<b>6,687</b>		
Assessed programme risks			580		
<b>Total Anticipated Final Cost</b>			<b>7,267</b>		

## Contingency

In the quarter, £75m in Programme Contingency was allocated to the ODA's budget to help meet the expected reduction in forecast receipts for the land adjoining the Olympic Village, as described on page 24. This is in addition to the £13m released from Funders' Contingency in February for Park Operations, as reported in the February 2010 Annual Report.

The gross allocation of contingency on the project to date is therefore £790m, leaving a contingency balance of £1.182bn. The net allocation of contingency is £466m, assuming the £324m additional funding made available in May to the Olympic Village from contingency is repaid from the future sale of Olympic Village homes.

The venues and infrastructure programme to the Games is now over 65 per cent complete. Accordingly, there is the likelihood of a reduced requirement for Programme Contingency in the future, which the ODA assesses has fallen to £580m. This compares with the total Programme Contingency available of £613m, generating headroom of £33m.

It is expected that some contingency will be needed once more accurate cost estimates of Park Operations have been developed.

**Table 4: Anticipated Final Cost (£ms)**

Total available budget £8,099m

		Nov 07 ODA Baseline Budget £m	Feb 10 Annual Report £m	May 10 Quarterly Economic Report £m	Variance Feb 10- May 10 £m
<b>Site preparation and infrastructure</b>	Powerlines	282	285	285	0
	Utilities	256	195	199	4
	Enabling works	364	337	349	12
	F10 Bridge	89	63	63	0
	Other structures, bridges and highways	740	610	611	1
	South Park site preparation	116	120	120	0
	Prescott Lock	5	5	5	0
	Other infrastructure (landscaping)	243	233	225	(8)
	<b>Total site preparation and infrastructure</b>	<b>2,095</b>	<b>1,848</b>	<b>1,857</b>	<b>9</b>
<b>Venues</b>	Stadium	496	537	533	(4)
	Aquatics	214	248	250	2
	Velopark	72	95	95	0
	Other Olympic Park venues	172	211	201	(10)
	Non-Olympic Park venues	101	131	131	0
	<b>Total venues</b>	<b>1,055</b>	<b>1,222</b>	<b>1,210</b>	<b>(12)</b>
<b>Transport</b>	Stratford Regional Station	119	126	125	(1)
	DLR	86	80	80	0
	Thorntons Field	47	23	23	0
	North London Line	110	107	107	0
	Other transport capital projects	178	173	164	(9)
	Other transport operating expenditure	357	326	359	33
	<b>Total transport projects</b>	<b>897</b>	<b>835</b>	<b>858</b>	<b>23</b>
<b>Parkwide projects</b>	Logistics for site construction	337	275	273	(2)
	Security for park construction	354	322	321	(1)
	Section 106 and masterplanning	127	126	122	(4)
	Insurance	50	50	50	0
	Other parkwide projects	0	93	98	5
	<b>Total other parkwide projects</b>	<b>868</b>	<b>866</b>	<b>864</b>	<b>(2)</b>
<b>Media Centre and Olympic Village</b>	Stratford City land and infrastructure	522	560	590	30
	Stratford City II stage overage	(250)	(100)	(100)	0
	Village construction (public sector funding)	0	681	687	6
	Village receipt	0	(324)	(324)	0
	IBC/MPC	220	334	337	3
	<b>Total Media Centre and Olympic Village</b>	<b>492</b>	<b>1,151</b>	<b>1,190</b>	<b>39</b>
	Programme delivery	647	687	684	(3)
	Taxation and interest	73	24	24	0
	<b>Total budget before contingency</b>	<b>6,127</b>	<b>6,633</b>	<b>6,687</b>	<b>54</b>
	ODA programme contingency	968	772	613	(159)*
	<b>Total after ODA programme contingency</b>	<b>7,095</b>	<b>7,405</b>	<b>7,300</b>	<b>(105)</b>
	Available programme contingency**	0	(102)	(33)	69
	Retained savings***	0	(41)	0	41
	<b>Total potential Anticipated Final Cost (AFC)</b>	<b>7,095</b>	<b>7,262</b>	<b>7,267</b>	<b>5</b>

\* £105m of the difference due to accounting for reduction in forecast receipts from development returns. The remaining difference due to increased cost pressures described on page 24.

\*\* Available programme contingency represents the amount of contingency available in excess of assessed risks.

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

## 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.

Within the £9.325bn public funding for the Games; a £600m provision and £238m contingency was allocated to cover the policing and wider security requirements for the Games. This provision is distinct from the Olympic Delivery Authority's security budget and LOCOG's Games-time in-venue security budget.

In accordance with principles established by HM Treasury, each Government Department will be responsible for agreeing, funding and monitoring the additional costs of those agencies and bodies for which it is the sponsor. As is the case with the whole London 2012 Programme, Exchequer funding for the Safety and Security Programme has been secured up until 2010-11. Decisions on funding for the following two years will be decided in the next Comprehensive Spending Review settlement.

By the end of the 2009-10 financial year, approximately £60m of the £600m allocated for the additional costs of Olympic safety and security had been spent.

The current forecast is that the Olympic Safety and Security Programme is projected to be delivered within the £600m funding envelope.

There are no current plans to draw on the £238m contingency, which will only be called on in the event of a material change of circumstances.

## LOCOG finance update

The London Organising Committee of the Olympic and Paralympics 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 £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 International Olympic Committee (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 January 2010, LOCOG had secured £1,369m of its income target for the Games. This included £603m of local sponsorship revenue. It has signed up 26 local sponsors in three categories:

**Table 5: LOCOG sponsors**

Official Partners	Official Supporters	Official Providers and Official Suppliers
Adidas	Adecco	Airwave
BMW	Deloitte	Atkins
BP	Cadbury	The Boston Consulting Group
British Airways	Cisco	Crystal CG
British Telecom	Thomas Cook	Freshfields
EDF Energy	UPS	Bruckhaus Deringer
Lloyds TSB		GlaxoSmithKline
		Holiday Inn (part of InterContinental Hotels Group)
		John Lewis
		McCann Worldgroup
		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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