

THIS IS **GREAT**

BRITAIN

LONDON 2012 OLYMPIC AND PARALYMPIC GAMES
QUARTERLY REPORT
FEBRUARY 2012

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department for
culture, media
and sport

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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

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The year of London's Olympic and Paralympic Games has finally arrived and the important news is that the project remains on time and under budget. Anyone watching the television or reading the papers on New Year's Day could not have missed the excitement at crossing the threshold into 2012 and anticipation and excitement have been growing ever since.

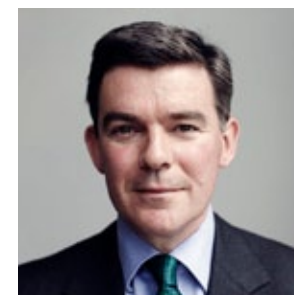
In January, to mark 200 days to go until the start of the Olympic Games, the Cabinet held its first meeting of 2012 in the Copper Box (formerly the Handball Arena) in recognition of the significance of the Games to the whole country. The venue is one of six new permanent venues whose future use has already been secured, with work underway to finalise the remaining two before the Games begins. This is an unprecedented achievement which puts us well ahead of other host cities at this stage.

Across the whole Games project, preparations are reaching their final stages. Ownership of the Olympic Park and Village has been transferred from the Olympic Delivery Authority (ODA) to the London Organising Committee of the Olympic and Paralympic Games (LOCOG). The Olympic and Paralympic travel planning website 'Get Ahead of the Games' has been launched to help people plan their Games-time journeys. The security and emergency services have taken part in some very visible testing exercises, and sports test events continue, most notably and recently at the Velodrome and the Aquatics Centre.

The sports legacy is also taking shape. In addition to increased funding for elite and community sport on the back of the government's reforms to the National Lottery, 12,000 schools have signed up for the new School Games with Sainsburys unveiled as the sponsor. When you add this to the new community facilities opened, or upgraded, as part of Places People Play, more than 2,000 Inspire projects, more than 20,000 schools and colleges involved in the Get Set education programme, the impressive list of world class sports events coming to this country before 2020 and the 12 million children in 20 countries touched by International Inspiration, it is an impressive story.

The GREAT campaign, the biggest ever international drive to get the world to visit, study and invest in the UK, is targeting key global markets, and has already been launched in New York, Paris and LA. Ambassadors as diverse as Victoria Beckham and Andrew Flintoff have given their backing to the campaign to promote the best of Britain.

One of the greatest adverts for the UK from the London 2012 Games is the Olympic Park itself which showcases the best of British architecture, engineering and construction. Now 96 per cent complete we remain on time and on budget with more than £500m of uncommitted contingency remaining. This is a good position to be in with 150 days to go and sets us up for a successful Olympic and Paralympic Games.



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

Hugh Robertson MP
Minister for Sport and the Olympics



PUBLIC SECTOR FUNDING PACKAGE FOR THE GAMES

The overall Public Sector Funding Package (PSFP) for the Games remains at £9.298bn. With less than five months to go to the start of the Games, there remains a total of £527m uncommitted funding in the PSFP. As shown in Table 1, this comprises of £425m centrally-held PSFP contingency, and £102m ODA programme contingency to cover assessed risk. The balance of PSFP contingency has increased by £71m in the quarter, while ODA programme contingency has reduced by £72m in line with the ODA's forecast requirement to cover assessed risk. The combined result is that uncommitted funding in the PSFP has reduced by £1m in the quarter.

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

As stated in previous reports, the breakdown of the funding package altered from April 2011 reflecting the changing focus of the programme from construction to the operational delivery of the Games.

In our February 2011 Annual Report we published the baseline funding available for each part of the programme following the 2010 Spending Review (SR). This is reproduced in Table 2 on the following page, alongside latest forecasts.

TABLE 1: CONTINGENCY REMAINING

	30 September 2011 (£m)	31 December 2011 (£m)	Variance from 30 September 2011 forecast (£m)
ODA programme contingency	174	102	-72
PSFP contingency and other savings	354	425	+71
Total PSFP	528	527	-1

TABLE 2: PSFP PROGRAMME FORECASTS AGAINST 2010 SPENDING REVIEW BASELINE AND PREVIOUS FORECAST

Public Sector Funding Package	SR Baseline (£m)	30 September 2011 forecast (£m)	31 December 2011 forecast (£m)	Variance from SR Baseline (£m)	Variance from 30 September 2011 forecast (£m)
ODA ¹ , including:	7,321	6,856	6,777	-544	-79
<i>ODA programme contingency</i>	-	174	102	-	-72
Park transformation	0	302	294	+294	-8
Policing and wider security	475	475	475	0	0
Elite and community sports	290	290	290	0	0
Venue security	282	553	553	+271	0
Paralympic Games	95	95	95	0	0
LOCOG Park Operations	67	67	67	0	0
Funding available to LOCOG	65	118	154	+89	+36
Operational provisions	62	95	95	+33	0
'Look' of London and wider UK	32	33	33	+1	0
City operations	22	22	23	+1	+1
Domestic and International tourism campaigns	0	25	4	+4	-21
GLA Olympic and Paralympic programmes	0	13	13	+13	0
PSFP contingency and other savings remaining	587	354	425	-162	+71
Total	9,298	9,298	9,298	0	0

¹ The ODA's SR Baseline included £333m for Park transformation. This scope will now be delivered by the OPLC, and the ODA has therefore returned £333m to GOE. The current forecast for Park Transformation, as shown in the table, is £294m.

ODA ANTICIPATED FINAL COST

The ODA's anticipated final cost (AFC) now stands at £6,777m with 96 per cent of the programme complete. As reported in our December 2011 Quarterly Report, and as described in more detail on page 14, the ODA has returned £333m for post-Games transformation works to the Park which are now to be delivered by the OPLC. On a like for like basis including legacy transformation at £333m, its AFC would be £7,110m, against an SR baseline of £7,321m. This reduction of £211m includes a reduction of £79m in the quarter.

Of the £79m reduction in the quarter, the ODA has returned a further £26m to GOE, for works to the Olympic Park venues and security which are now to be delivered by either LOCOG or the Olympic Park Legacy Company (OPLC). The further reduction of £53m is due to a combination of savings and the expectation of reduced risks going forward as the ODA closes down and closes out its scope of works. The ODA's AFC includes £102m of programme contingency.

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

- A reduction of £72m in the assessed programme contingency required to meet remaining risks. The extent of the reduction reflects the reallocation of £34m to other transport operating expenditure for venue transport operations. The scope of the original venue transport operations plans only included spectator transport at competition venues. Subsequent planning identified the need for transport planning at new locations – non-competition venues such as training facilities – as well as new scope for vehicle permit checks. This work is being funded by the ODA and delivered by LOCOG. Programme contingency for assessed risk has also fallen due to reduced integration risks as LOCOG has now taken possession of the Olympic Park and ODA works have mostly completed, and reduced financial risk as the ODA closes out its commercial contracts.
- The £5m increase in net utility costs reflects a reappraisal of forecast of income to be received under concession agreements before the wind-down of the ODA.
- Increased anticipated costs of £3m to provide bridges and roads within the Olympic Park as a result of the contract close out process.
- A reduction of £7m in Stadium costs reflecting the return of funding to GOE for works to be delivered for modifications to the Stadium between the Olympic and Paralympic Games which will now be delivered by LOCOG, and a £2m saving achieved through the contract close out process.
- A reduction of £3m in other Olympic Park venues including the return of funding to GOE for photo-voltaic panels to the multi-storey car park roof now to be delivered by OPLC in the post-Games period and other legacy works. A further reduction of £3m in non-Olympic Park venues to reflect reduced delivery cost pressures on Games-time training venues and savings achieved in delivering the Royal Artillery Barracks venue which is now complete and has been handed over to LOCOG.
- A £29m increase in other transport operating expenditure reflecting the crystallisation of risks covered in the programme contingency of £34m for venue transport operations, partly offset by a £5m reduction in the assessment of delivery risks.
- A reduction of £15m largely reflecting the return of funding to GOE for ODA's remaining operational security works which will now be delivered by LOCOG following the handover of the Olympic Park on 10 January 2012.
- A saving of £3m in Parkwide Operations in the delivery of facilities management. A further £10m in Parkwide Operations has been transferred to the Stratford land and infrastructure project.
- A reduction of £6m in the forecast construction costs of the Village due to close out of commercial contracts.
- An increase of £3m in the IBC/MPC costs due to commissioning of the building and improved drainage systems.

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*Velodrome
Olympic Park*

TABLE 3: ODA ANTICIPATED FINAL COST (AFC)

Detailed Breakdown of the ODA AFC at February 2012		Nov 07 ODA Baseline Budget	Dec 11 Quarterly Economic Report	February 12 Quarterly Economic Report	Dec 11-Feb 12 Variance
Site Preparation and Infrastructure	Powerlines	282	286	286	0
	Utilities	256	233	238	5
	Enabling Works	364	388	386	(2)
	F10 Bridge	89	56	56	0
	Other Structures, Bridges and Highways	740	550	553	3
	South Park Site Preparation	116	84	82	(2)
	Prescott Lock	5	5	5	0
	Other Infrastructure (Landscaping)	243	207	208	1
	Total Site Preparation and Infrastructure	2,095	1,809	1,814	5
Venues	Stadium	496	438	431	(7)
	Aquatics	214	253	253	0
	Velopark	72	86	86	0
	Handball	55	41	41	0
	Basketball	58	40	40	0
	Other Olympic Park Venues	59	104	101	(3)
	Non-Olympic Park Venues	84	114	111	(3)
	Total Venues	1,038	1,076	1,063	(13)
Venues Operations	Venues Reconfiguration	17	55	55	0
	Total Venues Operations	17	55	55	0
Transport	Stratford Regional Station	119	121	121	0
	DLR	86	80	80	0
	Thorntons Field	47	23	23	0
	North London Line	110	107	107	0
	Other transport capital projects	178	98	98	0
	Other transport operating expenditure	357	428	457	29
	Total Transport Projects	897	857	886	29
Parkwide Projects	Logistics for site construction	337	243	243	0
	Security for park construction	354	253	238	(15)
	Section 106 and masterplanning	127	97	96	(1)
	Insurance	50	50	50	0
	Parkwide Operations	0	216	203	(13)
	Security screening and operational areas	0	50	48	(2)
	Other parkwide projects	0	27	26	(1)
	Total Parkwide Projects	868	936	904	(32)
Media Centre and Olympic Village	Stratford City Land and Infrastructure	522	614	623	9
	Stratford City Development Plots	(250)	(71)	(71)	0
	Village Construction – public sector funding	0	707	701	(6)
	Village Receipt	0	(324)	(324)	0
	IBC/MPC	220	289	292	3
	Total Media Centre and Olympic Village	492	1,215	1,221	6
Programme Delivery		647	738	737	(1)
Taxation and Interest – includes Emergency Budget Impact		73	(4)	(5)	(1)
Total AFC Before Contingency		6,127	6,682	6,675	(7)
Assessed Risk programme contingency		968	174	102	(72)
Total Potential AFC		7,095	6,856	6,777	(79)

OLYMPIC AND PARALYMPIC SAFETY AND SECURITY

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

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

Work is now focused on assuring that the capabilities and plans relied on to deliver the Home Secretary's guarantee to make the London 2012 Olympic and Paralympic Games safe and secure will work in practice. This work will also ensure an effective fit with the other elements of Games delivery. Recognising the critical importance of this, Her Majesty's Inspectorate of Constabulary (HMIC) has carried out a review of the integrity and consistency of OSD's assurance programme and conducted more in-depth assessments in high risk areas. HMIC has reported on the main issues and work flowing from this is underway.

A key element of assurance is testing and exercising. The Home Office, with support from partners across Government, the emergency services and the Games community, is carrying forward a programme of Games-wide exercises to test the effectiveness, resilience and decision-making capability of key Games-time structures and processes. This programme involves table-top testing to command post exercising and full scale live play events. This ensures that security and safety plans and processes and those involved in their delivery are thoroughly practiced. It is in addition to the existing exercising programme that takes place across all levels of government and emergency services every year to test incident responses. The first Olympic Command Post Exercise, code-named 'Yellow Fortius', was carried out successfully in September 2011. A further CPX 'Black Chariot' took place in December 2011 involving 2,000 participants, and a Live Exercise, 'Forward Defensive', took place in late February 2012.

Funding for Olympic and Paralympic safety and security was prioritised within the 2010 Spending Review to ensure the safety of all those participating, watching and visiting the Games. The Government has announced that £600m will be available for safety and security during the London Olympics in 2012. However, the Government is confident it can deliver this for around £475m.

Venue security is a shared responsibility of LOCOG, as event organiser, and the Government, as the guarantor of security to the IOC. As outlined in our December 2011 quarterly report, funding is being made available to LOCOG to support it in delivering its responsibilities for securing Olympic and Paralympic venues. Venue security funding remains unchanged at £553m and is contained within the overall £9.3bn public sector funding package. This will fund up to 23,700 venue security personnel and the associated recruitment and training costs to protect more than 100 competition and non-competition venues across the UK.

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*Velodrome
Olympic Park*

LOCOG

Funding available to LOCOG has increased by £36m in the quarter, to £154m. £24m of this increase is the result of the transfer of various scope items, and with it the necessary public funding, from the ODA to LOCOG, who are better placed to deliver following the handover of the Park and the Village. This includes the transfer of responsibility for the operational security of the Park and Village in the lead-up to the Games. We have made available a provision of £18m to LOCOG for this programme of works. Similarly, £6m has been transferred to LOCOG for the conversion of venues for the Paralympic Games.

LOCOG will also deliver a series of capital works which will provide legacy benefits. These include the fit out of the Main Press Centre and International Broadcast Centre, the installation of electric vehicle charging points, and the relocation of the hockey pitches to Eton Manor following the Games. Up to £12m has been made available to LOCOG to deliver these works.

CITY OPERATIONS

Following the 2010 Spending Review a total of up to £22.5m was made available to certain host local authorities as a contribution to the costs of specific Games-time operations. In the last quarter, we have released a further £0.5m (in total) to three London local authorities – Camden, Lambeth and Southwark – that qualify for funding consistent with the principles agreed in the Spending Review.

OPERATIONAL PROVISIONS

The forecast for operational provisions remains unchanged from the last quarter. However, we have now confirmed budgets for individual programmes in line with our forecasts.

In previous Quarterly Reports we have described an on-going programme of work to ensure the safe management of spectators and other pedestrians outside Games venues. LOCOG is best placed to manage this programme, working closely with TfL, local authorities and other delivery partners. Accordingly, we have now confirmed that up to £57.7m will be made available to LOCOG for this purpose. This does not constitute an increase in cost from the last quarter, and provision has been made for this programme in our forecasts since the scope was identified in the 2010 Spending Review. The programme includes:

- Crowd management in the ‘last mile’ between transport nodes and Games venues, including stewarding, way-finding, temporary infrastructure and mobility assistance.
- Additional traffic and spectator management at road events, primarily resulting from the relocation of Olympic and Paralympic road cycling events to Surrey and Brands Hatch respectively. The decision to move these events to largely out-of-London venues was taken in order to reduce the impact on central London traffic and businesses.

- Movement management in the Central London Zone, an area stretching roughly from Marble Arch to Waterloo that comprises three Games venues and many of London’s most popular tourist spots. The scope includes temporary road closures, bus stop diversions and traffic management, and was consulted upon last year by TfL.

In the last quarter we also released up to £12.5m for additional utilities resilience measures across Games-time venues. Again, this does not constitute a new cost, but rather confirmation of the contribution from the PSFP in line with our earlier forecasts. This programme will enhance the resilience of utilities supplies to the Games, including water, electricity and gas. It will also ensure there is a rapid response in the event of a failure on the network. The measures are important to the continuity of the Games and the reputation of the UK. They are also necessary to fulfil the Government’s contractual commitment to the International Olympic Committee (IOC), which exceeds the statutory requirements placed on utilities companies in the UK.

We continue to forecast a requirement to release funding for workforce transport. We will update further in future reports.

DOMESTIC AND INTERNATIONAL TOURISM CAMPAIGNS

In our December 2011 Quarterly Report we expected to invest funding of up to £21m from the PSFP towards a £39m 'GREAT' campaign, to promote the UK as a destination for tourism and inward investment in key overseas markets. However, funding was only required from the PSFP if relevant Government Departments could not fund from existing allocations. Under current forecasts, Departments can meet the funding requirement. Therefore, while the campaign launched in September 2011 continues in full, we are no longer forecasting any requirement from the PSFP.

Funding for the £4m domestic tourism campaign remains unchanged from the previous quarter.



Victoria Beckham announced as an international ambassador for VisitBritain's 'You're Invited' tourism campaign.

PARK TRANSFORMATION

As stated in our December 2011 Quarterly Report, the ODA has returned £333m for transformation works to the Park which are now to be delivered by the OPLC. The OPLC is forecasting to deliver the legacy works for £294m, a £39m reduction from the SR baseline, including an £8m reduction in the past quarter. This saving is the result of efficiencies the OPLC can achieve by integrating this scope with its existing plans, and the different VAT arrangements that the OPLC is subject to.

SOURCES OF FUNDING

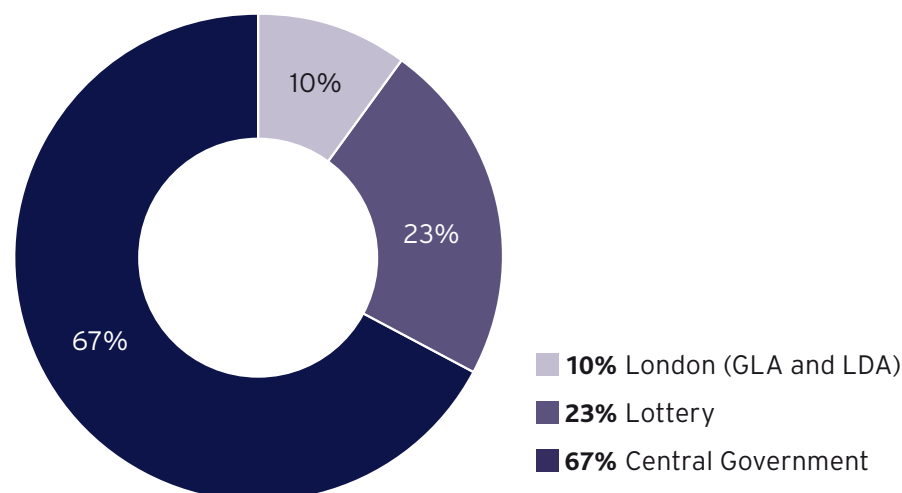
Government funding for the Olympic and Paralympic programme, excluding security, is held by DCMS. The Greater London Authority (GLA) and the Olympic Lottery Distributor (OLD) continue to contribute, as per the 2007 Spending Review agreement. Security funding continues to be provided primarily by the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

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

The National Lottery distributors' entitlement to £675 million of receipts from the sale of land on the Olympic Park in return for their additional funding contribution to the London 2012 Olympic and Paralympic Games has been preserved in the revised arrangements for the sharing of the receipts included in the Government's Funding Settlement for the Greater London Authority which was finalised on 6 February 2012. This is part of the devolution of Olympic legacy responsibilities to the Mayor of London, through the creation of a Mayoral Development Corporation - the London Legacy Development Corporation - to take forward the regeneration of the Olympic Park and surrounding area.

The National Lottery distributors will share receipts with the Mayor of London after the first £223 million of receipts has been allocated to the Mayor. This is a change from the 2007 Memorandum of Understanding between the Mayor and Government, under which the National Lottery distributors were not due to benefit until £650 million of receipts had first been realised for the London Development Agency. The revised receipts sharing arrangements will be enshrined in a contractual agreement before the planned transfer on 1 April 2012 of the role and assets of the OPLC to the London Legacy Development Corporation.

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



FUTURE REPORTS

We will publish our final pre-Games Quarterly report, covering the period up to 31 March 2012, in May 2012. We will not publish a report in July 2012, as the Games will then be taking place. Following the Games, we will publish a report covering the six month period to 30 September.

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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February 2012

Design: red-stone.com

Photography: All images kindly supplied by LOCOG plus:

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