



DEPARTMENT FOR CULTURE, MEDIA AND SPORT

Government Response  
to the Culture, Media and Sport  
Select Committee Report on  
*'London 2012 Games: the next lap'*  
(HC 104) Session 2007-08

*Presented to Parliament by the  
Paymaster General  
by Command of Her Majesty  
30 June 2008*



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# **Government Response to the Culture, Media and Sport Select Committee Report on London 2012 Games: the next lap, the 6th Report of Session 2007-08 HC 104**

The Government welcomes the Culture, Media and Sport Select Committee's commendation of the significant progress made over the past two years. It notes the value of scrutiny in ensuring that maximum transparency is maintained as we approach the Handover Ceremony at the close of the Beijing Games this Summer.

Since the 2012 Games were awarded to London in July 2005, the Government and key Olympic stakeholders have worked together on setting appropriate governance structures, preparing the site itself, and developing plans for a social, economic and structural legacy of unprecedented scale and ambition. The International Olympic Committee has recognised this as excellent in its report this May, and judged that those involved deserve '9.75 out of 10' for their efforts.

As the Select Committee's report itself notes, most of the significant decisions on planning for the Olympic Park have been taken. The final budget for the Games has been announced and every milestone set by the Olympic Delivery Authority (ODA) for the Park so far has been met. Furthermore, the London Organising Committee for the Olympic Games and Paralympic Games has secured a record number of key sponsors pre-Beijing.

At the time of the oral hearings and the Committee's report going to press, the Government's legacy action plan was still being finalised. *Before, During and After: Making the most of the 2012 Games* was published on 6 June 2008 and represents another significant milestone that distinguishes London's progress as being remarkable. This is the first time a Government has set specific ambitions for nationwide legacy benefits from the Games and published a plan for delivering them before its Olympiad has even begun. Furthermore, the governance arrangements on legacy are already in place and many of the flagship programmes have either begun, such as the London 2012 Business Network, or will begin shortly after the Handover, for instance the Cultural Olympiad and the London 2012 Education Programme.

The Committee's report focuses on specific areas of the project including the financing of the Games, the legacy use of individual stadia, progress in defining and delivering the benefits for sport and the performance of British elite athletes in Beijing. The detailed responses below address each recommendation in turn. It is worth noting that the Public Accounts Committee's latest report was published on 20 June and so Committee members may also wish to refer to the detailed financial information contained in that Committee's report.

## **Legacy Planning**

**1. We commend LOCOG and the ODA for what they have achieved so far. There are signs that the London 2012 Games programme is working to a realistic timetable and that strenuous efforts are being made to fulfil the vision set out in the bid. However, a lot of thinking still needs to be done, particularly on how to extract the maximum legacy value; and we continue to have serious reservations about the costs of the Games and their impact upon Lottery distributors. (Paragraph 4)**

The Government welcomes the Committee's acknowledgement of significant achievements of the ODA and the London Organising Committee of the Olympic Games and Paralympic Games (LOCOG) in successfully managing the Olympic programme to date and hitting all key milestones. The Government's intention continues to be to ensure that the maximum benefit will be derived from hosting the Games in the UK in 2012 and that these benefits are felt UK-wide.

The legacy is being planned and delivered through three mechanisms: the Legacy Masterplan Framework, which focuses on the Olympic Park and surrounding area; the legacy action plan, which sets the headline ambitions for a UK-wide legacy; and the individual plans for each of the nations and the nine English Regions, which ensures legacy is relevant to individuals and communities and is spread across the UK.

The Legacy Masterplan Framework for the Olympic Park was launched in February and is overseen by the London Development Agency. It is a spatial plan intended to shape the long-term future of the physical aspects of the Olympic Park site and its relationship to surrounding areas. It will be accompanied by a Strategic Regeneration Framework which will link the physical transformation with the social and economic needs of communities in the Park and surrounding areas. Both the Legacy Masterplan Framework and Strategic Regeneration Framework are due for completion in early 2009. It is also worth noting that both include a significant element of consultation with the public, key stakeholders and local business to ensure that the legacy plans deliver what local people want and need.

The Government's legacy action plan, *Before, During and After*, provides a framework and a set of priorities for legacy delivery. It details the programmes that are already planned for delivering these objectives. The document will be updated regularly and progress is monitored by a Programme Board that also oversees the Olympics PSA (PSA 22). It is based on the five legacy promises published in June 2007 in the document *Our Promise for 2012*. It is also based on quantitative and qualitative research into public attitudes towards legacy so as to ensure, as with the legacy in East London, that London 2012 delivers relevant and useful outcomes.

Thirdly, the 2012 Nations and Regions Group co-ordinates delivery of the legacy at a local level. Each of the English regions has published a plan for legacy, which we are ensuring is aligned with LOCOG's programme objectives and the legacy action plan. The nations will be publishing their plans shortly.

In setting out detailed plans for how the benefits of the Games be maximised across the UK, the Government can assuage the Committee's fears about the cost of the Games and the potential impact of transfer of Lottery funds. *Before, During and After* seeks to demonstrate how the Olympics will stimulate the Arts, community projects and sports initiatives that are currently funded by non-Olympic lotteries. The transfer of additional funds from the non-Olympic Lottery good causes has been arranged in the way that the Lottery distributors indicated would minimise the impact. It's significant that the House of Commons voted overwhelmingly in favour of the Order providing for this and the House of Lords approved it without a vote.

The National Audit Office's progress report published on 20 July 2007 confirms that the Olympic Delivery Authority's forecast of potential costs remains at £7.1 billion, well within the £8.1 billion potentially available to the ODA within the £9.325 billion public sector funding provision announced in March 2007. We and the ODA continue to look for cost savings.

## Finance

### **2. We would like to see a fuller explanation from Government of why the contingency level has been set so high, with reference to the costs of previous Olympic Games and comparable large construction projects. (Paragraph 14)**

The contingency level has been set to reflect the level and type of risk and is firmly in line with Treasury advice. The contingency has been set to cover three types of risk:

- project risk – relating to risks on individual projects and to design and contracting uncertainties;
- programme risk – relating to identified risks with the potential to impact on projects across the ODA's programme, eg, risks concerning the interdependency of projects on the Olympic Park, the impact of exchange rate fluctuations, unexpected ground conditions, and the availability of materials;
- wider risk – this includes the possibility that the financial impact of risks covered by the ODA's Quantified Risk Assessment (see below) is greater than assessed; the possible impact of changes to legislation or the tax regime that are outside the ODA's control; and unpredictable events.

As in all projects of this size, it is important to plan on the expectation that some or all of the contingency may need to be used. However, that does not mean that the contingency is already committed, or will be lightly spent. We have ensured that controls are in place, at all three levels of risk and contingency, to ensure the contingency funding is only released on the basis of need and where all other options to avoid committing additional funds have been exhausted.

Work is continually ongoing to look for savings and to press down firmly on costs. In the run-up to the March 2007 announcement we made savings to stop estimated costs from increasing by £600 million and in the development of the November 2007 baseline we made savings to prevent a further £850 million of potential cost increases. The programme contingency is based on the ODA's detailed Quantitative Risk Assessment. Wider risks have also been assessed and this analysis has confirmed that the contingency available is sufficient to meet the assessed value of the risks at each level.

### **3. Any request by the ODA for funding over and above the sums already agreed would indicate a major failure of cost control. Indeed, we hope that it will not be necessary to draw upon the full programme contingency. We recommend that a substantial proportion of the programme contingency should be regarded as untouchable before 2011. (Paragraph 20)**

We do not accept the Committee's view that using contingency suggests a failure of cost control. The Government has published the £9.325 billion public sector funding package and our aim is to deliver the Games within that envelope. Contingency was included as a prudent way of managing risks and its release does not imply poor cost control. The National Audit Office have specifically endorsed the early release of contingency to avoid the need for more funding later in the programme. The amount of contingency not in the ODA's baseline budget but potentially available to the ODA is £2 billion. Of the £2 billion, approximately £968 million (Programme Contingency) is controlled by DCMS and the remainder by a Ministerial Funders' Group (Funders' Group Contingency). None of this contingency will be drawn down unless clear evidence can be shown for its need. Our expectation is that a substantial proportion of the contingency will not be required until 2011-2012 to 2012-2013, although obviously the point at which risks materialise cannot be accurately predicted. Lottery funding will not be drawn down if it is not required.

Any application by the ODA for access to Programme Contingency will be subject to scrutiny by the Government Olympic Executive, and if supported, the Olympic Projects Review Group, prior to approval by the Minister for the Olympics. Any application by the ODA for access to the Funders' Group Contingency will be subject to scrutiny by the Olympic Projects Review Group and approval by the Ministerial Funders' Group.

**4. We recommend that unspent contingency in the Olympic Lottery Distribution Fund should be transferred to the National Lottery Distribution Fund for the benefit of non-Olympic Lottery distributors. We also recommend that the National Lottery Distribution Fund should be the primary beneficiary of any sums within Government departments' budgets earmarked for contingency but not spent. Such an approach would help compensate the Lottery for its original contribution and the long wait which would otherwise occur before it could benefit from the disposal of assets following the Games. It would also lead to the nations and regions sharing, hopefully, in a real 'Olympics dividend' in terms of funding for facilities and good causes. It might also better focus minds on cost control and the implications of spending all the contingency. (Paragraph 21)**

Funds will not be drawn down from the National Lottery Distribution Fund (NLDF) to the Olympic Lottery Distribution Fund (OLDF) unless they are needed, but should there be any unspent balances in the OLDF these will revert to the NLDF on the wind-up of the OLDF. We cannot, however make available to the NLDF any balances left in Government departments' budgets. These are Exchequer Funds and have been voted by Parliament to be used explicitly for Olympic purposes and they will either remain with Government Departments or, in the case of any funds made available by the Exchequer to DCMS for the Olympic Programme, will revert to the Exchequer.

**5. We accept the delegation of authority from the Ministerial Funders' Group to the Government Olympic Executive for the release of up to £968 million of programme contingency, but we believe that such a decision, concerning almost £1 billion of public money, should have been announced publicly rather than being left to this Committee to find out through correspondence. (Paragraph 23)**

The decision was delegated to officials by the Funders' Group. It came too late to be announced in the first Government Olympic Executive (GOE) Annual Report, published in January 2008 but will be announced publicly in the half-yearly update of the GOE Annual Report in July 2008.

However, it is important to us to keep the Committee fully informed of progress and we will endeavour to keep members completely aware of major decisions.

**6. We are disappointed that it was not until December 2007 that realistic figures for the costs of individual projects were publicised and that some of the project costs disclosed so far are so much higher than those cited in the bid documents. (Paragraph 27)**

In the eight months between March and November 2007, and in line with the timetable agreed by the funders, all costs and risks, scope and deliverables were subject to detailed assessment. This resulted in a detailed programme baseline which was agreed by the Ministerial Funders Group at the end of November and the results of which were outlined in the Minister for the Olympics' statement of 10 December 2007. Overall the expected funding requirement remains within the funding envelope announced in March 2007. Programme risks have been subjected to a full Quantified Risk Assessment (QRA) and this gives a high level of confidence that the costs can be held within the funding envelope.

**7. We welcome, however, the effort which has now been made to place in the public domain as much detail of the ODA budget as is possible within the constraints imposed by the need to preserve commercial confidentiality. We also welcome undertakings made by the Minister for the Olympics and London to provide further information in confidence to Opposition Front Benches and to the Committee on ODA cashflow and on progress in negotiations on private sector investment in the**

**Olympic Park. In our report last year, however, we also called for the main terms of the agreement with the Delivery Partner to be made public. We are disappointed that the Government has either ignored this call or misunderstood what the Committee wanted. A significant part of the increase in costs is attributable to the engagement of the ODA's Delivery Partner CLM. They will clearly play a major role in cost control and it is important for confidence, therefore, that the basis of their remuneration and incentivisation is properly understood. We again call on the Government to share this information with the Committee, and likewise also with the Opposition Front Benches. (Paragraph 27)**

When the new Task Order with CLM has been settled we will be in a position to provide information to the committee and to the Opposition Front Benches about the terms of the agreement and the incentivisation scheme, as part of the regular confidential briefings now in place. Negotiations on the Task Order are due to be concluded by the end of July 2008. This is due to the commercially sensitive nature of these negotiations and the importance of maintaining a strong bargaining position in ODA's negotiations with commercial partners. We apologise for omitting to explain this in our response to the Committee's previous report.

**8. We accept that an estimate prepared many years in advance of a major event, with limited opportunities to identify problems which will be costly to overcome, is likely to underestimate the final cost. However, revision of cost estimates on a scale as radical as that which we have seen in relation to the 2012 Games has been damaging to confidence in the management of the overall programme. It has also exposed the Government and Games organisers to the charge that the initial bid was kept artificially low in order to win public support. (Paragraph 28)**

The National Audit Office has confirmed publicly that 'the budget process followed since London was chosen to host the Games has been thorough and the judgements and assumptions made by the Department and the Olympic Delivery Authority have been informed by detailed analysis and expert advice.' The IOC has expressed its approval of the progress that is being made.

Any suggestion that the initial bid was kept artificially low is entirely false. The original estimate was based on a specimen Games and was professionally prepared using the best advice we had at the time. It did not include the wider regeneration costs. The bid package was signed off across Government. The greater part of the increase in costs is attributable to decisions taken subsequent to the bid concerning the amount of contingency required, bringing the costs to current day pricing, inflation, the tax status of the delivery body and the reassessment of policing and wider security requirements following the 7 July 2005 bombings, not the core costs of the Games.

**9. We welcome the National Audit Office's reassuring assessment of the present budget for the Games. Difficult decisions on the budget for the Games have been taken: these should now be supported. We believe that the priority now should be to ensure that the £9.325 billion funding package for the Games does not become a budget to be spent in its entirety. The mark of success in financial management of the Games will be to have kept expenditure to a level comfortably below the £9.325 billion ceiling. (Paragraph 29)**

A rigorous system of cost control has been designed to monitor expenditure and ensure that projects are kept within budget, being achieved through:

- effective oversight by the Government Olympic Executive which has been strengthened through additional leadership and expertise from the commercial and other sectors;
- the accurate alignment of scope and budget through the agreed baseline budget for the ODA of £6.1 billion;
- the identification of detailed cash flows;



- regular monitoring of costs by the ODA Board, the Olympic Board and the funding partners;
- sound project control;
- incentivisation of the ODA's Delivery Partner and contractors to press down on costs;
- the detailed assessment of risk and effective provision for managing risk.

The ODA's Annual Business Plan and Budget is subject to the approval of the Olympic Board, their budget and cash flow is monitored monthly by the Government Olympic Executive and cash flow management issues are discussed and resolved among the funding partners: Department for Culture, Media and Sport, Department for Communities and Local Government, Department for Transport (DCMS, DCLG, DfT) and the Olympic Lottery Distributor. HM Treasury are also kept abreast of any issues that arise.

**10. Given the very substantial contribution to the Games now being made through Exchequer funding, borne nationally, we believe that it is reasonable to require the Mayor of London to contribute a further £300 million in funding. We make no comment on the decision that the London Development Agency should meet the further requirement placed upon the Mayor; but we recommend that Government grant to the LDA should not be increased by £300 million simply to cover the outlay. Nor should the LDA have a priority call upon capital receipts from land and property sales after the Games to finance the £300 million. (Paragraph 35)**

The revised Memorandum of Understanding between the Government and the Mayor published in June 2007 committed the Mayor to provide a further £300 million towards the Olympics funding package. It is for the Mayor to determine the source of this funding, as part of the overall budget for the Greater London Authority (GLA) group (including consideration of the impact on the wider public finances).

The Government has no plans to increase its grant to either the LDA or GLA in order to cover this funding commitment. The Memorandum of Understanding is also clear about the allocation of capital receipts from the sale of land at the Olympic Park following the Games: the LDA shall recover its acquisition costs and disturbance compensation payments (which are not expected to exceed £650 million) before the receipts are shared out between DCMS (for the Lottery) and LDA, and the Memorandum specifically states that the LDA's costs to be reimbursed first do not include the further £300 million contribution to the Olympics.

**11. We strongly welcome the Government's decision to examine the merits of a gross profits tax regime for Lottery revenues. The Treasury should abide by its commitment to announce conclusions in the Pre-Budget Report later this year and, if they are positive, should seek to introduce the necessary changes as soon as possible. (Paragraph 47)**

The Government is committed to re-examining the case for moving to a gross profits tax regime for the National Lottery, as confirmed by the Secretary of State for Culture, Media and Sport on 15 January 2008. Any decisions on taxation will be made by HM Treasury and announced by the Chancellor.

**12. Clearly, if the Memorandum of Understanding does not provide for uprating of the figures involved in line with general price inflation, there will be a significant difference in the real value of a re-imbusement to the Lottery made, say, in 2013 immediately after the Games and one made in 2030. If the Memorandum of Understanding does not provide for uprating, whether accidentally or not, it should be revised to do so to preserve the real value of the commitment to reimburse the National Lottery Distribution Fund. (Paragraph 53)**

The Memorandum of Understanding between the Government and the Mayor stipulates a profit-sharing arrangement on any future land sales within the Olympic Park. The Memorandum of Understanding sets out clearly the amounts of funding involved. Uprating for inflation is not part of the deal that was agreed.

However, the Memorandum of Understanding does provide (paragraph 15) that “should any surplus arise the use of it will be determined separately at the time by agreement between the Government and the Mayor.”

**13. We note the confidence shown by the Mayor of London’s Office and by the Minister for the Olympics and London that £1.8 billion or more would be raised from the sale of land and property after the 2012 Games. However, the assessments underlying the forecasts of possible income were made at a time when the prospects for the property market looked very different. Despite the prolonged timeframe over which it is proposed that the value of land and property might be realised, and the freedom which it allows to maximise potential sales revenue, we have reasonable doubts about whether the confidence shown by the Mayor of London’s Office and by the Minister for the Olympics is justified. We also believe that it would have been wiser to word the Revised Memorandum of Understanding in such a way as to recognise that there is a range of estimates of revenues from sales, rather than implying that the £1.8 billion – a sum which should be updated in line with inflation – will necessarily be raised in full. (Paragraph 57)**

Our aim is to recover £675 million, the amount drawn from non-Olympic lottery funds in the March 2007 budget, from land sales after the Games and we have put in place a profit-sharing arrangement to do this. As the Greater London Authority (GLA) has indicated, increases in land values of around 20% per annum would be sufficient to yield the £675 million required. GLA figures indicate growth rates in London land values of, on average, 19 percent per annum over the past twenty years and 20 percent per annum over the past ten years. The considerable investment in Olympic Park infrastructure and legacy should help to maintain higher than average rates of increase in land values, particularly when the Park is complete. The current economic climate may affect the growth in land values in the short term, however, the bulk of the land sales are not programmed to take place until after 2012.

**14. We agree with the principle of reimbursing non-Olympic Lottery distributors for income which is to be lost to the Games. We have proposed earlier in this Report that non-Olympic Lottery distributors might be the primary beneficiaries of unspent contingency lying within Government departmental budgets. We also support the mechanism envisaged in the Revised Memorandum of Understanding for reimbursing non-Olympic Lottery distributors from the proceeds of land sales after the Games. We endorse the decision to structure repayments to the LDA and to DCMS (acting on behalf of Lottery distributors) in a way which provides some incentive for the LDA to repay in full £675 million, in real terms uprated for inflation, diverted from Lottery distributors as a contribution to the revised budget for the Games announced in March 2007. (Paragraph 58)**

In the funding context in which we are required to operate, unused Exchequer funds either revert to the Department that provided them or, where they have been funded directly by the Exchequer to DCMS, to the Exchequer itself. These funds may not be used to re-imburse the Lottery. Arrangements have already been made to reimburse the Lottery from the profits earned from land sales after the Games.

**15. We strongly believe that, if funds are available, the National Lottery Distribution Fund should be reimbursed for the £410 million contributed under the original Public Sector Funding Package. This should be seen as a restitution of funds to the Lottery distributors rather than share-out of a bounty. There is also a case for further payments to be made for the benefit of Lottery distributors, given that the attraction of Olympic-themed Lottery tickets has dented sales of tickets which would otherwise have benefited non-Olympic Lottery distributors. (Paragraph 59)**

The Memorandum of Understanding between the Government and the Mayor stipulates a profit-sharing arrangement which aims to pay the non-Olympic Lottery distributors the sum of £675 million, which is the additional call on Lottery funding announced in March 2007. The £410 million was part of the original bid budget so there has never been any suggestion that it would be reimbursed or repaid in any way. Furthermore, all sectors that currently receive funding from the National Lottery stand to benefit from the Games: the tourism and heritage sector from increased visitor income from the extra visitors

that the Games are expected to generate; the Arts from increased events (the Barbican, for example, is already forging links with the Theatre Royal, Stratford East as part of its strategy of positioning itself to play a major part in the 2012 Olympic Games arts programme) and from increases in visits to museums and galleries, the sports sector from the increased interest in and participation in sporting activities generated by the Olympics and the voluntary sector from the unparalleled opportunities offered for volunteering, with over 140,000 volunteers already registered for the Olympic and Paralympic Games. The Government has already set out its ambition in the legacy action plan, *Before, During and After* to use the Games to stimulate the Arts, increase sports participation and promote volunteering and community engagement.

It is impossible to accurately estimate sales diversion caused by the Olympic Lottery because we can never know what Lottery ticket sales would have been if London had not won the 2012 Games. The most important thing is that returns for all the good causes are maximised for the rest of this licence, and into the next.

### **Sponsorship**

#### **16. We commend LOCOG for its success so far in securing sponsorship. (Paragraph 63)**

The Government agrees that LOCOG should be commended for its work on securing sponsorship for the 2012 Games and to have such a large proportion of the income committed by this stage is a tremendous achievement.

### **Land Assembly**

#### **17. We commend the LDA for completing the land assembly process within budget and without significant delay. (Paragraph 65)**

The Government agrees with the Committee's praise for the LDA's management of the Land Assembly for the Olympic Park, which has set the construction programme on a sound footing from its earliest stages.

### **Olympic Park venues**

**18. We welcome the willingness shown by all parties involved in determining the legacy use of the Aquatics Centre and associated facilities to reach a conclusion which is in the interests of local residents. We are, however, alarmed that the Aquatics Centre will cost over four times more than a forecast provided in the Candidature File submitted in 2004. The concept of the Aquatics Centre might be spectacular and eye-catching; but the saga so far suggests it has been over-designed and, with respect to the robustness of its legacy use, will be an expensive way of providing facilities for water sports needed during and after the Games. We are concerned that the ODA only managed to attract one firm bidder for the project, who would clearly have been aware of the huge level of contingency available to the Games as a whole. We note that in the press release of 8 April 2008, announcing the award of the contract, the ODA stated that "The total of £303 million has not changed throughout the procurement process". We find this simply incredible and call upon the ODA to provide a detailed justification of this statement and of the cost increases at each stage from the initial design to the signing of the contract with Balfour Beatty for the Aquatics Centre and the £61 million "land bridge". In our opinion, the history of the Aquatics Centre shows a risible approach to cost control and that the Games organisers seem to be prepared to spend money like water. (Paragraph 80)**

It is incorrect to compare directly the current budget against the Bid Book estimates which did not include VAT or inflation. The figures published on 8 April 2008 include an allowance for inflation, VAT and legacy conversion costs and are within the ODA's baseline budget of £6.090bn, published

last December. The Aquatics Centre will provide two brand new 50m pools and a diving pool for elite and community use in a capital without any such facilities at present. It will make use of sophisticated technology in terms of moveable floors and booms and the pools will be heated by renewable energy sources generated from the onsite Energy Centre during both Games and legacy. This is a state of the art and iconic building, and will be so for decades after the 2012 Games.

Of the £303m total budget for this combined project, £242m is for the Aquatics Centre and £61m is for the land bridge. The contract with Balfour Beatty to construct the Aquatics Centre and associated land bridge has been signed within the agreed total budget. Balfour Beatty was not the only company involved for the vast majority of the competitive process. There was a strong shortlist for the Aquatics Centre contract and it is not surprising that towards the end of the process companies drop out for their own reasons. There is no question of the contractor exploiting the contingency funds available. As with the Stadium, the Aquatics Centre utilises a Target Cost agreement, a standard form of contract for large and complex projects, widely used including on Heathrow Terminal 5 and Channel Tunnel Rail Link. It encourages collaborative working between the client and contractor within a target price which also includes incentives to reduce costs.

Throughout the procurement process the total budget has not changed. The tender process commenced in September 2007 with the total budget being fixed in November 2007. A contract to construct the Aquatics Centre and land bridge was signed with Balfour Beatty in March 2008 and the contract value is within the total budget.

As noted above in the response to Recommendation 9, the Government is committed to effective cost control and has put a series of mechanisms in place to ensure that costs are minimised.

**19. It would be perverse and wrong if the facilities available to cycle sports in London were to be less extensive after the Games than before them. We are satisfied, however, that plans now being proposed for the Velopark will not only provide a stadium and facilities of the highest quality at the Velodrome but will also offer an adequate replacement for off-road facilities previously available at the Eastway Cycle Circuit. We encourage the ODA to confirm the plans currently being proposed. (Paragraph 83)**

The Velopark design is due to be unveiled this summer following consultation with cycling user groups and British Cycling. We are confident that it will leave a world-class legacy for cycling in the UK and a facility that can be enjoyed by local people as well as elite athletes for future generations.

**20. No budget has yet been announced for the Media and Press Centre and we urge the Government and the ODA to disclose this as soon as possible. In the meantime, given the huge cost increases recently announced for other venues, we await this announcement with trepidation. (Paragraph 88)**

Selection of the preferred bidder for the Media and Press Centre (IBC/MPC) has been endorsed at the ODA Board and it is expected that conditional contracts with the preferred bidder will be signed soon. It is not possible to publish the final budget until the unconditional contract has been signed. To do so would weaken our bargaining position jeopardising our ability to get value for money for the tax payer. It is also significant that forecast levels of employment generated by legacy development of the IBC/MPC are expected to be in excess of 5,000 opportunities with a vibrant and economically sustainable mixed-use development.

**21. The relocation of temporary Games venues – or elements of them – was portrayed in the Candidature File as an innovative way of sharing some of the physical legacy of the Games around the UK. We are concerned at signs of a creeping reduction in relocatable venues. Every decision not to construct a temporary relocatable venue reduces the scope for the nations and regions to share in the physical legacy potential of the Games. We also believe that placing a requirement upon those acquiring such facilities to cover the costs of relocation, something which was not made clear when expressions of interest were invited, will kill off much of the interest. We recommend that the Olympic Delivery Authority or the London Development Agency should cover the costs of relocation, particularly as the alternative may be demolition or dismantling at the LDA's or ODA's expense. (Paragraph 92)**

A great deal of work is being done by the Department for Culture, Media and Sport, Sport England, the ODA and LOCOG on the relocation of Games assets around the country post Games, such as swimming pools, sports surfaces, specialist lighting, ancillary plant and seating to ensure a tangible physical legacy is shared equitably around the UK. It remains Government policy to ensure that, where possible, assets and venues that have no permanent legacy use in the Olympic Park are relocated and reused elsewhere in the UK.

It was made clear on the Sport England website during their market testing exercise that any organisation hoping to obtain Games assets would need to consider the costs of physical relocation, re-erection, commissioning, standard insurance, maintenance, operating costs and potential legal costs of preparing the transfer agreements and other legal documents. It has also been made clear that it will not be possible for either the Olympic Delivery Authority or Sport England to fund these costs and it will be highly unlikely that there will be funding from central government funds. Potential bidders will be required at a later date to demonstrate that they are able to commission and use any assets; expressions of interest have been received from over 100 organisations interested in sporting and ancillary assets after the Games.

### **Woolwich Arsenal venue**

**22. We accept that it is now probably too late to find an alternative site for shooting events at the London 2012 Games, and we therefore accept, with reservations, LOCOG's policy of retaining shooting events at the Royal Artillery Barracks in Woolwich, a site which is likely to be attractive to the general public. However, we regard it as highly regrettable that the site chosen for shooting events is not one which commands the support of any of the constituent bodies of British Shooting, and we believe that more should have been done to explore alternative sites before the decision to select the Royal Artillery Barracks was taken. We believe that LOCOG should acknowledge that its proposals for shooting events at the 2012 Games offer almost no legacy outcome for the sport. We recommend that LOCOG should work with the shooting bodies to try to extract maximum long-term benefit for the sport and that it should cover the costs of relocating facilities from the Woolwich site to permanent sites for shooting sports. (Paragraph 96)**

The shooting venue was moved to Woolwich in south east London during the bid phase in 2004 after clear guidance from the International Olympic Committee that they required our sporting competition venues to be more compact and closer to the Olympic Park in east London. The changes to make the Games more compact were a significant part of our success in securing IOC members support for the 2012 Games.

Woolwich has the full approval of the International Shooting Sports Federation and Greenwich Council. At the time of putting together the Candidature File proposals British Shooting (the National Governing Body – formerly known as the Great Britain Target Shooting Federation) and the International Shooting Sports Federation were involved in decisions about the venue, and the former British Shooting Chair was involved in the presentation of Woolwich to the IOC as part of its evaluation visit. The International Shooting Federation continues to support the move to Woolwich. As the Olympic Delivery Authority (ODA) and London Organising Committee of the Olympic Games and Paralympic Games (LOCOG)

move forward with their venue plans and development of facilities at Woolwich, they would very much welcome the involvement of the national governing bodies for the various shooting disciplines. We understand that British Shooting have already held discussions with LOCOG.

The Government believe that legacy is more than physical buildings, important as they are. Woolwich is an iconic venue which will be used to showcase the sport to new audiences across the globe. LOCOG are committed to working with the Shooting bodies to ensure the best presentation of shooting during the Games – as part of their commitment to bringing sport to new audiences and inspiring people to take up a new sport. They are confident that staging shooting at the heart of the Games will result in the sport's profile being raised.

Currently LOCOG and the ODA are looking at the potential long-term legacy uses of the shooting facilities at Woolwich. An announcement will be made once the plans have been worked through in detail. These discussions involve looking at relocatable components of the facility as well as what might be sustainable on the site itself. One significant promise throughout the bid process was that London 2012 would not leave any 'white elephants'.

### **Olympic Park Legacy**

**23. Decisions on the intensity of development and the nature of housing on the Olympic Park site will have long-lasting consequences. The provision of sustainable communities should be the top priority for the site. Given that applications to develop land within the Park boundaries will undergo the usual planning process, we are reassured that the local authorities concerned will have a degree of control over the scale and type of development in the Olympic Park after the Games. The Mayor's Office acknowledged to us the importance of a sustainable legacy for the Olympic Park; we urge the Government and the LDA to respect that acknowledgement as the years pass and the pressures to extract maximum value from sales of land and property increase. (Paragraph 108)**

The Government fully recognises the importance of securing a sustainable legacy for the Olympic Park and the surrounding communities. A substantial amount of planning is ongoing within Government, the host boroughs, and the Greater London Authority (GLA) and London Development Agency (LDA) to ensure that this happens. As set out in the recently published legacy action plan, the Government recognises that it is vital for the future of the Olympic Park to be developed in consultation with local people and organisations, so as to ensure that a sustainable community is created in this part of London. The LDA's Regeneration Strategy will link the physical transformation with the social and economic needs of communities in the Park and surrounding areas, working in close co-operation with the boroughs.

**24. Conservative assumptions should be made on the commercial potential of sports venues after the Games. The Government should remain open to the establishment of a trust, or similar vehicle, perhaps with funding pooled from the Exchequer, local authorities, the London Development Agency and others, to cover the revenue costs of sporting facilities in the Olympic Park after the Games have finished. (Paragraph 110)**

The need to understand the long term revenue funding requirements, for sporting venues, public domain and parklands and other areas and facilities, is central to the LDA's work in developing an overarching business plan for the Olympic Park area in legacy mode. We remain open to the ideas suggested by the Committee which are very much part of the consideration. The LDA is also consulting Government and other key partners on the options for the governance of the Olympic Park and its facilities after the Games, with a view to identifying a preferred option by the end of the year.

**25. We recommend that contracts to operate sporting facilities in the Olympic Park after the Games should specify that affordable access should be provided for local residents and for exclusive use by sports clubs. (Paragraph 112)**

The issue of access to local residents is important to us. As set out in the Candidature File and confirmed by the key Olympic stakeholders on numerous occasions, the sports facilities in and around the Park are intended for both performance athletes and community use post 2012. The LDA's work in developing an overarching business plan for the Olympic Park will include tackling the issue of ensuring facilities are affordable to all users.

**26. We recognise that the priority is to ensure that venues are built in good time for the Games, and we accept that a possible six-month delay while commitment is secured from a future tenant could introduce a serious threat to the programme timetable. We also accept that strenuous efforts have been made to involve sports governing bodies and other interested parties in discussions with the ODA and LDA on venue design. Nonetheless, by proceeding with design and construction without – in some cases – having confirmed a legacy operator or owner, the ODA runs the risk of building structures which need significant expenditure in post-Games conversion if they are to be attractive to future tenants or operators. (Paragraph 117)**

Every main venue will have a viable long term legacy use. Provision for the transformation of the venues into legacy mode is included within the published budgets. Due to the Games design and procurement timescales and the complexities involved in completing discussions on long-term legacy ownership and operations, it is inevitable that such matters on certain projects will not be fully resolved by the time either design or construction contracts are let. The risks associated with letting contracts on this basis are understood and the need, where appropriate, to preserve flexibility for future uses is factored into both project design and business planning through the ongoing engagement between the ODA and the LDA.

The LDA, as interim client, is working closely with the ODA to ensure that legacy requirements are captured and factored into a combination of the build phase for the Games and the detailed legacy planning. This applies to the individual venues and to the areas of parkland and public domain. The LDA are working equally closely with landowners and potential venue operators, in the context of their wider Legacy Park business planning activities.

**27. We suggested in our previous report on preparations for the Games that the inclusion of the £183 million for community sport legacy within the Public Sector Funding Package might in fact be a rebadging exercise for programmes which were going to be sponsored by Sport England in any case. We conclude that our suspicions were correct. (Paragraph 129)**

The Government notes the Committee's comment.

**28. We welcome the inclusion of youth participation and adult participation in sport in the new list of local authority performance indicators. (Paragraph 135)**

The Government notes the Committee's comment.

**29. We recommend again that the Host Boroughs, together with DCMS, the Department for Children, Schools and Families and Sport England, look at straightforward ideas such as the installation of rubber or polymerised soft surfaces over tarmac in school playgrounds, to make the Olympics immediately relevant to schoolchildren in inner city East London, at least. Olympic sponsors, indeed, may also have relevant expertise and interest in getting involved. (Paragraph 138)**

Comment noted. The Department for Children, Schools and Families (DCSF) has allocated over £21.9 billion of capital support for the improvement of school buildings, grounds and facilities over the next three years. This can be used to improve and rubberise school playground facilities where this is the local priority.

**30. We are disappointed that, fifteen months after publication of our initial report on preparations for the Games, no comprehensive plan for maximising participation in sport has been published. (Paragraph 144)**

The Government is committed to creating a strong sporting legacy from the 2012 Games, including improving our medal position at the Olympic Games and Paralympic Games in 2012; increasing and improving sporting opportunities for young people; and getting two million more people more active by 2012. The legacy action plan, published on 6 June 2008, outlines how this will be achieved. This is underpinned by the new Sport England strategy, published on 10 June 2008. The Sport England strategy sets out how they will work increasingly through National Governing Bodies of sport to develop a world-leading community sport system: sustaining and increasing participation; reducing the number of young people dropping out of sport; and allowing everyone to develop their sporting talents. The new strategy will deliver a powerful sporting legacy from the Games and is supported by a wider Government commitment on physical activity, with a number of departments including the Department for Culture, Media and Sport (DCMS), Department of Health and Department for Transport working on initiatives to get 2 million more people active through sport and other forms physical activity by 2012.

**31. The profusion of commitments, promises and plans for using the potential of the Games to increase participation in sport being developed, whether real or rumoured, is bewildering; but none of what is proposed amounts to a single, comprehensive, nationwide strategy. We have yet to see what is in the Legacy Action Plan; but it will need to do more than describe Sport England programmes if it is to provide a strategy for using the opportunity of the Games to build participation. Whatever strategy document is produced, it will need to define the roles of each of the many partners involved, including local authorities, Government departments and their agencies, Regional Development Agencies, Sport England, operators of leisure facilities, and individuals. It will also need to set expectations and suggest ways of meeting them. (Paragraph 147)**

*Before, During and After: Making the most of the 2012 Games* was published on 6 June 2008. It sets out the action Government is taking across sport and wider physical activity to get more people more physically active. It spans a whole range of Government targets and commitments to ensure a lasting legacy from the Games. The Plan sets the target to get 2 million more people doing more regular activity by 2012.

The new Sport England strategy sets out how they will put in place a world-leading community sports system. This is not just about getting 1 million more people regularly playing sport by 2012-13. It is about improving the sporting offer, so that fewer young people drop out of sport; and it is also about allowing everyone to develop their sporting talents to the full. The Sport England strategy defines how they will work as a commissioner, driving most of their funding through the National Governing Bodies of sport and clearly holding the NGBs to account for delivery.

The Plan sets out also sets out proposals from Government to increase opportunities to participate in physical activity. This includes a new fund to encourage local authorities to open up publicly-owned swimming pools for free to the over 60s. It will also be used as a challenge fund to encourage local authorities to offer free swimming to under 16s and we want to consider with local authorities how we might make swimming completely free by 2012.

**32. We agree with Sport England's assessment of how the 2012 Games might help to increase participation in sport at grassroots and community level. Increasing participation in sport cannot be a quick fix. Spin-offs from the 2012 Games alone cannot bring about the fundamental change**



**in behavioural patterns needed. The Games can, however, provide an opportunity to promote the image of health through sport and can generate a higher level of commitment of public sector funding and private sector sponsorship for sporting events and facilities. The Games will also provide a window during which the public is more receptive to efforts by Government and local authorities to increase participation. (Paragraph 150)**

The Government accepts the Committee's comment. The legacy action plan sets out action the Government is taking across sport and wider physical activity to get more people more physically active. The Plan sets the target to get 2 million more people doing more regular activity by 2012.

**33. We do not see a clear rationale for concluding that the performance by the UK Olympic team at Beijing (or indeed in London in 2012) is likely to outshine by any significant margin performance by the UK in recent Olympic Games. We acknowledge, however, that there were good performances by sportsmen and women representing the UK at World Championship level in 2007 and that there is distinct promise for the future in certain sports. While we believe that UK Sport's aspirations for performance by British athletes at the London 2012 Olympic Games may prove too optimistic, we strongly welcome the significant increase in funding which was awarded as a result of those aspirations. On balance, we believe that the very ambitious aims for performance in the London 2012 Olympic Games will be good for British elite sport. (Paragraph 173)**

The Government notes the Committee's comment.

**34. We are not persuaded, however, that the aspiration of second place for the Paralympic team in London in 2012 'whilst aiming for the top spot' is well-judged. While we have no doubt that there will be outstanding individual performances by Paralympic athletes in Beijing and in London, there is little or no evidence to suggest that the overall level of performance is likely to be higher than in 2004. The strength of competition at Paralympic level is intensifying, but the structures which would allow the British Paralympic team to keep pace, by providing a clear pathway for the development of potential, appear not to be in place. (Paragraph 174)**

We acknowledge that the competition at the Paralympic level is increasing, however so too is the funding that is being made available through UK Sport to support Paralympic sport at the elite level. For the Beijing Paralympic cycle about £29 million is being provided to support our very best Paralympic athletes, which compares to just over £15 million for the Athens cycle. In addition, and for the first time, UK Sport is providing funding to all 20 Paralympic sports and this investment is helping to deliver a more comprehensive programme of athlete support than previously available. UK Sport has also recently carried out a review of its Paralympic investment that will further inform that improvement in the build up to 2012.

Playground to Podium is a national framework to provide high quality participation and competitive opportunities for both adult and young disabled people leading to pathways for the most talented to progress. Sport England is working with UK Sport, the Youth Sport Trust, the British Paralympic Association and Sports Coach UK to develop the framework. The talent pathway promotes collaborative working with key stakeholders across the landscape and will focus on the 'transition points' between PE and school sport; school sport and community sport; and community sport through to elite performance environments.

**35. We fear that the Government's policy of requiring £100 million for elite sport to be raised from the private sector may turn out to be over-ambitious, especially as no private sector sponsor will be able to cite any association with the London 2012 Games, in order to protect LOCOG's sponsors. The effect is to introduce an element of uncertainty into a long-term funding programme, hobbling financial planning. We believe that it will turn out to be a misjudgement and an unwelcome diversion of effort. (Paragraph 178)**

The Government and UK sport remains completely committed to supporting our elite athletes in the run up to London 2012 and beyond. The Government and UK sport are working with others on detailed proposals for developing a marketable product and brand use in leveraging sponsorship, and intends to announce further details shortly.

**36. We support the concept of looking for talent rather than simply waiting for it to appear. If over-used, however, the approach could give an impression of desperation and could be open to ridicule. We endorse the policy of the British Olympic Association not to enter teams for competition at the London 2012 Games simply for the sake of exercising the rights of the host nation. (Paragraph 182)**

We agree that Talent Identification and Confirmation programmes should enhance existing NGBs' approaches in this area, and UK Sport is leading a series of carefully targeted programmes for 2012. We note and agree with the conclusion regarding the British Olympic Association's (BOA) policy not to enter uncompetitive teams. Equally UK Sport will not continue to fund sports through to 2012 that are unable to meet its criteria for 'creditable performance.'

**37. It will be some time before an informed assessment can be made of the merits of the British Olympic Association's Elite Performance Programme. We are concerned that the decision to set up a scheme separate to that run by UK Sport suggests a lack of faith in existing structures, despite the Programme's "complementary" label. We would feel able to be more supportive had the BOA worked together with UK Sport to improve existing performance programmes. (Paragraph 189).**

UK Sport is working with the BOA to ensure Sir Clive Woodward's Elite Performance Programme is complementary to its wider investment in Olympic sport through the World Class Performance Programme. The Elite Performance Programme has been designed to help deliver the fourth place in the medal table at the London 2012 Olympic Games.

The Elite Performance Programme will work alongside the existing UK Sport funded Programmes of each Olympic sport and decisions on who takes part will be taken by the sport's Performance Director through UK Sport's 'Mission 2012' performance management system. A pilot scheme with the sport of Judo is being run and the impact of the programme on that sport will be assessed by BOA and UK Sport through the Mission 2012 panel, of which Sir Clive Woodward is a member.

**38. We welcome the progress made so far in discussions within Government on enabling pistol shooters to train in the UK before the London 2012 Games take place. The UK has a history of performing well in shooting disciplines at Olympic Games. We encourage the Department to seek agreement in principle for a permanent exemption from firearms legislation, allowing talented pistol shooters to train in the UK under tightly controlled conditions. (Paragraph 192)**

Team GB has secured 48 medals across all the shooting disciplines, however only 9 of these medals have been won since 1968. Agreement in principle was secured from the Ministry of Defence, last year, on use of their ranges by a small squad of elite pistol shooters for training for London 2012. More recently Home Office Ministers have agreed to allow a small number of elite shooters to possess their pistols at home for 'dry training', subject to satisfactory checks under section 5 of the Firearms Act 1968.

**39. It is unfair that athletes with a genuine learning disability who have reached their peak in performance since 2000 have had no chance to compete at Paralympic Games and only limited opportunities to compete at the highest level in other theatres. Their chance will not come again. The ban imposed by the International Paralympic Committee is no longer just a punishment: it now appears discriminatory. We recommend that the Department for Culture, Media and Sport should make representations to the International Paralympic Committee that to prolong the ban would be totally unacceptable and that the time has come to show flexibility and to take the steps necessary to enable athletes with a learning disability to compete at the Paralympic Games in London in 2012. (Paragraph 197)**

The Government is supportive of the efforts to see athletes with an intellectual disability competing once again in the Paralympics. The Minister for Sport and the Minister for Disabled People have met with the President of the International Paralympic Committee and the International Sports Federation for People with an Intellectual Disability to discuss this complex issue, to encourage early resolution and to determine how the Government might be able to assist. The Department for Culture, Media and Sport (DCMS) has agreed to provide funding for the 2008/09 financial year to assist and speed the research that is currently being undertaken to identify robust eligibility criteria. Both the Department for Work and Pensions and the Department for Children, Schools and Families have committed to match the funding being provided by DCMS.



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