



DEPARTMENT FOR CULTURE, MEDIA AND SPORT

Government Response to the Culture, Media and
Sport Select Committee Report on 'London 2012
Olympic Games and Paralympic Games:
Funding and Legacy' (HC69)

Session 2006-07

*Presented to Parliament by
the Secretary of State for Culture, Media and Sport
by Command of Her Majesty
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Government Reponse to the Culture, Media and Sport Select Committee Report on London 2012 Olympic Games and Paralympic Games: Funding and Legacy (HC69) Session 2006-07

The Government welcomes the Culture, Media and Sport Select Committee's detailed and comprehensive report on preparations for the London 2012 Olympic Games and Paralympic Games.

The 2012 Games offer both the chance to host the world's greatest sporting event on UK soil and an unrivalled opportunity to catalyse the most ambitious regeneration programme in recent history, leaving a lasting legacy for London, as well as creating economic, social, health, environmental and sporting benefits across the UK. We welcome the Committee's recognition of the progress that has already been made on the project and its conviction that "London can and will host a Games as good as any ever seen before".

The Committee placed strong emphasis in its report on the importance of finalising the budget for the Games. As the Committee will know, the Government announced on 15 March 2007 a budget for the Olympic Delivery Authority (ODA) up to 2012 of £5.3 billion, comprising £3.1 billion for the core costs of the Games; £1.7 billion for infrastructure and regeneration spending in the Lower Lea Valley; and a £500 million programme contingency. The ODA will pay VAT but the costs of this – around £840m – will be covered in full by the Government. In addition, non-ODA costs and other funding provision was set out, comprising £390 million for sport, the Paralympic Games and other costs; £600 million for wider security costs; and a further £2.2 billion set aside as a potential additional programme contingency held by Government.

Additional investment, on top of the original public sector funding package of £2.375 billion and the Government contribution of £1 billion to regeneration, will consist of £5 billion from central Government, with a further £675 million from the Lottery and £300 million from the Mayor of London.

The Government's detailed response to the Select Committee's recommendations is set out below.

Land preparation

(1) We note the confidence of the ODA and of the Secretary of State that remediation costs will be contained within the existing budget. However, given that the site survey work is little more than 50% complete, uncertainty will remain. The authorities should be more specific about the precise nature of contamination at the site, and the Government should report back as soon as the survey is completed.

Although an extensive desktop survey was undertaken prior to the submission of the bid, no on-site survey was possible at this time as the majority of land was not under the control of the London Development Agency. Site investigation has now been carried out on 75% of the area and the levels of contamination are in line with the expectations of the desktop survey. The investigations have identified a variety of contaminants, such as metals and hydrocarbons, which are common on sites that have this kind of former industrial use. Site investigations will continue across the remainder of the Olympic Park site before the full remediation work starts.

(2) We note that there remains a lack of clarity about the expenditure of such a significant sum [£1.044 billion for linking the Olympic Park to local infrastructure], and we recommend that the Government issues a detailed breakdown of how the figure was reached and how it is to be spent.

The £1.044 billion of additional funding was reached after assessment by the London Development Agency (LDA) and by the assessment that PriceWaterhouseCoopers completed in 2004. The costs which inform this funding requirement have also been subject to further review following the successful bid. The funding will be used to support expenditure on the following structures:

- a) Enabling works, including demolition and remediation
- b) Roads, bridges, tunnels and other transport
- c) Undergrounding of powerlines
- d) Utilities
- e) Post-games legacy conversion

(3) We commend the scrupulous approach by the Secretary of State in distinguishing between costs which are integral to the Games and costs which are not; but we nonetheless encourage her to look favourably on co-ordinating the expenditure of ODA funds with local regeneration funds where long-term benefit for the local community can be shown.

The Government recognises that the Olympic project provides a real opportunity to act as a catalyst for the regeneration of the Lower Lea Valley and the wider Thames Gateway. The revised budget for the ODA of up to £5.3 billion comprises £3.1 billion for building the Olympic park and venues – the core Olympic costs – and £1.7 billion for infrastructure and regeneration linking the Park to the rest of the Lower Lea Valley. We will take all possible steps to ensure that this investment is integrated in a way that is beneficial to the area and the communities that live within it.

Staging the Games

(4) No details have been supplied as to what measure of inflation has been used to arrive at the figure of £2 billion for the LOCOG budget. We encourage the Secretary of State to provide further details.

Each line item of the budget for the London Organising Committee of the Olympic Games and Paralympic Games (LOCOG) was inflated at a rate appropriate to the nature of the expenditure. For general expenditure, a rate of 2% per annum compound was applied, for employment-related costs a rate of 4.5% per annum compound was applied and for construction type costs (such as venue overlay) a rate of 6.5% per annum compound was applied.

(5) We recommend that further work be done to determine the potential impact of the ban [on television advertising of all foods high in fat, salt and sugar] and whether it will have an effect on sponsorship for the Games.

The International Olympic Committee (IOC) runs the Olympic Partners Programme (TOP) and companies that are TOP sponsors have worldwide rights. The TOP sponsors that are signed up to 2012 will work within the UK's regulatory framework. From LOCOG's discussions, it is clear that there is a great deal of enthusiasm to be involved in the Games. LOCOG does not therefore expect the ban to impact upon the sponsorship deals it intends to sign with companies that will become domestic sponsors.

(6) We admire the confidence of the LOCOG team in its capacity to secure the necessary revenue, including sponsorship. It would be wrong, however, to ignore the fact that amounts raised through sponsorship and licensing, as well as from ticket sales, are hard to predict and may turn out to be lower than foreseen in the Candidature File.

(7) We believe that LOCOG and the Government should recognise the possibility that [LOCOG] revenue may fall short of that forecast; and we believe that they should give early consideration to the implications.

The Government keeps the budget under review through the monitoring processes established under the Joint Venture Agreement.

LOCOG remains confident that given the huge interest in the Games and their wide range of revenue generating activities, they will generate the necessary income (as outlined in the Candidate File) to host the Games. Indeed, the first domestic sponsor – Lloyds TSB – was announced on 14 March.

LOCOG is seeking to balance its budget by maximising its revenues and aggressively controlling costs. Its current position is that a balanced budget of £2 billion is achievable.

If however, in the future, there appears to be a potential shortfall, as a first step, LOCOG will identify where non mandatory expenditures can be eliminated. It will then work with the IOC to ensure that the IOC is sharing its fair share of the cost burden. Only as a last resort would the Government's underlying guarantee be called upon. LOCOG has already put measures in place to manage the risks of exchange rate fluctuations on its income. This is an example of good risk management.

(8) The optimism of LOCOG that the effort to secure sponsorship for the 2012 Games will not detract from sponsorship for community sport is welcome. However, the Committee will keep this under review.

The Government shares LOCOG's confidence that its efforts to secure sponsors will not impact on corporate sponsorship across the wider cultural and sporting sectors. LOCOG is only dealing with a very small number of companies on an industry exclusivity basis.

Securing the Games in 2012 has significantly raised the profile of sport in this country and the Cultural Olympiad is likely to have the same effect across the cultural sector when it is launched later this year. This increased profile has already had, and is expected to maintain, a healthy impact on the sponsorship market and sponsorship opportunities.

Security

(9) We urge the Secretary of State to publish the revised budget for security costs, as soon as it has been agreed.

As the Secretary of State for Culture, Media and Sport said in her statement on 15 March, £600 million has been allocated in the overall budget for policing and wider security. This is in addition to the ODA budget for site security. The £600 million figure will be subject to continued oversight and scrutiny in the coming months and years by the relevant Cabinet Committee, the Home Secretary and the Metropolitan Police.

(10) The lack of any reference in the Olympic Objectives to the Government having responsibility for security at the Games appears to be an oversight which should be rectified.

Guarantees have been provided to the IOC that the UK Government will take all necessary steps to ensure the safety and peaceful celebrations of the Games, including the co-ordination of all matters of security and the emergency services by the Home Secretary.

The Candidate File is unambiguous – in paragraph 12.3.1 (“Ultimate responsibility for security at the Games will belong to the UK Government in the form of the Home Office”) – that the Government, through the Home Office, bears the responsibility for security in respect of the Games, except insofar as Objective 1.3 refers to LOCOG’s responsibility for ensuring effective and efficient planning and operation of the Olympic and Paralympic Games (including security and other matters pertaining to the Games operations themselves). This responsibility is reflected in the underpinning vision for London 2012, which is “To host an inspirational, safe and inclusive Olympic and Paralympic Games...”; but the security arrangements, and co-ordination thereof, cut across many areas of activity and do not fall wholly within any single Strategic Objective. Hence it was not considered appropriate to try and identify a specific category for security in the Objectives framework, even though the broad allocation of responsibility is well understood.

(11) We welcome the assurances by the Government that the ODA’s liability to pay VAT on goods and services will have no impact on the taxpayer

(12) The Committee regards it as unsatisfactory that this issue [liability to VAT] has emerged so late in the process and that it was not resolved at the time of the preparation of the bid document.

(13) We are surprised that the Treasury did not establish the position [on VAT] from the start. The Chancellor now needs to provide an explanation of how this arose, particularly given that VAT did not have to be paid on the Athens Games. He also needs to provide details of how this issue will be resolved as soon as possible, in order to ensure that there is no adverse impact on the financing of the Games.

The VAT status of the ODA – that is, whether the ODA would be permitted to recover the VAT incurred on the goods and services it would procure – could not be resolved prior to submission of the Candidate File in November 2004 as, at that stage, the nature and status of the delivery body had still to be determined and the legislation had yet to be drafted. In the case of the Athens Games, the Greek Government itself, rather than the delivery body, met the VAT cost.

The Secretary of State explained in her statement on 15 March that the ODA will pay VAT but that the costs of this – around £840m – will be covered in full by the Government.

Contingency

(14) The Committee questions the rationale for allowing for programme contingency on top of project contingency, especially at a percentage as high as that proposed in Treasury guidance. We find it difficult to see how a programme contingency of any substance, rather than simply being prudent, does not run the risk in itself of escalating the costs. We note that programme contingency was not included in advice to those responsible for co-ordinating the bid but that there is now an informed consensus that it should be included. This new issue of additional ‘programme contingency’ gives the impression, rightly or wrongly, that the initial advice upon which DCMS relied appears to have been deficient; and we believe that the Treasury could and should have drawn attention to this alleged deficiency before the bid was submitted. Given the possible scale of such a new provision, the rationale for ‘programme contingency’ should be thoroughly explained, with practical reference to other major building projects around the world, and the professional advice to the Treasury and DCMS (including that of KPMG) to justify this should be published for the benefit of public understanding.

Contingency was included in the Candidate File on each individual project on the advice of project specialists. However, since then the costs have been subject to extensive review and the level of risks and contingency required have been re-assessed in the light of the latest assumptions of increased costs. It is clear from the review that there is a case for programme contingency on top of the project contingency already included. This rests on a reassessment of the cost history of previous Olympic Games.

This extensive background research informed the decision that there should be a programme contingency of £2.7 billion held within Government under very tight conditions. This will be drawn on should the need be demonstrated so as to ensure that the timetable is met and quality maintained. £500 million of this has been released for use by the ODA. Use of the programme contingency will be carefully monitored and the ODA's Accounting Officer will, of course, be subject to the usual Parliamentary oversight.

Cost increases

(15) We welcome the determination to ensure proper delivery of the 2012 London Olympics. However, we are surprised, that given the original assurances about the rigour of the budgeting process, it is only now seen to be necessary to include this additional element of control and that it is such a significant cost. We can only conclude that the cost control procedures were not fully thought through at the time that the bid was submitted. We call upon the Government to provide a detailed explanation of how the figure for the £400 million for the Delivery Partner was arrived at, including any total cost of construction which has been used in arriving at this fee. We further call for the main terms of the agreement with the Delivery Partner to be made public.

The original bid did not include provision for a Delivery Partner because at that early stage the details of the organisation responsible for the construction of the Olympic Park, the ODA, had yet to be determined and its Chair and Chief Executive had yet to be appointed. Following the bid win the Government initiated a thorough re-appraisal of the costs. This took into account a number of issues including the decision by the ODA to appoint a Delivery Partner to provide the level of expertise and skills necessary to deliver the Olympic Park project and undertake effective programme management and support cost control, bearing in mind that in terms of its size, concentration and timing this is one of the most challenging projects that this country has ever seen and it was necessary to assemble quickly world class expertise and experience. The three companies that comprise the Delivery Partner, CLM, have unrivalled expertise, between them having advised five Olympic cities on their plans as well as being involved in Beijing 2008 and Vancouver 2010.

CLM will manage the programme risks, provide high level reporting and initiate mitigation measures to ensure that the programme is delivered to time and to budget. The ODA remains the client and retains the responsibility for the delivery of the infrastructure and venues together with the accountability, through Ministers, to Parliament.

The total cost of this Programme Delivery budget, including the revised cost amendment of circa £400 million referred to by the Secretary of State during her evidence to the Committee on 21 November 2006, is £570 million. This represents around 10% of the total costs of the ODA Programme, which is consistent with industry norms for a project of this scale, complexity and concentration. Of this the combined staffing, accommodation and IT cost of ODA and the Delivery Partner, CLM, is £476 million. The balance of £94 million is to cover the establishment on the Olympic Park site of the necessary provision for up to 9,000 construction workers, including health and canteen facilities and transportation.

(16) We welcome the Secretary of State's readiness to provide as much information as possible to the Committee. We recommend that, given recent controversy about the cost of the Games, the Secretary of State's report to Parliament on the conclusions of the cost review currently under way is as comprehensive as possible and should be in the form of an Oral Statement.

(17) The Committee is disturbed that such statements (on costs) have been disproved in such a relatively short space of time. It is particularly ironic that part of the extra costs already identified will be incurred in paying a delivery partner to exercise cost control.

(18) The Committee is concerned about the distance between the figures submitted in the bid and the true costs, which will not become evident until after the Games. We believe that everyone involved should draw lessons from this in terms of project appraisal, management and communication at this relatively early stage so that there is no repetition which would prejudice public support for the Games, their success or their legacy.

The Government agrees with the Committee that a transparent budget is important to maintaining public support for the Games. This is why the Secretary of State for Culture, Media and Sport made a detailed statement on funding to the House of Commons on 15 March 2007, over five years before the Games. This puts the budget for the Games on a sound and secure footing and is indicative of the tremendous progress made on planning the Olympic Programme thus far, well ahead of similar budget announcements from Beijing, Athens and Sydney.

As set out in the statement of 15 March, when London bid for the Games we estimated the cost of the Olympic Park, infrastructure and an element for community and elite sport at around £3 billion, plus an additional £1 billion as part of the wider regeneration of the Lower Lea Valley. This made a total cost of just over £4 billion. Those costs were net of tax and of wider security costs.

As was made clear during the statement to the House of Commons on 15 May 2003 announcing that the Government would support a London bid for the 2012 Games, if London won the right to host the Games a detailed review of costs would follow. That review began in early autumn 2005, immediately after the bid had been won. The budget for every venue, every bridge and every facility on the Park was then scrutinised and the site master plan was amended to avoid potential costs in the region of £600 million. However, other costs were judged to have increased, as set out to this Select Committee in November 2006, resulting in a net increase of £900 million, arising largely from:

- the need to underpin the private financing of the Olympic Village;
- the need to make a larger allowance for inflation in the light of changes in the level of construction inflation since the bid and to accommodate re-phasing of projects;
- the need to invest more in the ODA and its Delivery Partner to gain the skills and expertise necessary to deliver a project of this size and complexity; and
- the need to make additional provision for site security.

None of these needs could have been foreseen clearly at the time of the bid.

As was announced on 15 March, the ODA will be given a budget of up to £5.3 billion to cover the construction costs, comprising £3.1 billion for building the Olympic park and venues – the core Olympic costs – and £1.7 billion for infrastructure and regeneration linking the Park to the rest of the Lower Lea Valley, with £500 million allowance for programme contingency. A summary of the ODA 2007-08 business plan was also placed in the House libraries.

Those costs, as in the Candidate File, are net of tax. As noted in response to the Committee's earlier recommendation, the ODA will pay tax but the cost will be covered in full by the Government.

The Government has also decided that as the funder of last resort, it is prudent that a programme contingency should be held within Government under very tight conditions. The overall level of contingency is around £2.7 billion, of which, as already noted, £500 million will form part of the base budget of the ODA.

As already detailed, within the overall budget a figure of £600 million has been identified for wider policing and security, which is on top of the ODA budget for site security.

Lastly, as was included in the original public sector funding package of £2.375 billion, some £390 million will be invested in non-ODA provision, including sport and a contribution to the Paralympic Games. That figure, though included in the public sector funding package, is not part of the ODA budget.

(19) We stress the value of external assessment in building public confidence that money is being spent properly, and we particularly welcome the involvement of the National Audit Office

The Government shares the Committee's view of the importance of effective scrutiny of the budget for the Games; that is why the Secretary of State invited the National Audit Office (NAO) to work with the Department and we look forward to co-operating with them to ensure value for money for the public. The first in what is expected to be a series of NAO reports on the Games was published on 2 February 2007 and was considered by the Committee of Public Accounts on 5 March 2007. Future reports will track progress in preparing for the Games and the NAO is currently reviewing the work to establish the budget for the Olympic programme.

Lottery funding

(20) The timing of the competition currently under way to operate the National Lottery, when the potential for disrupting an essential funding stream is so great, is very unfortunate. Although we accept that a decision has been taken, we believe that it would have been better to have extended Camelot's licence beyond the Games. We recommend that the Commission carefully considers risks of a change of operator on preparations for the Olympics when reaching its decision.

The National Lottery Commission (NLC) has fully considered the impact of the licence competition on the Olympic Lottery. Their Invitation to Apply document highlights the Olympic target and states that bidders are expected to include Olympic Lottery games plans in their bids.

The Government does not consider that holding the competition will in any way jeopardise Olympic funding – the current operator knows that the bidding process should not detract from its overall performance and both bidders are aware of the importance of meeting the Olympic Lottery games target.

Furthermore, to win the competition a bidder will need to pass a number of demanding operating standards 'hurdles', as well as convincing the NLC that it is likely to provide a better return for all the Good Causes than its competitor. Hence, if the other bidder, Sugal & Damani, does win, that means that the NLC will have judged them every bit as capable of operating the National Lottery in a reliable manner as the incumbent, Camelot.

(21) We conclude that the substantial financial contribution by Sport England to the

2012 Games need not necessarily have a major effect on programmes to enhance participation in sport at community level. However, there is a clear risk, if we are not careful, that programmes outside the capital may suffer because of the focus on London and in particular in sports which are either not part of the Olympics or which are not recognised as mainstream Olympic sports.

The Government is confident that Sport England through its investment of Lottery and Exchequer funding in sport, both nationally through National Governing Bodies and regionally through regional sports boards, will encourage a legacy of sustained increases in community participation – in both Olympic and non-Olympic sports – across the whole of England. Our PSA target sets a clear aim of increasing participation in sport by 3% amongst priority groups by 2008 across the whole country; we remain committed to this national target.

In addition, we will continue working with Sport England to ensure that the 2012 Games are an inspiration to the whole nation – not just to London. Sport England will shortly engage with the sport sector on the development of a Plan for Community Sport in England, 2008-13, to ensure that an Olympic legacy in terms of community sport is delivered across the nation.

(22) We have no doubt that the diversion of money from the NLDF to the OLDF arising from transfers already announced will reduce Sport England's ability to undertake non-Olympic-related activity to promote grassroots sport across the country. This will clearly be exacerbated by any further diversion to meet Olympic cost increases.

Since 1997, the Government and Lottery distributing bodies between them have invested over £3 billion in sport and physical activity, including the £1 billion that is being invested in grassroots sport by Exchequer and Lottery funding in this spending review period.

Lottery investment in community sport in the five years between 2002/03 and 2006/07 is over £350 million more than in the five years between 1997/98 and 2001/02. Sport has also been a net recipient from the Big Lottery Fund since 2002. Exchequer funding for community sport through Sport England over the past 5 years has risen by over 40% from £80 million in 2002/03 to £115 million in 2006/07.

The Big Lottery Fund through New Opportunities for PE and Sport (NOPES) has invested £581 million in England to March 2006 to provide community sports facilities in schools. In total, over 4,000 new or refurbished community sports facilities are being supported by Lottery and Exchequer funding programmes.

In addition, the National Sports Foundation will fund a range of projects to benefit grassroots sport. The Government's financial commitment is £34.5 million over the next two years (2006-8), and we will be encouraging the private sector to match this funding.

(23) DCMS should justify the inclusion of sums already spent in preparation of elite athletes for the Games in Athens and Beijing as part of the funding package for the London Games.

As the Committee notes, around £18 million of Sport England's share of the £340 million contribution to the original public sector funding package by the Sports Lottery Distributors has already been committed to preparation of elite athletes for the Athens and Beijing Games. The Government takes the view that funding our most talented athletes is a long-term investment. Supporting and investing in first-class high performance programmes, which are managed and delivered primarily by the National Governing Bodies of sport, goes beyond a simple four year Olympiad cycle. This is for two reasons. First, it normally takes between 8 to 10 years to turn an athlete with raw talent into a potential medal winner. This means that investment in elite athletes in advance of the Athens Games in 2004 will also have impact on performance in Beijing and London in 2012. Second, investment in high performance sport is not only directed at the athletes. It also helps to support the infrastructure and support network around them, including coaching, sports science and equipment. Again, these need to be in place for any high performance system to function effectively, and will naturally extend beyond four year cycles.

(24) DCMS should explain without delay how it plans to carry out the further transfer of funds from the National Lottery Distribution Fund to the Olympic Lottery Distribution Fund, so that the effect upon distributors is made clear.

(25) A further transfer of Lottery revenues from the National Lottery Distribution Fund to the Olympic Lottery Distribution Fund, above the £410 million already identified, would penalise good causes yet further. We believe that any further diversion of money from the Lottery would reduce the money available for each of the good causes, and it is not our preferred option for funding any overspend.

The Government confirmed in the statement made to the House of Commons on 15 March 2007 that the £410 million contribution from the National Lottery Distribution Fund identified as part of the original public sector funding package for the Games will be shared between the non-Olympic good causes in proportion to their normal Lottery percentage shares. This will not, however, involve a transfer of funds from UK Sport which is responsible for preparing our sportsmen and women for the Beijing and London Games.

The Government has never shied away from the possibility that any cost increase might have to be met in part from the Lottery. The business case for 2012 was always based on the availability of this option if needed and the Memorandum of Understanding between the Government and the Mayor – agreed in 2003 – provides for a sharing arrangement to be agreed as appropriate and through seeking additional National Lottery funding in amounts to be agreed at the time.

As set out on 15 March, the Government proposes that the Lottery will make a further contribution of £675 million to the 2012 Games. £425 million will come from the Big Lottery Fund and £250 million from the other good causes. As with the £410 million contribution, no transfer will be made from UK Sport and none of the £410 million or the additional £675 million or will be transferred before 2009.

The decision to take a further share from the Lottery was only taken after very careful consideration. The Government is determined to ensure that this temporary diversion from the existing good causes to the Olympic good cause is done with the least possible disruption and will continue to consult the Lottery distributors about how best this can be done. It is the Government's view that no existing Lottery projects need be affected. We have also agreed with the Big Lottery Fund that it will stand by its commitment of providing 60-70% of its then expected funding to the Third Sector – an expected £2 billion between now and 2012.

The decision on the additional Lottery funding will be subject to an affirmative resolution

in both Houses in due course.

The Government believes that it is only fair that the Lottery good causes, having contributed to the 2012 Games, should share in any increase in land values in the Olympic Park as a result of the investment that is being made. The Government and the Mayor of London have therefore agreed that we will rewrite our Memorandum of Understanding and put in place profit-sharing arrangements to enable the Lottery and future regeneration needs of the local area to benefit from the returns on the investment that we are making in the Olympic Park.

Meeting cost increases

(26) We recommend that a cap should be placed on the liability of London residents to fund any further increase in Games costs via increases in the Council Tax. Beyond that, other means of raising revenue should be used, and the need for further funding from the Exchequer should not be ruled out.

(27) As already noted, although the Memorandum of Understanding is generally interpreted as specifying that contributions to meet any shortfall between Olympic costs and revenues would come exclusively from the National Lottery and from the Mayor of London, through London Council Tax, the meaning is not totally clear. We do not, in any case, accept the principle of such a restriction.

As announced on 15 March, the additional investment in the Olympic programme will be met by additional contributions from central Government, the Lottery and the Mayor of London.

Central Government provision will be £6 billion. This comprises the £1 billion already committed for regeneration; the ODA's tax bill; broader regeneration and infrastructure within the Park; wider security; and programme contingency.

The Mayor will make available an additional £300 million without any further increase for London council tax payers beyond the £625 million already committed, or any increase in transport fares to fund the Games. As already detailed, the Government proposes that the Lottery will make a further contribution of £675 million.

And, as noted above, the Government and the Mayor of London have agreed that they will rewrite the 2003 Memorandum of Understanding and put in place profit-sharing arrangements to enable the Lottery and future regeneration needs of the local area to benefit from the returns on the investment that we are making.

(28) We have not examined in detail the case for abolishing or adjusting the tax regime applicable to the Lottery; but we believe that such a move could well be viewed by the general public as the fairest means of securing further funding for the 2012 Games. We recommend that the Treasury should explore options for amending the tax regime applicable to the Lottery, whether on a temporary or a permanent basis, as a means of ensuring the necessary flow of funds into the Olympic Lottery Distribution Fund.

Tax is a matter for the Chancellor and he takes all considerations into account when making decisions at Budget time.

The Government intends that the same principles that apply to the existing National Lottery should apply to any Olympic-themed games.

Land values

(29) We do not believe that the London Development Agency (LDA) should be the ultimate beneficiary from the sale of land acquired for the Olympic Games. We recommend that the LDA should state how it plans to dispose of land once the Games have finished and should make proposals for distributing any net financial gains which it makes from the land, whether notional or through sales. We believe that the best use for such funds would be to meet any Games costs which are outstanding. Given the regeneration and legacy benefits from the Games, we also recommend that the Government assesses whether the £250 million contribution, within the Public Sector Funding Package, from the LDA is sufficient in the first place.

The costs of land acquisition and a share of the costs of land remediation are borne by the LDA. These costs have never been included in the budget for the Games and are not covered by the Olympic Guarantees. This is because the LDA, as the land owner, will recover the cost, through the sale of land after the Games. As envisaged in the 2003 Memorandum of Understanding between the Government and the Mayor, these costs are being funded in part by prudential borrowing to be repaid from land sales following the Games. The £250 million contribution to the Olympic Programme is on top of the LDA's expenditure on land acquisition and its £220 million share of remediation costs.

As already noted, the Secretary of State and the Mayor of London have agreed that they will rewrite the 2003 Memorandum of Understanding and put in place profit-sharing arrangements to enable the Lottery and future regeneration needs of the local area to benefit from the returns on the investment that we are making.

Legacy

(30) We commend the bid team for the enormous weight placed upon sporting and community legacy: this was one of the great strengths of the bid and may have been decisive in the award by the IOC in Singapore. It is all the more important, therefore, that it should be delivered.

The Government welcomes the Committee's recognition of the great importance that has been placed on ensuring that the Games leave a sustainable legacy for London and the UK. The legacy of the Games was at the heart of London's bid and is integral to all the plans for 2012. This is why it forms a fundamental part of the core vision that underpins the strategic objectives for the Olympic programme and why legacy is playing a central role in planning from the outset.

As set out in our written evidence to the Committee, the Government does not underestimate the level of the challenge there is to ensure that we maximise the benefits of the Games but we believe that the right structures are in place to achieve this. Overall legacy is being driven by the Olympic Board which has agreed a series of objectives for maximising the wider economic, social, environmental, cultural and sporting benefits, both for London and the UK. In each case, the relevant Government department/s is leading this work at a national level and progress will be monitored regularly by the Inter-Departmental Steering Group on the Games established by DCMS and by MISC 25, the Cabinet Committee that co-ordinates and oversees Government issues relating to the Games. At regional level, under the auspices of the 2012 Nations and Regions Group, each nation and region is putting together its plans to maximise the impact of the Games, as well as the wider opportunities to deliver a sustainable legacy from the Games.

Regeneration

(31) We are satisfied that responsibility for delivering the regeneration legacy for London rests clearly with the Mayor of London. However, the Mayor must acknowledge that local authorities, as the bodies most aware of local needs, are best placed to convey local opinion.

As the Committee identifies, the Mayor has a lead role in delivering London's regeneration legacy from the Games. The Mayor recognises that to do this effectively he needs to work in partnership with a wide range of other partners across London, including local authorities. There is already close co-operation and joint working between the Greater London Authority Family and the London Boroughs, particularly the five host boroughs, on Games-related issues such as skills development, pre-volunteering programmes, business opportunities, legacy planning and, of course, community engagement. The Mayor recognises the important contribution the London Boroughs have to make in all of these areas and is keen for joint working to continue.

Venues

(32) The commitment to retain an athletics facility at the Stadium once the Games had finished may have been a deciding factor when the decision on Host City was made in Singapore.

(33) We recommend that, if no club comes forward in the near future with a viable proposal to become "anchor tenant" in the Olympic Stadium once the Games have concluded, an effort should nonetheless be made to allow scope in the final design for use as a home ground for a club with a significant and regular following.

The Olympic Board agreed at its meeting on 7 February 2007 that its priority was to deliver an Olympic Stadium on time and on budget and that it would not be possible to deliver the Stadium in collaboration with a Premier League football club due to the number of design changes and associated time delays it would incur. The Board confirmed its commitment to the communities of London and the IOC for the stadium to have a sustainable athletics and community sports-for-all concept in legacy. Work on the stadium legacy shows that the 'Living Stadium' concept – with a mixed sport offering combined with commercial, school and community use – is the most compelling option to delivering the legacy ambition. The Olympic Board has commissioned further detailed work on this concept and will continue to review the legacy proposals as they develop.

(34) We note that discussions are still under way between the Olympic Delivery Authority and the Host Boroughs, and we strongly recommend that the design for the Aquatics Centre should provide for a mix of leisure use and traditional "lane" swimming.

The latest business plan for the Aquatics Centre supports the case for two 50-metre pools and a diving pool in the current location which are able to accommodate local, regional and national demand for elite as well as community use. The plan indicates that approximately two-thirds of usage is likely to be by the community (for example, the general public) and one-third elite use (which includes training and competition). This projected usage is in line with similar UK and international aquatics centres.

The ODA is continuing to explore the inclusion and funding of 'leisure water' facilities with the boroughs as part of the legacy, although those facilities will be separated from the main pools for safety and other reasons. The business case indicates that although 'leisure water' facilities can contribute to the generation of income, the operation of the centre is not critically dependent on it.

(35) Understandably the £134 million price attached to the Broadcast and Press Centre has attracted some controversy. The authorities should justify the cost. Again, too, its future value should be taken into account, along with the other venues, when funding the rising cost of the Olympics is being considered.

The International Broadcast and Media Press centres (IBC /MPC) will be one of the key venues in the Olympic Park, providing high quality 24 hour information services and technical environments for all accredited television and radio broadcasters, journalists and photographers attending the Games to enable them to communicate with an anticipated global audience of some 4 billion.

The ODA is currently considering the options for the legacy use of the IBC/MPC and has recently commenced a process with a view to procuring a legacy user. The procurement process has been designed in order to maximise opportunities for post-Games value and for securing private sector funding towards the cost of the development. The procurement process will therefore provide greater clarity on the cost of the development and what element of that cost is required to be provided by public sector funding in order to secure the facilities required for the Games and desirable outcomes in terms of legacy use and benefits.

(36) We believe that the decision to limit to five the number of permanent venues remaining within the Park after the Games was sound. Any pressure from international sporting federations – or indeed from the International Olympic Committee – to build unnecessarily high-specification venues should be strongly resisted. We are reasonably confident that a mixed legacy use should provide a sustainable future for the Aquatics Centre and the Olympic Stadium, although we believe that the latter would be rather more secure if it were also to become the home stadium for a football club, possibly in conjunction with a major rugby club. The smaller permanent venues – for hockey/tennis and for cycling – face a tougher struggle if they are to be commercially successful, although we note the popularity of hockey at community level and the tradition of excellence at cycling in the UK. We are less certain about the future of the indoor sports arena, which may face direct competition with established venues nearby.

Venues are being built with legacy in mind, whilst ensuring they meet the technical specifications required for the Games. We agree with the Committee's view that unnecessarily high-specification venues should not be built if this does not provide benefits in legacy. We are validating the legacy uses of venues as they start to be designed, and ensuring that this is tested within the wider context of existing local, regional, and national facilities.

Sporting participation

(37) No host country has yet been able to demonstrate a direct benefit from the Olympic Games in the form of a lasting increase in participation. While we offer every encouragement to the Government and to other stakeholders in achieving such an increase, we believe that lasting success is most likely to be attained through an expansion of school sport and through a greater priority being attached by local authorities to developing community sport.

The London 2012 Games will place sports participation as a core priority of the Games for the first time. The Olympic Objectives directly allocate lead responsibilities for improving sports participation nationally and in London, as well as improving elite performance. The stakeholders are working on how to deliver these objectives maximising the value of the interest and excitement surrounding the Games. In addition, Nations and Regions Group members are identifying in their plans how they can support increased participation across the UK.

The Government has invested £1.5 billion (including Lottery funding) in the 5 years to 2008 in school sport. The strategy for school sport, jointly delivered by DfES and DCMS, will mean that, by 2008, 85% of all children aged 5-16 will do at least 2 hours PE and school sport per week and by 2010 will be offered a further 2-3 hours beyond the school gate. The 2005/06 school sport survey showed 80% of pupils were doing at least 2 hours of high quality PE and school sport in a typical week.

The strategy is strengthening links between schools and local sports clubs to increase the percentage of 5-16 year olds from School Sport Partnership schools who participate in governing body or otherwise accredited sports. We are also developing a core of young people aged 14- 19 as sports leaders and we have appointed young ambassadors in every school sport partnership to promote Olympic values.

We are providing a lasting legacy of competitive sport for all our children, not just for the elite athletes of the future. This investment is also providing the impetus to improve the quality and quantity of competitive sport in schools by establishing a network of Competition Managers across School Sport Partnerships. The first wave of 20 Competition Managers were appointed from September 2005 and there will be at least 90 Competition Managers in place by the end of 2007. In their first year, there were nearly 40,000 attendances by young people at the 690 competitions that Competition Managers created. Between September 2006 and December 2006, there were over 50,000 attendances by young people at the 931 competitions organised by Competition Managers, which demonstrates the impact of the role once established.

The UK School Games have also been established with the inaugural event taking place in Glasgow in September 2006. The event is designed to replicate the feel of the Olympic or Paralympic Games with an opening and closing ceremony and competitors' village. The Games will be held annually leading up to 2012, with future Games taking place in the West of England (Bath and Bristol) in 2008; Wales (Cardiff, Swansea and Newport) in 2009; Tyne and Wear (Newcastle, Gateshead and Sunderland) in 2010 and Sheffield in 2011. They will be not only a showcase for some of our most talented young athletes but we envisage will also become the pinnacle of school sport competition.

To improve the quality of the sport experienced by young people the Government has invested £60 million from 2004 to 2008 to enable us to establish the UK Coaching Certificate. This aims to improve the quality and consistency of coach education in a range of sports. We have also provided greater support to coaches by establishing a network of Coach Development Officers and, by the end of 2006, we had established 3000 paid Community Sports Coach posts.

As explained earlier, our PSA target sets a clear aim of increasing participation in sport by 3% amongst priority groups by 2008 across the whole country and we are working with Sport England to ensure that we harness the unique opportunity of the 2012 Games to help us to achieve that ambition.

Local government already spends approximately £1 billion per year on sport and leisure – more than 50% of the total resources available to sport – and employ over 330,000 people working in sports and recreation facilities. Sport England continues to develop ‘Community Sport Networks’ in partnerships with local authorities ensuring they take the lead in overseeing the strategic planning for structured sport. Proposals in the Local Government White Paper to make Sport England a statutory consultee in Local Strategic Partnerships, identifying and agreeing local priorities, will also ensure a greater priority is given to the role of community sport in meeting local need.

Local authorities continue to be a critical partner to the Government in its drive to increase participation in sport. The Department for Culture, Media and Sport is already working with the Department for Communities and Local Government, IDeA (Improvement and Development Agency for local government) and other agencies to develop ways of encouraging improvement in the delivery of culture services including sport. We will use the Comprehensive Performance Assessment scores and analysis to focus our continued support and help spread learning and good practice across the sport sector.

(38) We recommend that DCMS and Sport England should publish a joint plan as soon as possible on implementation of Olympic Sub-Objective 4.4, namely, achieving the maximum increase in UK participation at community and grass-roots level in all sport and across all groups.

Sub-Objective 4.4 of the Olympic and Paralympic programme aims to maximise the increase in UK participation at community level in all sport and across all groups. This sub-objective covers all the home country sports councils and school sport across the UK. We have worked closely with Sport England to develop a draft 4.4 delivery plan for England and will continue to work with them in developing this community sport legacy.

The development of plans by home country councils is being co-ordinated by Philip Carling, Chair of the Sports Council for Wales. We will continue to support and ensure delivery for the joint 4.4 plan across the UK.

The intention is that a summary of the potential legacy benefits of the Games to the UK should be published by the Department in the summer. Sport England have also developed stronger regional plans sitting along side and supporting the 4.4 plan, submitted to the Nations & Regions Group.

(39) We further believe that the ‘legacy’ of the Olympics should not start after 2012, but rather right now. The UK’s bid stressed local community participation, yet the Olympics are to take place in some of London’s poorest boroughs where many of the inner city schools enjoy not so much as a blade of grass. We recommend, therefore, that DCMS works with the Department for Education and Skills, LOCOG and sponsors to address the lack of sports facilities open to schoolchildren, in particular, on whose doorstep the Olympics will be held.

It is our intention that by 2008 almost no-one should be more than 20 minutes travel time from a range of good quality sports facilities, such as schools, clubs and leisure centres. Across the country we already have a very large number of sports facilities. Over 70,000 facilities are currently mapped onto Sport England’s Active Places database – and more than 80% of the population is already within 20 minutes travel time (defined as walking in urban areas and driving in rural areas) of a range of those facilities most in demand.

The Government is already committed to improving school facilities. We have invested £581 million in school facilities through the NOPES programme. It is the largest single programme investment specifically for school sport to date and is bringing about a step-change in the provision of sporting facilities for young people and the community generally in the UK by:

- modernising existing – and building new – indoor and outdoor sports facilities for school and community use;
- providing initial revenue funding to support the development and promotion of these sporting facilities for wider community use (up to 20% of the funding available); and
- modernising existing – or building new – outdoor adventure facilities.

All funding for the NOPES programme has now been committed, covering over 2,280 facilities in England. A wide variety of projects have been funded including new and refurbished sports facilities, outdoor adventure facilities and playground marking schemes. Funding through the programme will continue until 2009. The NOPES programme also provides associated revenue funding to promote and develop community use of facilities.

The Fund in England has also contributed £25 million from NOPES to the £130 million Space for Sports and Arts programme that was jointly funded by Sport England, the Arts Council for England, the Department for Education and Skills and the Department for Culture Media and Sport. This programme was used to provide new and improved sports and arts facilities based in primary schools in 65 of the most deprived Local Education Authorities in England. There has also been a contribution through NOPES of £30 million to the Football Foundation to fund specifically football-related projects for school and community use in England.

In addition, the DfES Building Schools for the Future Programme will ensure that over the next 10-15 years every secondary school gets new or refurbished sports facilities. The 5 host boroughs will be early beneficiaries being pathfinders or in waves 1-3 of the programme.

Tourism

(40) We agree that fears of overcrowding, high prices and poor availability of accommodation may well deter visitors from coming to London during the period of the Games.

The Government believes that, in view of London's established and high quality tourist accommodation offer, price and availability will not be significant issues for visitors to the Games. And the estimated 290,000 additional people travelling in London during the period of the events will not create significant overcrowding: there are 30 million daily passenger movements on an average day. Ensuring that potential visitors are fully aware of all this is one of the key marketing challenges in the run-up to the Games, and work to that end will be prominent in the forthcoming Strategy.

(41) To be successful, London must have sufficient capacity, acceptable prices and good quality accommodation to attract visitors during the period of the Games.

London has a large and highly diverse range of hotel and other visitor accommodation stock, with over 130,000 rooms or 250,000 beds. This range covers all price ranges, and includes over 25,000 low-cost hostel-type rooms. The capital therefore has a far higher number, and a wider range, of accommodation offers for visitors than any recent Games.

However, although many of London's hotels provide as good a level of product and service

as may be found anywhere, there are remaining issues of quality, and the proportion of the capital's accommodation providers which participate in the national quality accreditation schemes is, at 39%, appreciably lower than the national average of just over 50%. The Government, with its partners in the public and private sectors, is currently working on detailed proposals for ensuring that London's accommodation offer is fully fit for purpose in 2012, through the forthcoming Tourism Strategy for the Games.

(42) We very much welcome the effort by DCMS to develop a tourism strategy for the 2012 Games. Although the consultation paper claims not to be designed to inform a comprehensive tourism development strategy and to concentrate merely on what will be needed to deliver improvements by 2012, we note that the consultation invites views on possible new targets to replace the existing ambition of a £1 billion tourist industry by 2010 [note: the ambition is for a £100 billion tourism industry]. In doing so, it ranges well beyond the Games and may presage a different approach to tourism by DCMS.

The present target of a £100 billion tourism industry turnover by 2010 was agreed by the Department for Culture, Media and Sport and its public and private sector partners, and announced in Tomorrow's Tourism Today in 2004. Although it remains a valid objective, the Government believes that its strategic targets should reflect the historic opportunity which the 2012 Games provide for the UK tourism industry.

Moreover, since the £100 billion target was agreed, changes have been made to the way in which turnover is measured. The adoption of Tourism Satellite Accounting over 2004/05 brought the UK into line with European Union statistical norms, but revised the methodology used for calculating turnover. This should be reflected in the Department's strategic targets.

It is therefore likely that a new target or targets will be adopted in the near future. This will not necessarily mean a different approach to tourism by the Department which has a coherent and established policy framework for supporting the industry in key areas including marketing and branding, product quality, and skills. However, the scale and nature of the tourism opportunity provided by the Games is such that it is inevitable that the Government's approach to, and relationship with, the industry will evolve between now and 2012 – and, indeed, beyond that year as tourism makes the most of the legacy of the Games.

(43) The Games will advertise the UK and London in particular; they represent an opportunity to raise profile and invest in future tourism rather than to generate short-term gains. There may well be a need for more investment in tourism by the Government if full advantage is to be taken of that opportunity.

The 2012 Games provide an historic opportunity for dramatic and long-term growth in the UK tourism industry, and this applies to both the inbound and domestic sectors. The Department for Culture, Media and Sport presently invests just over £50 million a year in tourism through VisitBritain, most of which is used in marketing work at home and overseas. This investment contributes to the more than £300 million a year in public sector tourism support by central Government, the Devolved Administrations, the Regional Development Agencies, the Mayor of London, and local authorities across Britain.

The Department is presently preparing its Tourism Strategy for the Games and, when published, this will include an ambitious programme of work designed to ensure that public sector support is used with the maximum of effectiveness in helping the tourism industry to welcome the world to the 2012 Games, and to make the most of their legacy.

The best possible co-ordination of that £300 million investment will be essential to the success of the Strategy. But if the programme raises additional issues of funding and investment, the Government will consider them fully, subject to the present Comprehensive Spending Review.

Training camps

(44) We conclude that training camps are unlikely to be of great economic benefit to the nations and regions; and local authorities should be disabused of any notion that vast sums of money are to be made from the presence of national teams training in advance of the Games. We believe, however, that where they are established the presence of a training team will foster a sense of involvement in the Games in the regions and will provide opportunities for cultural links and for local schools to glimpse elite sport at first hand. The principal benefits of hosting training teams will be through involving the local community rather than generating economic gains.

The Government believes that hosting pre-Games training camps will be a valuable way for local areas to engage with the Games and to feel part of the Games experience, as well as a means of deriving associated economic benefits. The Sydney experience shows that 39 countries undertook pre-Games training camps across New South Wales, injecting A\$70 million (£27 million) into the state's economy.

It is important to recognise that pre-Games training camps will vary in size, from the biggest teams wanting world-class facilities through to smaller teams, with fewer athletes and fewer sports, to single sports disciplines which will use a specific location. Venues applying for consideration in the guide should be able to demonstrate clear long term rationale as part of their strategic business planning.

To assist teams that wish to establish pre-Games training camps in the UK, LOCOG has announced that it will make around £9 million available to enable all 203 National Committees and 161 Paralympic Committees to apply for credit of up to £26,000 towards the cost of preparing their athletes at UK designated pre-Games training camps. The grants will be given to off-set the cost of essential services including facility use.

The London 2012 Nations and Regions Group recognises that it has an important role to play, alongside local authorities and training camp hosts, to maximise the education, cultural and sporting benefits that these camps will provide.

The Committee has rightly identified the importance of the so-called softer legacy of the Games. Whilst every nation and region in the UK has drafted a plan to maximise the opportunities and benefits from the Games, they have also identified how to make individuals and communities aware of how they can participate. The plans will use the power and inspiration of the Games to accelerate, enhance and add value to programmes which will deliver sustainable legacy for each Nation and Region across a wide range of broader social policy objectives.

Branding

(45) We conclude that an ability to associate with the 2012 Games on a non-commercial basis is essential if community involvement and legacy is to be realised to its full potential. We recommend to the International Olympic Committee that it should work with LOCOG to identify ways of permitting this.

The Government and LOCOG agree that the London 2012 brand is a powerful tool, which we can use to ensure communities from across the UK feel engaged with the Games. Use of the brand can also help inspire programmes targeted at our wider objectives; for example, to increase sports participation.

Access to the London 2012 brand is one of the primary ways in which LOCOG will raise its private revenue from partners. LOCOG is working hard to balance its commercial needs, the long-term commercial interests of the Games and the desire to spread the Games across the country.

The Olympic marque is the intellectual property of the IOC. LOCOG is working with the IOC to agree the principles of access to the London 2012 brand.

LOCOG is also in detailed discussions with its stakeholders, including the Government, about the process of distributing and monitoring the brand to the non-commercial sector. They are clear that this cannot be a free-for-all and that they need to control brand distribution in order that it provides a quality experience for communities around the UK, whilst protecting the brand's revenue-raising potential.

Cultural Olympiad

(46) The Cultural Olympiad has received comparatively little attention so far. We recommend that the Government should do more to publicise and co-ordinate it, drawing together ideas, sharing good practice, and increasing awareness of some of the more practical and imaginative suggestions which are being made.

The nationwide Cultural Olympiad is a key component of the Games. LOCOG appointed its Director of Culture, Ceremonies and Education in September 2006. One of his first tasks has been to scope the vision, resources and structures through which the Cultural Olympiad will be delivered. This has involved a nationwide tour to speak directly to over 2000 representatives from the cultural sector. The scale and ambition of the plan requires detailed planning and this has been the team's focus for the past five months. A series of values and a framework for the Cultural Olympiad have now been developed. The LOCOG Culture Team is in regular dialogue with key stakeholders across the cultural sector including the GLA, host boroughs, local government and Nations and Regions. This is now supported by a regular e-news letter to cultural sector partners. There is further work to be undertaken on the detail and accessibility of this programme which LOCOG is currently undertaking. LOCOG is also planning a comprehensive communications programme to support the launch of the Cultural Olympiad later this year.

In July 2006, the Secretary of State for Culture, Media and Sport established the Culture and Creativity Advisory Forum to advise the Government on the development of the Cultural Olympiad. Amongst the Advisory Forum's key roles are:

- to act as advocates for the participation of the cultural and creative sectors in the programme for the London 2012 Olympic Games and Paralympic Games, promoting the benefits and legacy for the sectors of their participation and the contribution which the sectors can make to the wider programme;
- to support co-ordination of the efforts of key strategic and delivery agencies and institutions in the cultural and creative sectors to contribute to the delivery of the Cultural Olympiad and the realisation of the wider benefits and legacy of the 2012 Games; and
- to act as a conduit for the cultural and creative sectors to engage the Department on issues of concern as the Cultural Olympiad develops.

The Government will continue to work with LOCOG to establish the framework within which the Cultural Olympiad will be delivered. A key part of this will be ensuring that a wide range of organisations and individuals are aware of how they can be involved. The Forum has emphasised the importance of good communications and we shall be working closely with LOCOG and other key stakeholders, including Forum members, to enhance existing communications.

Legacy for the nations and regions

(47) We welcome the Nations and Regions Group's recognition that local and community interests must underlie national and regional strategies, and we are encouraged by the Group's account of work under way. We also endorse the concept articulated by the group that the Games should be a UK Games hosted in London. We will in time, however, seek further evidence that the working groups formed in each nation and region truly reflect all elements of their communities in their work.

Regional working groups where possible include representatives from culture, sport, tourism, local authorities, business support organisations and other relevant bodies. Nations and Regions work will continue to evolve and we are working with LOCOG to ensure that there is appropriate representation on the NRG Regional Steering Groups, which should include local authorities and key regional players. We welcome the recent addition of the Local Government Association to the membership of the Nations and Regions Group – local authorities will play a key role in delivering programmes of work and also bring another valuable perspective on local community engagement.

Conclusion

(48) The Committee notes the recent expressions of confidence by the International Olympic Committee in the quality of work and planning and the progress achieved in relation to timetable when compared with previous host cities. We acknowledge the careful and thoughtful approach taken so far and we endorse the decision by the ODA to plan thoroughly before taking binding decisions. We strongly commend LOCOG and the ODA for their achievements.

The Government welcomes the Committee's commendation of the achievements of LOCOG and ODA. Excellent progress has been made on the project in the 21 months since London was awarded the right to host the Games. Indeed, following the IOC's most recent visit to scrutinise plans, they concluded that they were "assured and impressed" with current planning. However, we recognise that there is much work still to be done over the next 5 years and we welcome the Committee's support in its ongoing scrutiny role.

(49) It is inevitable, as has been the case with previous Games, that the Games will,

quite simply, cost the UK significantly more than the outline cost in the original bid. It is vital that public confidence in the project is maintained. An authoritative figure for final overall cost, and details of how it is to be funded, are essential if this is to be achieved.

As noted above, the Government recognises the importance of transparency about the budget for the Games in maintaining public confidence and enthusiasm in the project. We are delighted that the most recent market research carried out on behalf of LOCOG in December 2006 showed that 79% of people across the UK supported London hosting the Games in 2012 – higher than at any other time since we won the bid.

The announcement on 15 March sets out clearly the scale of our ambition to leave a lasting legacy for London and the UK and the investment that will be made to achieve it, providing us with a solid base for going forward and making the most of this once-in-a-lifetime chance to transform one of the most deprived parts of the country and inspire a generation of young people.



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