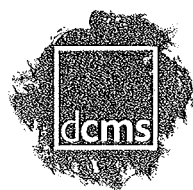
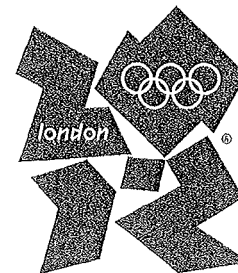


CMS 156943/DC

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LONDON  
E14 5LN



department for  
culture, media  
and sport



host government  
department

20 October 2010

*Dear John,*

## 2010 SPENDING REVIEW

This letter sets out the funding settlement for the Olympic Delivery Authority (ODA) covering the financial years 2011-12 to 2014-15.

The delivery of a safe and successful Olympic and Paralympic Games in 2012 is a very high priority across Government. Reflecting this, and notwithstanding the severe pressures on Departmental budgets, the Government is confirming that £9.3 billion of public funding is still available for the Games. Your allocation of Government funding is a part of this package.

Your allocation of grant-in-aid follows your detailed spending submission of 13 July. Your allocation assumes the wind-up of the ODA by 31 March 2014. Grant provision in 2014-15 is therefore £0. In the event of earlier wind-up and in the light of any transfer of resources to the legacy bodies for post-Games transformation works I may review the funding allocations for 2012-13 and 2013-14.

The negative capital provision in 2014-15 indicates expected capital receipts from the sale of the Village. The negative resource funding provision in 2014-15 is income from the Greater London Authority (GLA) which is due to be returned to the Exchequer.

## Budgetary control totals

The control totals against which the ODA's net expenditure will be monitored and the grant in aid that DCMS will pay in each year are set out in the tables below. The key controls are the first two elements of the resource budget – the near-cash spending on programmes, and the overall capital budget.

£m	Resource Budget			Resource Grant in Aid	Capital Budget			Capital Grant in Aid	Total Grant in Aid
	Programme (near-cash)	o/w administration	Ring fenced depreciation and decommissioning		Core capital	Grants	Projects		
2011-12	394.8	24.5	9.9	15.9	0	0	1089.3	1066.1	1082.0
2012-13	640.7	14.5	490.7	434.9	0	0	186.4	185.3	620.2
2013-14	154.3	5.0	127.6	42.4	0	0	-35.1	-35.1	7.3
2014-15	-62.0	0	0	-62.0	0	0	-101.0	-163.0	-163.0

## Resource

The resource funding provision in Grant-in-Aid covers the net resource expenditure after taking into account the use of funding from the Olympic Lottery Distributor and the GLA as set out in the table below:

£ms	2011-12	2012-13	2013-14	2014-15
Programme Resource cost	394.8	640.7	154.3	0
Olympic Lottery Funding	-329.0	-166.8	-51.6	0
GLA Funding	-49.9	-39.0	-60.3	-62.0
<b>Balance to be met by Resource GIA</b>	<b>15.9</b>	<b>434.9</b>	<b>42.4</b>	<b>-62.0</b>

Where, as in the case of Park Operations, some ODA scope is transferred to the London Organising Committee of the Olympic and Paralympic Games (LOCOG), DCMS will allocate to LOCOG funding drawn from the resource funding above instead of making that funding available to the ODA. The amount of resource funding to the ODA will then be reduced commensurately.

## Depreciation and Decommissioning

The funding to cover depreciation and decommissioning costs when they are realised is based on your calculations. It does not include the cost of impairments which, in the case of the Olympic programme, are charged to Annually Managed Expenditure budget. These impairments are not therefore a cost for which Departmental Expenditure Limit (DEL) cover is required.

## Capital

Your core capital budget is £1,275.7m over the financial years 2011-12 to 2012-13.

Your capital grant-in-aid budget for the same period will be £1251.4m to enable you to complete the programme of Olympic capital works projects.

The capital grant-in-aid takes into account the contribution from Sport England lottery funding as shown in the table below:

£ms	2011-12	2012-13	2013-14	2014-15
Programme capital cost	1089.3	186.4	-35.1	-101.0
Sport England capital funding (Lottery)	-23.2	-1.1	0	0
Balance of cost to be met by capital GIA	1066.1	185.3	-35.1	-101.0

## Contingency

The above figures are inclusive of programme contingency (both resource and capital). Further resource contingency will be held by DCMS and HM Treasury to address risks giving rise to essential and unavoidable costs in the run up to and during the London 2012 Olympic and Paralympic Games, which need financial mitigation outside of the original allocation and up to the total £9.3bn public funding for the Games.

## Savings

We shall continue to expect you to press down on costs at every opportunity. In support of this we have announced a £20 million reduction in ODA forecast completion costs. This includes not doing the wrap around the stadium as well as savings on the Eton Manor and Transport Demand management projects. These savings have been factored into the grant-in-aid provision set out in the tables above.

## Capital Receipts

The funding requirement is shown net of capital receipts in the year in which they are generated. Capital surpluses of £35.1 million and £101 million are forecast in 2013-14 and 2014-15 respectively. DCMS may retain up to 20% over this forecast, after the Lottery has been re-paid for its contingency contribution to the Village and after GLA has received a share in respect of its contribution.

## Transparency

The Olympic Delivery Authority will be expected to continue to make information available to the public on a range of subjects. This will involve the formulation of an information strategy setting out what will be published and when. Further guidance will be issued shortly.

Despite the difficult circumstances, this represents a fair settlement which protects the core Olympic objective. My Ministerial team and I look forward to working with you to deliver a successful Olympic Games and the foundations for a permanent legacy.

*Yes ever*

A handwritten signature in cursive script, appearing to read 'Jeremy', with a horizontal line underneath.

**JEREMY HUNT**

**Secretary of State for Culture, Olympics, Media and Sport**

## Annex A

### Resource DEL budget

The Resource DEL Budget is split into three sub-totals. The **Administration** budget is the amount available for net expenditure on administration and management of your organisation. The reducing budget over the period reflects the priority I place on ensuring that funds are used for front-line delivery. Should you wish to go further in reducing administration costs to enable a larger portion of the funds provided to be used at the front-line, you will not be penalised and you have the authority to use any under spend on the administration budget in either the programme or depreciation budgets instead.

In contrast, the **Depreciation** budget is operated as a one-way ring fence. This means that, after your net depreciation<sup>1</sup> charges have been set against it, any overspend would have to first come from ODA's programme contingency and, ultimately would have to be found within the £9.3 billion. Should there be an underspend against the depreciation budget however, no additional expenditure is permitted in other areas.

The **Programme** budget is simply all other resource expenditure not already captured in the Depreciation and Administration budgets.

### Capital DEL budget

The Capital DEL budgets are also separated into three distinct control totals but in the case of the ODA only the **major project** category is relevant.

In the case of the ODA all capital funding is shown in the major project category. You are expected to control expenditure on the project and plan to ensure that the project conforms to the budgetary limits shown. I wish to be quite clear that any slippage in the project that requires the deferral of expenditure to a later year will require the approval of HM Treasury.

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<sup>1</sup> The depreciation charged against the DEL budget excludes depreciation on assets funded by lottery grants or donations.