



Financing the London 2012 Olympic Games

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This note summarises the costs of bidding for, preparing for and hosting the London 2012 Olympic Games. It also details the agreed funding package that will use public money to finance some capital costs of the preparation

- The London Olympic Games will take place from 27 July to 12 August 2012, with the Paralympics following between 29 August and 9 September.
- The Government Olympic Executive - part of Department for Culture, Media and Sport (DCMS) - is the lead government department for the London Olympic Games.
- The Olympic Delivery Authority (ODA) has been established to ensure delivery of the physical infrastructure for the Games.
- The ODA has an overall budget of £8.1bn, but currently anticipates the final cost of its Olympic preparation to be under budget at £7.3bn.
- Including the non-ODA elements of the Olympic preparation, for example security, gives a total budget of £9.3bn.
- The budget is to be financed by the National Lottery (£2.2bn), GLA Olympic council tax precept (£0.6bn), other London (£0.3bn) and Central Government (£6.2bn).
- It was announced in May 2009 that the Olympic village was to be publicly financed and owned and sold off after the Games.
- At December 2009 the gross allocation of contingency was £702m, the majority of which is to be invested in the construction of the Olympic Village.
- The London Organising Committee for the Olympic Games (LOCOG) is staging the 2012 Games and will concentrate on the actual delivery of the event.
- The LOCOG budget, estimated to be £2bn in 2012 prices, covers the operating costs of running the Games. By June 2010 LOCOG had secured nearly three-quarters of the income required for its budget.

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1 Introduction

At a meeting of the International Olympic Committee in Singapore on 6 July 2005 it was announced that London had won the competition to host the 2012 Olympic Games and Paralympic Games. The London Olympic Games will take place from 27 July to 12 August 2012, with the Paralympics following between 29 August and 9 September.

The Government Olympic Executive - part of Department for Culture, Media and Sport (DCMS) - is the lead government department for the London Olympic Games. Reporting to the Minister for Sport and the Olympics it is responsible for the London Olympic Games and Paralympic Games Act 2006, the overall finances of the Games, sponsorship of the Olympic Delivery Authority (ODA) and coordinating the legacy benefits of the Games

DCMS also works closely with other key stakeholders on preparations for the Games, such as The London Organising Committee for the Olympic Games (LOCOG), Mayor of London, the British Olympic Association, the British Paralympic Association and other Government departments and relevant bodies.

The ODA has been established to ensure delivery of the physical infrastructure for the Games, including the construction of the new venues.

The public sector (non-central Government) funding package has increased from the £2.375bn announced at the time of the bid to its current level of £3.05bn. This is to help meet the ODA costs of Games preparation, including support for elite sport and associated sports investments. When the centrally funded elements (programme contingency, security and tax liability costs) are included the total cost to the public purse is £9.3bn.

LOCOG is staging the 2012 Games and will concentrate on the actual delivery of the event. The LOCOG budget, estimated to be £2bn in 2012 prices, covers the operating costs of running the Games. These costs are due to be met almost entirely from broadcast rights, sponsorship and ticket sales. LOCOG will not finance any capital expenditure.

As required by the International Olympic Committee the Government is the ultimate guarantor of funding for the Games, including LOCOG's staging costs.

2 The cost of bidding for the Games

The costs of bidding to host the Olympic and Paralympic Games in London in 2012 were met by the Department for Culture, Media and Sport (DCMS), the London Development Agency (LDA), and through financial support or value in kind from commercial and other organisations.

The bid budget, as approved by its stakeholders, was £29.1m, of which £20m was in the form of a grant from the DCMS and LDA - £10m from each organisation. The remainder was provided through commercial sponsorship and support raised by the Bid team.

On 18 October 2005 London 2012 announced that the bid had come in under budget and confirmed that a sum of £1.4m was going to be returned to its major stakeholders, DCMS and the LDA.¹

¹ London Olympic organisers announce £1.4million budget surplus from Games Bid, London 2012 Media Release, 18/10/2005

3 Preparing for the London 2012 Olympic Games

There are two distinct aspects to the financing of the London 2012 games; the preparation for the games by the ODA and LOCOG operational budget of running the Games.

3.1 ODA Budget

On 15 March 2007 the Secretary of State for Culture, Media and Sport announced, in an Oral Statement to the House, that the budget for the preparations of the Olympics had increased from an initial estimate of £2.375bn, at the time of the bid, to £9.325bn.²

On 24 May 2010 the ODA budget was to be reduced by £27m as part of the DCMS contribution to £6.2bn saving across Government in the 2010/11 financial year.³ The overall funding package for the Games now stands at £9.298bn. The financial breakdown is provided in the table below.

Table 1 - Breakdown of the funding package, May 2010

| | £m |
|--|--------------|
| ODA | |
| ODA Base costs inc VAT | 6,100 |
| Programme contingency | 968 |
| Funders' contingency | 1,004 |
| <i>Total available to ODA</i> | <i>8,072</i> |
| Non ODA | |
| Elite and community sports | 290 |
| Paralympic games | 66 |
| Look of London | 32 |
| Security | 60 |
| Security contingency | 238 |
| <i>Total non ODA</i> | <i>1,226</i> |
| Total public sector funding package | 9,298 |

Source: London 2012 Olympic and Paralympic Games, Quarterly Economic Report, July 2010

The Government has not ruled out the possibility of further cuts being made to the ODA budget.⁴ Any further changes are likely to be announced as part of the Comprehensive Spending Review in October 2010.

The £1.972bn contingency potentially available to the ODA (within the £8.072bn maximum funding available) includes provision for two types of contingency – programme and funders'. A description of these two types of contingency was published by the DCMS in 2009.⁵

- **Programme Contingency** is for programme-wide risks managed by the ODA. These risks principally relate to the risks inherent in delivering a programme of projects on this scale, on a tightly constrained site against an immovable deadline – as opposed to the risks that affect individual projects delivered in isolation (which are covered through

² HC Deb 15 March 2007 c450

³ [Our contribution to reducing the Government deficit, 24 May 2010](#)

⁴ [Government refuses to ringfence Olympic Games from budget cuts, Guardian, 27 May 2010](#)

⁵ London 2012 Olympic and Paralympic Games Annual Report January 2009, DCMS

project contingency). In accordance with good industry practice, Programme Contingency was assessed at the 80% confidence level and in November 2007 the contingency identified was £968m. Any application by the ODA for access to the Programme Contingency is subject to scrutiny by the GOE [Government Olympic Executive] and the Olympic Projects Review Group, on which each of the funders is represented, and approval by the Minister for the Olympics. Release of the lottery-funded element of Programme Contingency is subject to approval by the Olympic Lottery Distributor (OLD).

- **Funders' Group Contingency** is for other risks beyond the Project and Programme level – principally relating to risks outside the control of the ODA, such as changes in scope or the impact of the wider economic conditions, and to take the confidence level up to the 95% level. The Funders' Group Contingency is, in effect, the balance of the funding available after taking into account the ODA baseline budget including project contingency and the Programme Contingency, so at the time of the Programme Baseline Report just over £1bn was available. The assessment of risks to be borne by the Funders' Group confirmed that the funding available exceeded the assessed value of the risks. Access to Funders' Group Contingency of just over £1bn is subject to approval by the Ministerial Funders' Group following scrutiny by GOE and the Olympic Projects Review Group. Grant for any Lottery-funded element of Funders' Group Contingency is subject to approval by the OLD.

Within the ODA's base budget of £6,100m, there is an additional £973m for project level contingency. This relates to risks on individual projects as if they were being carried out in isolation, such as design and contracting uncertainties.⁶

At the time of the initial bid the level of public subsidy for Olympic preparations was estimated to be £2.375bn. This, along with £738m of assumed private sector investment, would be used to fund the development of the Olympic Park.

The bid document suggested that regeneration costs would be financed through the public subsidy funding package to the extent that the work was Olympics related, 'with further significant contributions expected from the public and private sector'.⁷ In response to a Parliamentary Question (PQ) in February 2006 the Government announced that the initial public sector contribution to the regeneration of the Lower Lea Valley and the cost of linking the Olympic Park to the site that will be regenerated as part of the Thames Gateway would be £1.044bn.⁸

In evidence to the House of Commons Culture, Media and Sport Committee in November 2006 the Secretary of State announced that an extra £900m would be required from the public subsidy. £400m of the increase arose due to the need to employ a delivery partner:

...whose overriding responsibility will be to ensure that the costs of the Games are kept within budget and that the timescales that we have so far been so successful in keeping to are kept.⁹

Regarding the remainder of the £900m the Secretary of State stated:

⁶ Ibid.

⁷ Para 6.6.2, London 2012 Candidate File

⁸ HC Deb 2 February 2006 c639-40w

⁹ Ev. 63, Oral Evidence to the Culture, Media and Sport Committee, 21 November 2006

Since we won the bid a year ago in July there have been no increases in the cost of venues. However, we have had to allow for increases in costs to take account of increases in commodity prices — the price of steel, for instance, has doubled. We have revised the figure for construction inflation and we have also adjusted the transport figures so that they reflect 2012 prices.¹⁰

Although the Secretary of State said that the cost of the venues had not increased, the financial burden on the public sector had risen. At the time of the bid, as mentioned above, there was an assumption that some Olympic infrastructure and regeneration costs would be met by private sector finance of £738m, thereby reducing the cost of the Games to the public sector.

However, in the light of advice following the bid, the DCMS concluded there was little prospect of securing significant private sector funding to deliver the Olympic Park in view of the tight timescale for delivering the Park and the lack of an identifiable revenue stream.¹¹

The Secretary of State was questioned by the Committee as to how these extra costs would be funded:

That is allowed for in the Memorandum of Understanding, which was signed between me and the Mayor. This is currently the subject of discussion between me and colleagues in government.¹²

During the November 2006 evidence session the Secretary of State highlighted further funding requirements that had yet to be translated in to firm costs. These were security, programme contingency and tax liability. The National Audit Office discussed these key areas of uncertainty in its first report on the Games:¹³

- Security: The cost estimates at the time of the bid included £190m for security, including the cost of security at the Olympic venues. However, in the light of global events, including the terrorist attacks in London on 7 July 2005, the Department expects the original provision will need to increase substantially, although the costs of the wider security measures that will be needed in London and across the UK are not included in the cost estimates for the Games.
- Contingency provision: The cost estimates in the Candidate File included a contingency provision to cover unanticipated costs on individual projects. The Department is currently considering with the Treasury whether it would be desirable to increase the existing provision for contingency and to provide for an overall programme level contingency.
- Tax: Treasury guidance states that tax costs should be included in cost estimates. At the time of the bid the tax status of the proposed Olympic Delivery Authority was undecided and the cost estimates in the Candidate File excluded provision for value added tax. The Government is currently considering tax costs as part of its wider consideration of the overall budget.

¹⁰ *ibid.*

¹¹ p16, Preparations for the London 2012 Olympic and Paralympic Games – Risk assessment and management, HC 252, NAO February 2007

¹² Ev. 64, Oral Evidence to the Culture, Media and Sport Committee, 21 November 2006

¹³ p16, Preparations for the London 2012 Olympic and Paralympic Games – Risk assessment and management, HC 252, NAO February 2007

3.2 ODA expenditure

Following the announcement of the £9.325bn budget in March 2007 there was a delay before a detailed breakdown of the ODA budget was published.

In April 2007 the London Assembly called on the ODA to provide a budgetary breakdown without delay.

The true costs of the 2012 Games remain shrouded in secrecy. It is totally unacceptable that the Olympic Delivery Authority refuse to be transparent and accountable given the enormous amount of public money involved. The excuse that revealing budget estimates for individual programmes would jeopardise commercial sensitivity simply does not add up as other public bodies have no problem revealing this information as part of the normal tendering process.¹⁴

After the March 2007 announcement the Government undertook further work 'to ensure that the budget was fully aligned with scope, programme and risks'. On completion of this a detailed ODA budget was announced on 10 December 2007.¹⁵

In January 2008 DCMS published the first Annual Report for the Games, including details of the financial situation. This was followed by an Update Report in July 2008 and the second Annual Report in January 2009. On 13 May 2009 the Government published the first Quarterly Economic Report for the project.¹⁶

In May 2010 it was agreed that the ODA budget was to be reduced by £27m as part of the DCMS contribution to £6.2bn savings across Government in the 2010/11 financial year.¹⁷ The overall ODA budget now stands at £8.072bn.

As at July 2010 the anticipated final cost of the project was £7,261m. This includes the impact of the Budget held in June 2010. It is estimated that the increase in VAT, Employers National Insurance changes, Insurance Premium Tax increase and the public sector worker pay freeze will add £45m to the anticipated final cost of the Games.

The currently anticipated final cost of the project is £811m below the total available budget of the ODA. However it should be noted that this figure excludes the costs of the operation of the Olympic Park and its venues and facilities between 2011 and the handover to the legacy owners by 2014. These are additional responsibilities that the ODA took on in 2010 and a full business case is being prepared to finalise scope and cost. The latest estimate is that these additional responsibilities could increase the anticipated final cost by £147m to £7,048m.

Certain areas of the project, such as site preparation and infrastructure and transport, have seen reductions in the anticipated costs when compared to the baseline budget. The anticipated costs of the venue, Media Centre and Olympic Village elements have increased since the baseline budget was announced.

The following chart provides a breakdown, by area of expenditure, of the project's total currently anticipated costs. More detailed information is provided in the appended table in section 6.

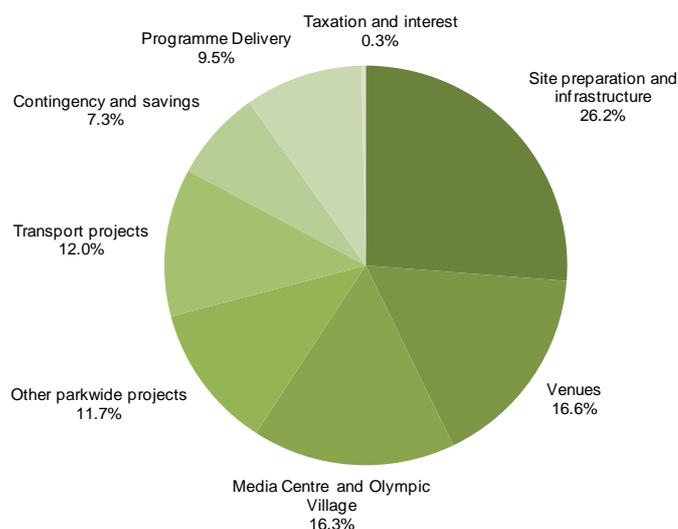
¹⁴ Disappointment over lack of Olympic budget details, GLA Press Release 252, 25 April 2007

¹⁵ HC Deb 10 December 2007, c10WS

¹⁶ http://www.culture.gov.uk/images/publications/GOE_QER_May09.pdf

¹⁷ [Our contribution to reducing the Government deficit, 24 May 2010](#)

**Chart 1 - Breakdown of total anticipated final costs, £7,261m
- July 2010**



Source: London 2012 Olympic and Paralympic Games, Quarterly Update, July 2010, DCMS

At December 2009 the gross allocation of contingency was £702m, the majority of which is to be invested in the construction of the Olympic Village. Approximately one-third of the total contingency of almost £2bn had been released by December 2009. The table below provides a breakdown of how the £702m of contingency has been allocated.

Table 2 - Value of contingency released, as at 31 December 2009

| | ODA Programme | Funders Group | Total |
|--|---------------|---------------|---------|
| Available contingency | £968m | £1,004m | £1,972m |
| Contingency released | | | |
| Olympic Village | £111m | £375m | £486m |
| IBC/MPC | £67m | £68m | £135m |
| Various releases announced in Jan 2009 | £32m | £3m | £35m |
| Stratford City/Village Infrastructure | £28m | | £28m |
| Blast Resilience Measures | | £19m | £19m |
| Eton Manor/Aquatics | £2m | | £2m |
| Basketball saving | -£3 | | -£3 |
| Total allocated | £237m | £465m | £702m |
| Balance of contingency available | £731m | £539m | £1,270m |
| Value of assessed risks | £629m | £447m | £1,076m |
| Headroom | £102m | £92m | £194m |

Source: Ev. 15, Supplementary memorandum from the Permanent Secretary, DCMS to the Committee of Public Accounts, HC 443

The value of the assessed risks shows how much money would be needed from the contingency fund if all the identified risks occurred. The headroom shows the difference between the assessed risk and available contingency.

It had been originally envisaged that the Olympic Village would be completely funded by the private sector. In May 2009 the Government announced that 'due to the credit crunch and the downturn in the property market' this would not be possible and the Olympic Village would be publicly funded and owned:¹⁸

The Government and the Olympic Delivery Authority (ODA) today announced that £324 million of the Olympic budget would be invested in the Olympic Village.

A private sector deal from Lend Lease and its banking consortium was on offer. However, since last summer the economic climate has worsened considerably, requiring the public sector to carry an increased level of risk. Ministers have decided that the Lend Lease deal is not in the best interests of the taxpayer and that it would cost more public money in the long term.

Over the medium to long term as the market improves the ODA will seek private investment for the Village on terms more favourable to the taxpayer.

With the Olympic Village now publicly owned, the public sector will receive returns from sales after the Games. All of the additional £324 million public investment being made today from contingency and savings is expected to be returned after the Games when the flats are sold.

With this additional investment the total public sector investment in the Olympic Village project is £650m, of which £486m is taken from contingency, £63m funded through savings to other ODA projects and the remainder from savings made due to the VAT reduction and inflation assessments.¹⁹ The net allocation from contingency is planned to be £360m once receipts from the future sales of Olympic Village homes are taken into consideration.

¹⁸ p17, Quarterly Economic Report May 2009, DCMS

¹⁹ Figure 5, Preparations for the London 2012 Olympic and Paralympic Games – Progress report February 2010 , HC 298, NAO February 2010

3.3 Financing the funding package

The table below shows how the preparations for the Olympic Games will be financed and how this has changed since the bid was submitted.

Table 3 - Financing the preparations for London 2012

| | July 2005 | February 2006 | November 2006 | March 2007 | May 2010 |
|----------------------------------|-----------------|-----------------|------------------------|-----------------|-----------------|
| National Lottery | £1.500bn | £1.500bn | <i>Financing</i> | £2.175bn | £2.175bn |
| GLA Olympic precept | £.625bn | £.625bn | <i>streams for the</i> | £.625bn | £.625bn |
| Other GLA | n/a | n/a | <i>extra £900m not</i> | £.300bn | |
| London Development Agency | £.250bn | £.250bn | <i>announced</i> | £.250bn | £.250bn |
| Total funding package | £2.375bn | £2.375bn | £3.275bn | £3.350bn | £3.050bn |
| Central Government funding | | £1.044bn | £1.044bn | £5.975bn | £6.248bn |
| Total funding requirement | £2.375bn | £3.419bn | £4.319bn | £9.325bn | £9.298bn |

Note: In February 2010 the Government agreed to relieve the LDA of £300m of its contributions to the ODA budget and increase central Governments contribution by the same amount

Sources:

Memorandum of Understanding between the Government and the Mayor of London

HC Deb 2 February 2006 c639-40w

Ev. 63, Oral Evidence to the Culture, Media and Sport Committee, 21 November 2006

HC Deb 15 March 2007

The following information summarises the initial *Memorandum of Understanding between the Government and the Mayor of London* which explained how the initial agreed funding package of £2.375bn would be financed.²⁰

The first £2.05bn of the agreed funding package will be financed by the Lottery (£1.5bn) and the GLA Olympic Precept on Council Tax (£0.55bn). The first £300m of the Lottery money is ring fenced to meet the costs of elite sport and associated sports investment, leaving £1.2bn for other expenditure. In the event that the Olympic Lottery did not raise its expected £1.5bn or that costs exceed £2.05bn, up to £75m extra would be collected via the Olympic Precept.

Should costs exceed £2.125bn, up to £250m from the London Development Agency (LDA) would be made available in keeping with their corporate plan. LDA funding would be made available no earlier than 2008/09.

The Secretary of State confirmed in her March 2007 statement that an extra £975m would be financed by the National Lottery (£675m) and the GLA Group (£300m). The GLA provision involves no further cost on Council Tax, fares and other charges as it 'will be raised on the basis of the expected receipts and profits from future land sales by the LDA'.²¹ A revised Memorandum of Understanding was published in June 2007.²²

National Lottery

The following summarises how the National Lottery will raise the required £2.175bn:

- Established Lottery sports distributors will have up to £340m diverted from their resources to meet the costs of elite sport and associated sports investment.

²⁰ Government Response to 'A London Olympic Bid for 2012' (HC 268) Report of the Culture, Media and Sport Select Committee Session 2002–2003

²¹ *Mayor's Olympic pledge on council tax delivered*, GLA Press Release 165, 15 March 2007

²² http://www.culture.gov.uk/reference_library/publications/3657.aspx/

In the seven year period from July 1998 almost 24,000 awards were made by established sports Lottery distribution bodies at a total value of £2bn. This suggests that over the following seven years approximately 15% of sports Lottery awards would be diverted to Olympic funding.²³

- Up to £410m is to be provided through changes to the good cause shares when the current agreement comes to an end in 2009. This would represent a further reduction of up to 7% for the other good causes²⁴.
- In the March 2007 statement it was announced that after 2009 the Olympic Lottery Distribution Fund will receive an extra £425m from the Big Lottery Fund and £250m from the other good causes.²⁵

The following table shows the amounts to be transferred from each non-Olympic distributor to make up the £1.085bn needed.

Table 4 - Amounts transferred from non-Olympic lottery proceeds to the Olympic funding package

| | £ million |
|-------------------------------------|--------------|
| Arts Council England | 112.5 |
| UK Film Council | 21.8 |
| Arts Council of Northern Ireland | 4.5 |
| Scottish Arts Council | 12.5 |
| Scottish Screen | 1.8 |
| Arts Council of Wales | 8.1 |
| Big Lottery Fund | 638.1 |
| Heritage Lottery Fund | 161.2 |
| Sport England | 99.9 |
| Sports Council for Northern Ireland | 4.1 |
| SportScotland | 13.1 |
| Sports Council for Wales | 7.3 |
| UK Sport | 0 |
| Total | 1,085 |

Note: Totals may not add due to rounding

Source: HC Deb 22 March 2007 cc1053-4W

- New Olympic Lottery games have been introduced which are expected to raise £750m, around 59% of which might represent money diverted from existing good causes. This diversion represents £65m per year – about 4.5-5% of annual income to good causes from the Lottery.²⁶

The first designated lottery game from which all the good causes money raised went towards the London 2012 Games went on sale in July 2005, shortly after the Bid decision. The first National Lottery draw to raise funds for London 2012 was launched at the end of July 2006.

²³ DCMS Lottery Database

²⁴ Olympics - Government Response to 'A London Olympic Bid for 2012' (HC 268), Report of the Culture, Media and Sport Select Committee Session 2002-2003, Cm 5867, June 2003

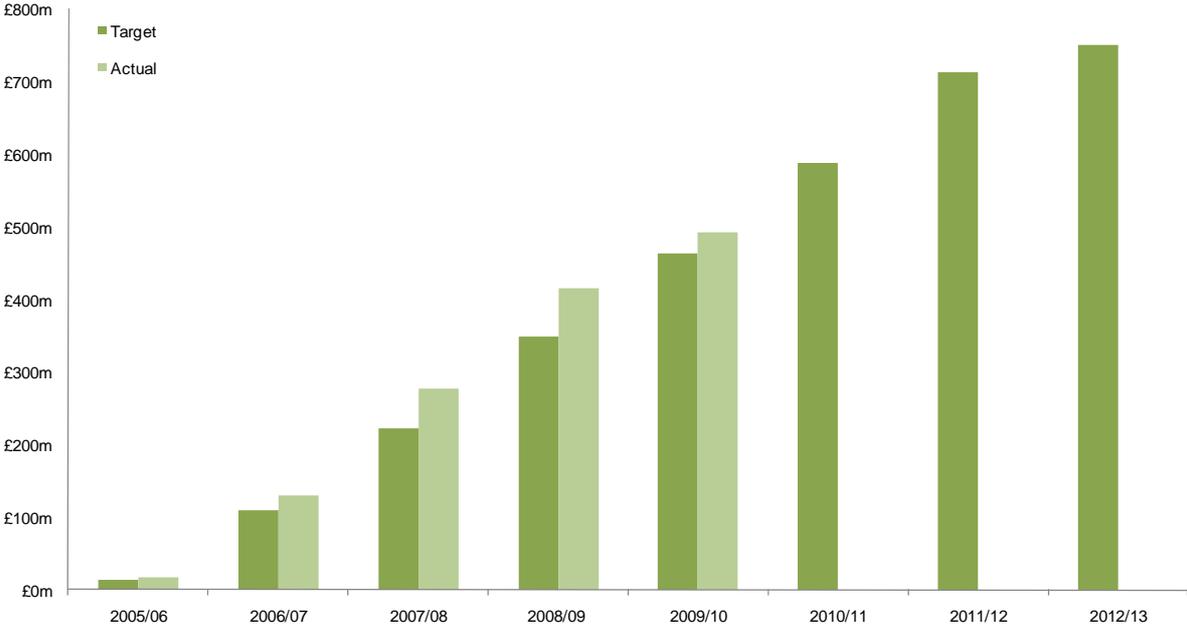
²⁵ HC Deb 15 March 2007 c452

²⁶ DCMS, Horserace Betting and Olympic Lottery Bill Regulatory Impact Assessment, December 2003, p38

Information on the amount of money raised from the dedicated Olympic Lottery games is published in the annual report and accounts of the Olympic Lottery Distributor.²⁷ The National Lottery Commission compiles a quarterly report detailing the level of funds transferred to the OLFDF, although this does not include income received interest on the Players Trust Fund and unclaimed prize money, which go towards the £750m.²⁸

As the chart below shows, returns to the Olympic Lottery Distribution Fund from sales of dedicated games totalled £497m by March 2010. This was 7% above the £463m target set by Camelot for this stage of the project.²⁹

Chart 2 - Cumulative income from designated Olympic Lottery games



Sources: Ev. 30, Memorandum submitted by the Olympic Lottery Distributor to the Culture, Media and Sport Committee, HC 69-II & OLFDF Account

Further information is available in *The National Lottery and the London Olympics*, Library standard note, SN/HA/4332.

GLA Olympic precept

The introduction of an Olympic precept on council tax to meet Games costs commenced in 2006/07 and is scheduled to last until 2016/17. Where the GLA has borrowed to meet capital costs of the Olympics it may be necessary to extend the period during which the precept is levied.

The amount to be raised through the council tax precept for the 2012 Games will be no more than £20 a year for a Band D household.³⁰

²⁷ <http://www.olympiclotterydistributor.org.uk/docs/publications.php?id=5:6:0:0>
²⁸ <http://www.natlotcomm.gov.uk/CLIENT/content.ASP?ContentId=234>
²⁹ Ev. 30, Memorandum submitted by the Olympic Lottery Distributor to the Culture, Media and Sport Committee, HC 69-II
³⁰ Olympic Funding: Revised Memorandum of Understanding between the Government and the Mayor of London, DCMS, June 2007

4 Staging the London 2012 Olympic Games

According to the London 2012 Candidate file the operational budget of the 2012 Olympic Games and Paralympic Games is estimated to be £1.5bn. This is to cover the operating costs of running the Games. These costs are met almost entirely from broadcast rights, sponsorship and ticket sales. LOCOG will not finance any capital expenditure.

A breakdown of total revenue and expenditure is provided in the table below. The table shows the operating budget estimated at break-even, however London 2012 expect LOCOG to produce an operating profit in excess of £100m³¹.

It should be noted that the Government subsidy of £45m provided to LOCOG is used to defray certain Paralympic costs and is financed from the agreed funding package.

Table 5 - Detailed Olympic Games budget (LOCOG), £000

| Revenues | | Expenditure | |
|-----------------------|------------------|---|------------------|
| IOC Contribution | 375,000 | Sports venues | 260,625 |
| TOP sponsorship | 187,500 | Olympic Village and alternative accommodation | 136,250 |
| Local sponsorship | 271,875 | IBC/MPC | 28,750 |
| Official suppliers | 181,250 | Games workforce | 116,875 |
| Ticket sales | 310,000 | Information systems | 204,375 |
| Licensing | | Telecommunications and other technologies | 63,125 |
| Licensing merchandise | 56,250 | Internet | 12,500 |
| Coin programme | 1,250 | Ceremonies and culture | |
| Disposal of assets | 22,500 | Opening ceremony | 18,750 |
| | | Closing ceremony | 12,500 |
| Subsidies | | Medal award ceremonies | 1,250 |
| National Government | 45,000 | Cultural programme | 18,750 |
| | | Torch relay | 3,125 |
| Other | 88,125 | Other programmes | 3,125 |
| | | Medical services | 11,875 |
| | | Catering | 13,125 |
| | | Transport | 123,750 |
| | | Security | 23,125 |
| | | Paralympic games | 90,000 |
| | | Advertising & promotion | 57,500 |
| | | Administration | 159,375 |
| | | Pre-Olympic events & coordination | 12,500 |
| | | Other - miscellaneous | 101,875 |
| | | Other - contingency | 65,625 |
| Total | 1,538,750 | Total | 1,538,750 |

Source: Table 6.6.1, London 2012 Candidate file

London 2012 Deputy Chairman, Sir Keith Mills has since announced that the LOCOG budget will be £2bn in 2012 prices.³² Although LOCOG had planned on the basis of a budget at outturn prices of around £2bn the International Olympic Committee asked bidding cities to submit budgets at 2004 prices, therefore the bid files show a budget of £1.5 billion.³³

³¹ London 2012 Official

³² London 2012 Media Release, 24/1/2006

³³ HC Deb 24 May 2006 c1790w

5 Financing of previous Games

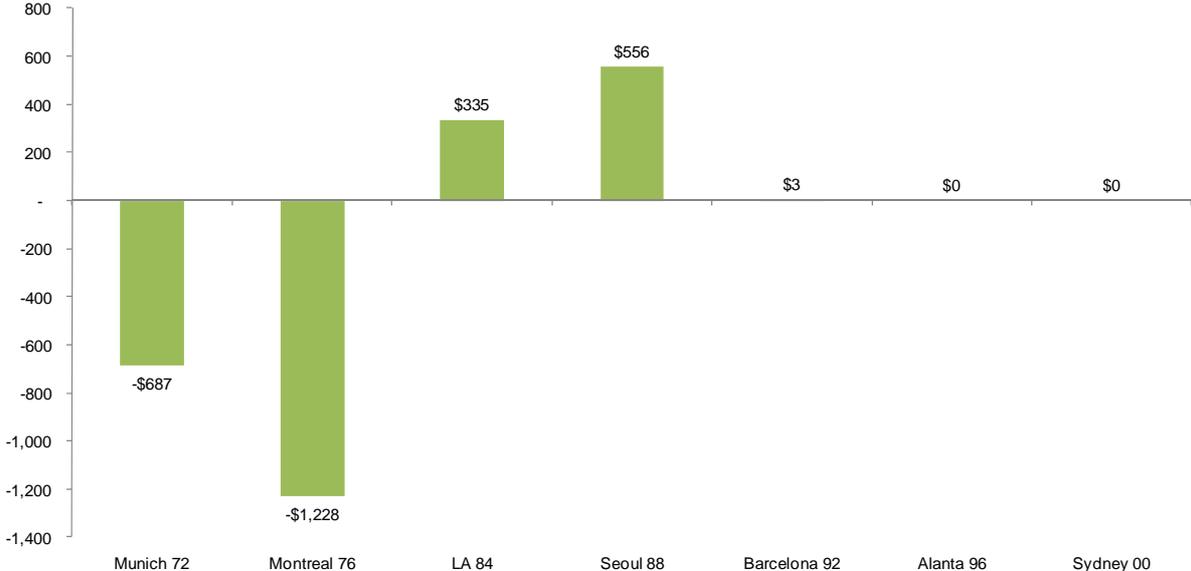
5.1 Staging the games

Interest in the financial costs associated with hosting the Olympic Games developed after the Montreal Olympics in 1976 which proved to be a massive financial disaster. The event, which was financed almost entirely from the city’s own public funds, is said to have had a budget shortfall of almost \$1.3bn (US\$, 1995 prices).³⁴

The LA Olympics in 1984 was able to avoid such loses by becoming the first almost entirely privately financed Games. This marked the beginning of the commercialisation of the Olympics brought about by increasing broadcast revenues and corporate sponsorship.

The chart below shows the final financial balances of the Olympic Games Organising Committees for each Games since Munich 1972. As these are the balances of the Organising Committees, infrastructure expenditure is not expected to be included.

Chart 3 - Overall financial balance of Olympic Games Organising Committees, US\$m, 1995 prices



Source: PWC European Economic Outlook June 2004

On 8th July, the President of the Organising Committee for the Athens 2004 Games (ATHOC) addressed the 117th IOC Session in Singapore. She announced that the ATHOC operating budget finished with a profit of just over €7m.³⁵ This continues the trend in recent years of Organising Committee budgets that have been balanced or generated a small surplus.

5.2 Preparing for the games

Public authorities and private enterprises pay for infrastructure (traffic and transport, safety and security, etc.) used before, during and after the Games. These costs differ with regards

³⁴ *The economic impact of the Olympic Games*, PWC European Economic Outlook June 2004
http://www.pwcglobal.com/gx/eng/ins-sol/spec-int/neweurope/epa/EEOJun04_SectionIII.pdf

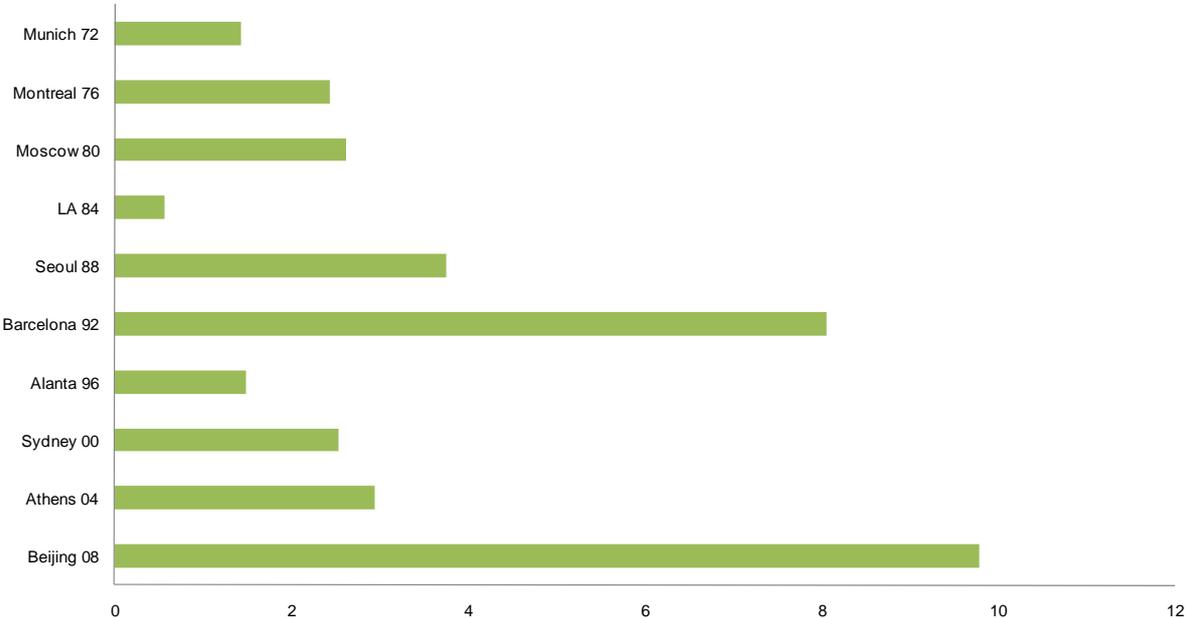
³⁵ http://www.olympic.org/uk/news/events/117_session/full_story_uk.asp?id=1421

to what facilities already exist in the city and what needs to be developed. In some cities, almost all the facilities and infrastructure may already be in place before the Games (LA 1984), while other cities (Barcelona 1992, Athens 2004) will need to invest more.

The Games of Seoul 1988 and Barcelona 1992 showed that it was possible to host financially viable games while significantly improving the city’s infrastructure. ‘The cities upgraded their transport and telecommunications facilities as well as constructing new urban centres with housing, retail and other community facilities that have been fully integrated into their metropolitan areas’.³⁶

The chart below shows an approximation of the public costs of previous Olympic Games in sterling 2002 prices. This information was provided by the DCMS in a memorandum submitted to the Culture, Media and Sport Committee in 2003.³⁷

**Chart 4 - Estimated public costs of Olympic Games preparation
£bn (2002 prices)**



Source: A London Olympic Bid for 2012, HC 268 2002/03

The data are not strictly comparable and should be used with caution. Some cities have incorporated infrastructure costs in their Olympic expenditure and others have not. Also the figures provide no concept of what was purchased and achieved with the money.

Exchange rates and purchasing price parity issues also need to be taken into account. For example Sydney’s price parity is approximately 80 per cent of that of London. If we used London prices for the Sydney Games, the Sydney Games would have cost approximately £3.248bn.³⁸

³⁶ *The economic impact of the Olympic Games*, PWC European Economic Outlook June 2004
http://www.pwcglobal.com/gx/eng/ins-sol/spec-int/neweurope/epa/EEOJun04_SectionIII.pdf
³⁷ <http://www.publications.parliament.uk/pa/cm200203/cmselect/cmcmds/268/268ap02.htm>
³⁸ 2002-03 HC 268, *A London Olympic Bid for 2012*, Appendix 1, Annex 1

It should be noted that since these figures were published, the estimated cost to the public purse of the Athens 2004 games has increased to between €9bn and €13bn.³⁹ In 2002 prices this is equivalent to £5.8bn - £8.3bn.

5.3 History of rising costs

Sydney 2000

The figures for government expenditure here are given in \$AUS and relate to construction costs of providing venues, facilities and infrastructure and hosting costs.⁴⁰

When Sydney bid for the 2000 Games, the bid committee estimated a total cost of \$3.0bn, of which just \$0.4bn would be borne by the public. The Auditor-General of New South Wales produced a consolidated bid budget which increased the budget to \$3.9bn, of which \$1.3bn comprised costs to the Government. This increase in costs related to the inclusion of some capital works that had not been treated as costs of the Games in the bid.⁴¹

An updated budget was presented by the Government in June 1998. This suggested that the Games budget had risen to \$5.5bn with almost \$2.3bn being the net cost to the Government, although \$0.6bn of this was to be financed through Olympic induced tax revenue. The 1998 budget was reviewed by the Auditor-General who estimated that the Games budget was \$5.9bn, although the net cost to the Government was only slightly above \$2.3bn. This review did not estimate through Olympic induced tax revenue.⁴²

In 2002 the Auditor-General of New South Wales undertook a further audit, confirming that the Sydney Games had ended up costing \$AUS 6.5bn, at a cost to Government of approximately \$AUS 2bn. Some of this would have been offset by Olympic induced tax revenue, estimated to be \$0.65bn by the Olympic Co-ordination Authority. The auditor could not verify this estimate.⁴³

Athens 2004

The initial forecast for the costs for the Athens Olympic Games was €4.5bn. In November 2004 the Greek finance minister suggested that the overall cost (state and private funding) was estimated to reach almost €9bn, not including the cost of projects that were completed or the construction of which were accelerated due to the Games, but which had been planned for construction regardless of the Games. An estimated €7.2bn was footed by the State, with the remainder coming from the Athens 2004 Organizing Committee (ATHOC) and financed by the committee's revenues from ticket sales, television broadcast rights, Olympic-logo product sales, and sponsorships.⁴⁴

In August 2005 the Alternate Culture Minister estimated total costs for the staging of the 2004 Athens Olympic Games to be around €13bn.⁴⁵ Final cost figures have yet to be released by the Greek authorities.

³⁹ *Greece's harsh post party reality*, International Herald Tribune, 16 August 2005

⁴⁰ Hosting costs include the planning costs of the Olympic Co-ordination Authority and the Olympic Roads and Traffic Authority and the supporting costs for the transport, security and health services.

⁴¹ <http://www.audit.nsw.gov.au/publications/reports/performance/1999/olympics/olympics99.pdf>

⁴² *ibid.*

⁴³ <http://www.audit.nsw.gov.au/publications/reports/financial/2002/vol2/costofolympicgames.pdf>

⁴⁴ <http://www.greekembassy.org/Embassy/content/en/Article.aspx?office=3&folder=200&article=14269>

⁴⁵ <http://www.greekembassy.org/Embassy/content/en/Article.aspx?office=3&folder=200&article=15561>

6 Appended table

Table 6 - ODA anticipated final costs - Total available ODA budget - £8,072m

| | Original Nov 2007 budget | February 2010 Annual Report | May 2010 Quarterly Report | July 2010 Quarterly Report | Change | |
|---|--------------------------------|--------------------------------------|---------------------------------|----------------------------------|-----------------------|---------------------|
| | | | | | Original - July 10 | May 10 - July 10 |
| Total site preparation and infrastructure | £2,095m | £1,848m | £1,857m | £1,893m | -£202m | £36m |
| Powerlines | £282m | £285m | £285m | £285m | £3m | |
| Utilities | £256m | £195m | £199m | £205m | £51m | £6m |
| Enabling Works | £364m | £337m | £349m | £380m | £16m | £31m |
| F10 Bridge | £89m | £63m | £63m | £63m | £26m | |
| Other Structures, Bridges and Highways | £740m | £610m | £611m | £611m | £129m | |
| South Park site preparation | £116m | £120m | £120m | £116m | | £4m |
| Prescott Lock | £5m | £5m | £5m | £5m | | |
| Other infrastructure (Greenway, landscaping) | £243m | £233m | £225m | £228m | £15m | £3m |
| Total venues | £1,055m | £1,222m | £1,210m | £1,199m | £144m | -£11m |
| Stadium | £496m | £537m | £533m | £516m | £20m | £17m |
| Aquatics | £214m | £248m | £250m | £257m | £43m | £7m |
| Velopark | £72m | £95m | £95m | £94m | £22m | £1m |
| Other Olympic Park venues | £172m | £211m | £201m | £200m | £28m | £1m |
| Non-Olympic Park venues | £101m | £131m | £131m | £132m | £31m | £1m |
| Total transport projects | £897m | £835m | £858m | £863m | -£34m | £5m |
| Stratford Regional Station | £119m | £126m | £125m | £125m | £6m | |
| DLR | £86m | £80m | £80m | £80m | £6m | |
| Thorntons Field | £47m | £23m | £23m | £23m | £24m | |
| North London Line | £110m | £107m | £107m | £107m | £3m | |
| Other transport capital projects | £178m | £173m | £164m | £173m | £5m | £9m |
| Other transport operating expenditure | £357m | £326m | £359m | £355m | £2m | £4m |
| Total other parkwide projects | £868m | £866m | £864m | £845m | -£23m | -£19m |
| Logistics for site construction | £337m | £275m | £273m | £270m | £67m | £3m |
| Security for park construction | £354m | £322m | £321m | £299m | £55m | £22m |
| Section 106 and masterplanning | £127m | £126m | £122m | £122m | £5m | |
| Insurance | £50m | £50m | £50m | £50m | | |
| Other Parkwide projects | | £93m | £98m | £104m | | £6m |
| Total Media Centre and Olympic Village | £492m | £1,151m | £1,190m | £1,178m | £686m | -£12m |
| Stratford City Land and Infrastructure | £522m | £560m | £590m | £597m | £75m | £7m |
| Stratford City Receipt | £250m | £100m | £100m | £100m | £150m | |
| Village Construction | | £681m | £687m | £697m | | £10m |
| Village Receipt | | £324m | £324m | £324m | | |
| IBC/MPC | £220m | £334m | £337m | £308m | £88m | £29m |
| Programme Delivery | £647m | £687m | £684m | £684m | £37m | |
| Taxation and interest | £73m | £24m | £24m | £25m | £48m | £1m |
| Total baseline budget before Programme Contingency | £6,127m | £6,633m | £6,687m | £6,687m | £560m | |
| ODA Programme Contingency | £968m | £772m | £613m | £578m | £390m | £35m |
| Retained Savings | | | | | | |
| Total after ODA Programme Contingency | £7,095m | £7,405m | £7,300m | £7,265m | £170m | -£35m |
| Available Programme Contingency | | £102m | £33m | £49m | £49m | £16m |
| Retained Savings | | £41m | | | | |
| Total Anticipated Final Cost | | £7,262m | £7,267m | £7,261m | | -£6m |

Note: The July 2010 Anticipated Final Cost includes the £45m impact of the Emergency Budget of 22 June.

Sources:

London 2012 Olympic and Paralympic Games, Quarterly Economic Report July 2010, DCMS

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7 Further reading

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<http://www.london2012.com/en/news/publications/Candidatefile/>

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<http://www.culture.gov.uk/publications/7236.aspx>

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