

2012 OLYMPICS STATEMENT – 15 March 2007

With permission Mr Speaker, I would like to make a Statement on progress towards the Olympic Games and Paralympic Games in 2012.

THE CHALLENGE

It will be the world's greatest sporting event.

But it will also act as a catalyst for the most ambitious regeneration programme in recent memory.

That includes:

The largest urban park in Europe in over a century.

Five new permanent sports venues and a number of temporary venues to be used across the UK.

A one million square foot media centre for the Games will provide state of the art high quality business space in legacy.

4,000 homes converted from the Village and a further 5,000 elsewhere in the redevelopment.

One of the largest shopping centres in Europe, a £7 billion private sector investment.

And across the country it will inspire a new generation of young people to play sport, volunteer in the community and be proud of what their country has achieved.

From the start, we made a conscious decision to host the Games at a site where the need was greatest and the benefits would be most keenly felt.

We chose East London because of the challenge there to regenerate one of the most deprived areas - not just in the UK - but in the whole of Europe.

The site of the Olympic Park needs considerable remediation before construction work can even begin. That work is well underway.

Essential utilities for the area need to be installed. That work is well underway.

The Olympic village requires the largest number of homes ever to be built in one place, at one time in this country. The planning for that work is bang on schedule.

Mr Speaker,

As the NAO report in January has set out, when we bid for the Games we estimated the costs of the Olympic Park, infrastructure and an element for sport at around £3bn plus an

additional £1bn as part of the wider Lower Lea Valley Olympic regeneration.

This made the total costs of preparing for the Games and Olympic regeneration just over £4bn. Those costs were net of tax and net of wider security costs.

As I made clear to the Culture Select Committee on 15 May 2003 before we won, if we were successful I would institute a detailed review of costs.

That review commenced in early Autumn 2005. The budget for every venue, every bridge, and every facility on the Park has been scrutinised.

The Olympic Delivery Authority's private sector delivery partner, CLM, has unrivalled expertise among its members in advising five Olympic cities on their plans. They have made a detailed study of the site and all the attendant risks inherent in a project of this magnitude and timescale.

The site masterplan has been amended to avoid potential costs in the region of £600m. However other costs have judged to have increased, as I set out for the Select Committee in November, resulting in a net increase of £900 million.

THE BUDGET

We will now set a budget for the Olympic Delivery Authority, the body established to manage the delivery of all the structural and regeneration elements of the Games.

I can today confirm what the budget will be:

The ODA will be given a budget to cover the construction costs as a whole of £5.3bn up to 2012 comprising:

£3.1bn for the building of the Olympic Park and venues – the core Olympic costs;

£1.7bn for the Olympic infrastructure and regeneration, linking the Park to the rest of the Lower Lea Valley

£500m for programme contingency

I am placing a summary of the ODA 2007-08 business plan in the Library today and details of this investment package.

These costs, as in the 2004 bid, are net of tax. The ODA will pay tax but the costs of this, at around £840m, will be covered in full by the Government contribution. So I can assure the House that the tax treatment of the ODA will have no impact on other funders.

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. This will be

drawn on should the need be demonstrated so as to ensure that the timetable is met and quality maintained. This level of contingency is £2.7bn, of which £500m has already been released to ODA.

Within this overall budget we have also allocated a figure of £600 million for wider security. This is on top of the ODA budget for security. This £600million figure has fluctuated as assessments have changed and will obviously 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.

Lastly, as we announced at the time of the bid around £390m will also be invested in non ODA provision including sport for example in community coaches and the Paralympics. This figure was included in the public sector funding package but will not be part of the ODA budget.

FUNDING

Let me turn now to how this budget will be funded.

At the time of our Olympic Bid the lottery and London contribution was estimated at £2.4bn, and as I have previously told the House on 2 February 2006 the Government will contribute a further £1bn as part of our commitment to Olympic regeneration.

I can announce today that central Government provision will be £6bn. This comprises the £1bn already committed for Olympic regeneration, the funding of the tax bill, broader regeneration and infrastructure within the Park, wider security and contingency.

Without any further increase for London Council tax payers beyond that already committed, or any increase in transport fares to fund the Olympics, the mayor will – over the lifetime of the Olympic programme – be making a further £300 million available to help meet Olympic costs.

The Lottery will also make a further contribution of £675m. This will mean a total contribution of £2.2bn from the lottery- 20% of lottery income for good causes from 2005/06 when the Olympic Lottery started to 2012/13.

In addition to the £410m already confirmed which will be shared according to the normal Lottery shares, I propose to transfer after 2009 £425m from the Big Lottery Fund and £250m from the other good causes.

No transfer will be made from the UK Sport, which is charged with preparing our sportsmen and women for 2008 and 2012.

This decision has been taken only after very careful consideration and implementation will only take place after full consultation about the implications with the Lottery distributors and other stakeholders.

The original Memorandum of Understanding made clear that should we have the right to host the Games we would call on the lottery to help fund them. That principle is widely accepted. But I am determined to ensure that this temporary diversion from the existing good causes to the Olympic good cause is done with the least possible disruption.

I will continue to consult with lottery distributors about how best this can be done. But I can assure the House that it is the Government's intention that no existing lottery project need be affected, and we have also agreed with the Big Lottery Fund that resources for the voluntary sector will be protected. They will continue to receive £2bn from the Big Lottery Fund between now and 2012.

The decision on the lottery will be subject to Affirmative Resolution in both Houses.

London 2012 will bring huge financial gain to the whole country. For example land values in the Olympic Park are expected to increase considerably by the investment we are making.

And it is only fair that the lottery good causes should share in any such windfall.

So the Mayor and I have agreed that we will rewrite our MOU and put in place arrangements for profit sharing to enable the

Lottery and future regeneration needs of the local area to benefit from the returns on the investment we are making.

Finally, as I told the culture Select Committee the NAO has agreed to work closely with us in scrutinising the budget going forward.

This makes a generous funding provision of which £3.1bn, is the core Olympic costs net of tax and contingency.

Mr Speaker,

The IOC only a fortnight ago said they were assured and impressed by the work underway after a visit to London.

And the announcement we make today means it's full steam ahead for 2012.

The London Olympics are a project that will change Britain for the better, forever.

It's already changing lives, communities and aspirations.

And I commend that, and this statement, to the House.