



House of Commons
Committee of Public Accounts

The London 2012 Olympic Games and Paralympic Games: post-Games review

Fortieth Report of Session 2012–13

*Report, together with formal minutes, oral and
written evidence*

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Committee of Public Accounts

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The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the internet at www.parliament.uk/pac. A list of Reports of the Committee in the present Parliament is at the back of this volume. Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee is Adrian Jenner (Clerk), Sonia Draper (Senior Committee Assistant), Ian Blair and James McQuade (Committee Assistants) and Alex Paterson (Media Officer).

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Summary

The London 2012 Olympic Games and Paralympic Games were a great triumph for London and the whole country. Our athletes excelled, tens of thousands of volunteers made a fantastic contribution, and the opening and closing ceremonies were widely praised.

The success of the Games demonstrates that it is possible for government departments to work together and with other bodies effectively to deliver complex programmes. The government's preparations were led by the Department for Culture, Media and Sport (the Department); the Olympic Delivery Authority delivered the construction programme on time and within budget; and the London Organising Committee of the Olympic Games and Paralympic Games (LOCOG) ensured that the events themselves were so well organised. We now expect the government to build on the success of the Games by putting the lessons learned from delivering the Games to the best possible effect in delivering other major projects. In this report we make a number of observations and recommendations which are designed to ensure that this happens.

The £9.298 billion Public Sector Funding Package for the Games is set to be underspent. We welcome the Department's commitment to reflect on what more it can do to present costs in a way that goes further and brings out those costs associated with the Games and the legacy that are not covered by the Funding Package.

The notable blemish on planning for the Games was venue security, which was a sorry episode. The costs and scale of venue security were vastly underestimated before 2011, and could only be met from the Public Sector Funding Package due to underspends elsewhere. G4S then agreed a contract for providing the necessary security guards, but failed to deliver fully. Thankfully, the armed forces and police were ready and able to step in—we acknowledge their very impressive ability to do so at short notice, and the huge contribution they made to the successful security operation, which passed off without any major problems.

During the Games a large number of accredited seats went unused at events for which the public demand for tickets could not be met, and it is a shame that so few tickets for popular events were available to the UK public. For example, only 51% of tickets for the men's 100 metres final were available to the UK public and only 47% of tickets for the track cycling. International sports bodies and media organisations wield a lot of power and it cannot be easy for individual event organisers to push back at their demands. But, learning from the experience of the London Games, the government, possibly alongside other governments and event organisers, should challenge demands for large numbers of accredited seats.

It is now up to the London Legacy Development Corporation to attract investment in the Olympic Park and generate the promised returns to funders. We are concerned that the lottery good causes do not have any clear influence over decisions about future sales, despite these decisions directly affecting how much will be available to them and when.

On the wider legacy, we look to the Cabinet Office to provide strong leadership to ensure delivery of the longer term benefits, on which basis the public spending was justified,

including opportunities for business, tourism and increased sports participation on the back of the Games. We are keen to see the government building on the success of the volunteering programme, but are not convinced that it is doing all it can to learn and disseminate lessons and to encourage volunteering opportunities both within sport and beyond.

On the basis of a report by the Comptroller and Auditor General,¹ we took evidence from the Department for Culture, Media and Sport, the Home Office, LOCOG, the Ministry of Defence, G4S, the London Legacy Development Corporation and the Cabinet Office on the staging of the Games and plans for delivering the legacy.

1 C&AG's Report, The London 2012 Olympic Games and Paralympic Games: post Games review, HC 794, Session 2012-13, 5 December 2012

Conclusions and recommendations

- 1. The £9.298 billion Public Sector Funding Package is set to be underspent by £377 million, but there is no comprehensive picture that includes all of the wider costs associated with delivering the Games and their legacy.** The Department for Culture, Media and Sport (the Department) has always reported against costs covered by the Public Sector Funding Package, but this does not include other public sector costs associated with the Games and legacy. We welcome the Department's written explanation of the costs outside the Funding Package. In its formal response to this report the Department should set out its plans for how it will publicly report the wider costs, and how it will take account of the associated public sector costs in any evaluation of benefits secured from the Games.
- 2. Venue security was a sorry episode—poor planning, and then poor delivery by the private sector.** The scale of the requirement for venue security was vastly underestimated, and the estimated cost—over £500 million at the time of our hearing—could only be met from the Public Sector Funding Package due to underspends elsewhere. In the event, G4S failed to provide the full number of guards required, and has paid a price for that failure. The Home Office should capture and share the lessons from the letting and delivery of the security contract to prevent such a failure happening again, focusing on the importance of taking early and timely decisions, developing a full understanding of capabilities, capacity and costs, and ensuring adequate public transparency around any settlements.
- 3. It is important for public confidence that the full legacy is delivered and the whole of government shares this responsibility.** Many central and local government organisations have responsibility for projects in the legacy programme, and the Cabinet Office is now responsible for coordinating and assuring delivery of the legacy as a whole. The Cabinet Office should report publically at the end of September 2013, and each year thereafter for the rest of the decade, on progress with implementing legacy commitments.
- 4. The Cabinet Office risks missing the boat on capitalising on the success of the volunteering programme.** The volunteers at the Games did a fantastic job and LOCOG is to be congratulated for organising the volunteering programme so effectively. We were told about programmes to support local sports clubs and their effective use of volunteers, and about the work of the Join In Trust to encourage volunteering more widely. But we are not convinced that as much as possible is being done to build a lasting volunteering legacy. The Cabinet Office should publish a strategy for how it will build a lasting volunteering legacy both within sport and beyond, including measures of success.
- 5. In the early days of competition there were unused accredited seats which could have been sold to the public.** While we recognise the need for some accredited seats, the 12%-15% set aside proved to be excessive and the empty seats added to the disappointment of those who could not buy tickets for sold out events. Each empty seat also represented revenue foregone. Learning from this experience, the government, possibly alongside other governments and event organisers, should

challenge the demands of international sports bodies and media organisations for large numbers of accredited seats.

- 6. We are not convinced that the Lottery and Exchequer interests in securing financial returns from development of the Olympic Park will be sufficiently protected by the existing arrangements.** The diversion of funds away from lottery good causes to the Public Sector Funding Package for the Games is meant to be offset by them sharing in future returns from development of the Olympic Park site. But lottery bodies are not involved in decisions about the timing and value of sales, which will be made by the London Legacy Development Corporation (a mayoral body) over the next two decades. On current projections the Development Corporation predicts that the first payment to the Lottery will not be until the mid-2020s. The government should develop a mechanism to ensure that the London Legacy Development Corporation's decisions are transparent, that decisions prioritise the interests of the Lottery, and that returns to the Lottery are closely tracked over the years to come.
- 7. There is a real opportunity for other projects to benefit from the experience and skills gained in delivering the Olympic and Paralympic Games.** The lessons include those already set out by the Olympic Delivery Authority and by the NAO in its most recent report, and include areas where we have seen weaknesses in other public sector projects. Of particular importance in our view are the benefits of: investment in up-front planning; designing bespoke delivery models; getting the right people; continuity of senior staff; strict project and risk management; and tight financial control. The government now has the Major Projects Authority to lead on best practice, but must not passively rely on the Major Projects Authority as the answer to its problems. The government should formalise the collation and dissemination of lessons from the Games to aid delivery of other major projects, and make it a priority to deploy people in roles that use their experience and skills gained from involvement in the Games.

1 The staging of the Games

1. The London 2012 Olympic Games and Paralympic Games were a resounding success and credit goes to all those who contributed in both the public and private sectors. The government's preparations were led throughout by the Department for Culture, Media and Sport (the Department), working with a range of delivery bodies including: the Olympic Delivery Authority (responsible for the construction programme); the London Organising Committee of the Olympic Games and Paralympic Games (LOCOG, responsible for the staging); the Greater London Authority; and other government organisations.²

2. The construction programme was delivered on time and within budget, and the Games themselves ran extremely smoothly, passing off without major transport disruption or security incident. The Games demonstrated that the Department and other organisations can work effectively together towards a common purpose, and deliver complex programmes. In addition, our Olympic and Paralympic teams surpassed their medal targets, the opening and closing ceremonies were very well received and the contribution of tens of thousands of volunteers has been widely and rightly praised.³

Volunteering

3. LOCOG recruited, trained and deployed 70,000 volunteers, known as 'Games Makers', and the Greater London Authority and transport operators also organised thousands of volunteers. The volunteers made a huge contribution to the success of the Games.⁴ We were interested in what was being done to build on the success of the volunteering programme; for example, to learn lessons about good volunteer management, and to encourage volunteers towards other interesting volunteer projects.⁵

4. LOCOG told us that about 40% of its 70,000 volunteers had not volunteered before and that as part of the legacy it hoped some volunteers, who were previously unemployed, would find the experience useful as a step towards employment.⁶ The Cabinet Office, which has responsibility for government policy on volunteering as well as for coordinating the Games legacy more generally, said that it would be focussing on capturing the volunteering spirit as a key part of the legacy. The Cabinet Office has set up the Join In Trust, which aims to encourage both Games Makers themselves, and others, to volunteer for national and local events. The Cabinet Office reported that the Trust provides a toolkit for local organisations that want to use volunteers, and that the Trust had arranged 6,000 events with 300,000 people taking part in the last year. However, information subsequently provided to the Committee suggests that there is no clear plan for capitalising on the contribution Games Makers can make to other volunteering initiatives.⁷

2 Qq 1, 3, C&AG's report, paragraph 1

3 Qq 1, 3, 4, 7, 14, 186; C&AG's report, paragraphs 5 and 14

4 C&AG's report, paragraph 1.8

5 Qq 4, 14, 139-140, 175-176.

6 Qq 4 and 14

7 Qq 177, 181-185; Ev 31; Ev 29.

5. The Department told us that the Places People Play and Sport Makers programmes included support for volunteering at sports clubs, in roles concerned with the administration of clubs as well as in coaching. We welcome the intention to provide much needed support to sports clubs, but it was not clear to us how the positive volunteering experience of the Games Makers was being captured to help in this respect.⁸

Venue security

6. The 2007 Public Sector Funding Package contained no specific provision for venue security, and there was just £29 million in LOCOG's own budget. As part of the 2010 Spending Review, the government provided £282 million from the Funding Package for venue security, but the estimated cost reached £514 million by the time of our hearing.⁹ We have previously reported on the scale of the increase in requirements; between the end of 2010 and the end of 2011 the requirement for security guards increased from 10,000 to 23,700 and the expected cost of the contract with G4S to supply guards rose from £86 million to £284 million.¹⁰

7. LOCOG, the Home Office and the Department for Culture, Media and Sport told us that estimates had been made on the basis of best information available at the time, that the overriding security regime changed in the years running up to the Games, and that detailed operational planning could only take place in 2011 once the detail of venue specifications and event scheduling was known.¹¹ However, we remain unconvinced that much better estimates could not have been made earlier; for example, the 2007 Funding Package was put in place long after the events of 7 July 2005 had changed the security context, venue security has been managed at other events in the UK as well at previous Games, and the substance of venue specifications was known before 2010.¹²

8. We accept that detailed estimates of costs and numbers would always be subject to fine tuning as the Games approached and schedules of events were finalised. But the sheer scale by which estimates for venue security proved to be wrong makes it self-evident that original calculations were fundamentally flawed, and it seems that this area was not properly addressed until it became imperative to do so.¹³ The Public Sector Funding Package was only able to cover the cost of venue security because the construction programme came in under budget.¹⁴

9. Once the full scale and cost of the requirement for venue security guards was identified, LOCOG and G4S signed a revised contract in December 2011. It is now well known that G4S did not deliver the full number of guards required and that additional military and

8 Qq 142-143, 174-177

9 C&AG's report, paragraphs 1.20 and 1.24

10 Committee of Public Accounts: Preparations for the London 2012 Olympic and Paralympic Games, HC 1716, 74th Report of Session 2010-12, 9 March 2012; and Preparations for the London 2012 Olympic and Paralympic Games, HC 526, 9th Report of Session 2012-13, 19 July 2012.

11 Qq 18-46

12 Qq 20, 30, 41, 43

13 Qq 41, 43

14 C&AG's report, paragraphs 15, 3.5, 3.8

police personnel were deployed to fill the gap left by the G4S shortfall.¹⁵ G4S signed the revised contract in full knowledge of the increased requirement, and has previously accepted responsibility for its failure to deliver fully on the contract.¹⁶ G4S accepted that it did not do a good job and confirmed that it would pay for additional military and police costs that had arisen as a result.¹⁷

10. G4S pointed to two main failures in its project delivery. First, the company did not stand back and rethink its approach to project management in light of the contract being scaled up significantly in December 2011, and its project management was not fleet of foot enough to deal with the complexities and risks of the revised contract. Second, there was a critical failure with the management information about candidate tracking; with the result that it only emerged very late in the day that insufficient numbers had passed through all the necessary stages of recruitment, training and screening.¹⁸

11. Fortunately, the military was alive to the need to make contingency plans in the event of not enough security guards coming from other sources.¹⁹ The Ministry of Defence told us that it was able to commit an additional 3,500 personnel on 11 July—the day on which G4S said that it would not be able to provide the full number of guards required—as a result of having identified in April the need to scale up its contingency plans.²⁰

12. The Ministry of Defence told us that a lot of leave had been deferred in order to provide additional personnel for the Games, but that this was relatively manageable within existing procedures to recall personnel from leave if necessary. The Ministry did not consider that supplying venue security guards had impacted on overall defence capabilities.²¹

13. At the time of our hearing, LOCOG and G4S were still in negotiation over settling the contract between them. G4S told us that the reasons for the delay were the complexity of its information gathering to support billing for some six million hours of security, and that it was waiting for a detailed breakdown of the additional military and police costs.²² LOCOG and G4S also told us that there were clauses in the contract to cover under-performance.²³

14. Two months after our hearing the government and LOCOG announced that a settlement had been reached with G4S, with a total reduction of £85 million in the payments due to G4S. The announcements set out that LOCOG was only paying for the contracted hours that G4S had delivered (around 80% of the full requirement). In addition, G4S had agreed to pay all the additional military, police and other step-in costs reasonably

15 C&AG's report, paragraphs 1.25, 1.27-1.28

16 Q 32; C&AG's report, paragraph 1.30

17 Qq 80-81

18 Qq 72-79

19 Qq 98

20 Q 98; C&AG's report, paragraph 1.27

21 Qq 114-116, 118

22 Qq 83-84

23 Qq 81-82

incurred by LOCOG, in total about £48 million. G4S also agreed a £37 million reduction in their project management and operational costs.²⁴

Ticketing

15. Due to accredited seats being unused, most noticeably in the early days of competition, there were empty seats at events which were sold out to the public.²⁵ LOCOG told us that the number of accredited seats varied between venues and sessions but in total was about 12% to 15% of capacity, made up as follows: broadcasting positions took up about 5% of seating capacity; press and photographers about 5% to 7%; athletes about 1% to 2% and the ‘Olympic family’ of people working on the Games about 1%. LOCOG agreed that this amounted to something in the region of 1.5 million seats.²⁶

16. LOCOG told us that accredited seats had to be set aside in accordance with the host city contract (with the International Olympic Committee) and that, conscious of experience at previous Games when accredited seating had not been used, it had sought to reduce the amount of accredited seating set aside.²⁷ LOCOG reported that it wanted to sell as many tickets as possible to improve its revenue and tried to mitigate the emerging problem of empty seats as best it could. Out of approximately 1.5 million accredited seats, it released 90,000 for sale, as well as giving away several thousand more to schoolchildren. LOCOG also reported that the problem with empty seats was largely resolved after the first few days as the accredited seats were then generally being used.²⁸

17. In March 2010, LOCOG told the previous committee that its ticketing strategy included three competing priorities: making sure that tickets were affordable and accessible; hitting revenue targets; and ensuring that the stadia were full.²⁹ After our hearing, LOCOG released data on the tickets sold for each session of sport. The information showed that, overall, 76% of tickets were sold through the UK public application system, and the remainder were sold to LOCOG’s client groups, including sponsors. However, the data shows that only 47% of tickets for the popular track cycling in the velodrome were available to the UK public. In addition, although overall 68% of tickets for the athletics events were available to the UK public, this figure fell to 63% for ‘Super Saturday’, at which Mo Farah, Jessica Ennis and Greg Rutherford won gold medals, and to 51% for the men’s 100 metres final.³⁰

24 Statement by Home Secretary, Theresa May, Column 41-42 WS, 12 February 2013; LOCOG announcement, 12 February 2013, <http://www.london2012.com/news/articles/statement-regarding-london-games-security-contract.html>

25 C&AG’s report, paragraph 1.7

26 Q 122-123

27 Qq 124-125

28 Q 125

29 Committee of Public Accounts, *Preparations for the London 2012 Olympic and Paralympic Games*, HC 443, 28th Report of Session 2009-10, 31 March 2010, oral evidence, Q 95

30 LOCOG report on Olympic and Paralympic tickets published 17 December 2012, http://www.london2012.com/mm/Document/Publications/General/01/42/89/01/17DecemberTicketingReport_Neutral.pdf

2 Costs, legacy and lessons

Costs

18. On current projections there is likely to be a £377 million underspend against the £9.298 billion Public Sector Funding Package, with the final figure depending on the accuracy of assumptions about remaining expenditure.³¹ However, as we have previously reported, the Funding Package does not include all public sector costs associated with delivering the Games and their legacy.³²

19. Costs outside the Funding Package include the £766 million cost of purchasing land for the Olympic Park, which remains an additional cost until such time as it is recouped from sales - the timing and amount of which is inherently uncertain. They also include the £110 million Homes and Communities Agency grant to purchase residential units in the Athletes' Village; the administrative costs incurred by government departments including the £52 million cost of the Department's own Government Olympic Executive; £86 million of other costs incurred by government departments and their agencies on Olympics-related work; transport infrastructure costs; and the £292 million grant from the Department for Communities and Local Government to the London Legacy Development Corporation.³³

20. The Department has previously rejected our recommendation to produce a single account covering all Games and legacy related income and expenditure, arguing that other costs would be recouped from future land sales or were 'business as usual' costs that would have been incurred without the Games.³⁴ At the hearing, and in additional written evidence provided to the Committee, the Department told us that the Games would enable business as usual costs, such as lottery spending on sports participation, to secure extra value from spending that would have been incurred anyway. The Department stressed that it had always sought to report on a clear and consistent basis against the Public Sector Funding Package, and had not sought to hide any other costs.³⁵

21. We remain concerned that there is no comprehensive picture that captures the costs not included in the Funding Package, and that any reported benefits should capture the associated costs.³⁶ The Department said it would reflect on how it could ensure that costs are presented in a way that brings out any costs associated with the Games from outside the Public Sector Funding Package, and which sets out why the Department does or does not consider them to be net additional costs.³⁷

31 C&AG's report, paragraph 11

32 Committee of Public Accounts: Preparations for the London 2012 Olympic and Paralympic Games, HC 1716, 74th Report of Session 2010-12, 9 March 2012; and Preparations for the London 2012 Olympic and Paralympic Games, HC 526, 9th Report of Session 2012-13, 19 July 2012. C&AG's report, paras 3.14-3.15

33 Qq 129; C&AG's report, paragraphs 2.6, 3.14

34 HM Treasury, Government responses on the Sixty Eighth, the Seventieth, the Seventy Second and the Seventy Fourth Reports from the Committee of Public Accounts: Session 2010-12, CM 8347, 30 April 2012 (Page 22).

35 Qq 128, 131; Ev 29

36 Qq 128-135

37 Q [not numbered, between 135 and 136 in uncorrected transcript]

Financial returns from development of the Olympic Park

22. The National Lottery provided £2.175 billion, or 23%, of the £9.298 billion Public Sector Funding Package for the Games. The Department told us that the Lottery would receive financial returns in three parts. First, unspent Lottery money in the Public Sector Funding Package, currently estimated to be in the range of £30 million to £50 million. Second, over £70 million to be repaid on completion of the sale of the Athletes' Village in 2014. Third, up to £675 million as its share in development proceeds from the Olympic Park site.³⁸

23. There is an agreement in place whereby: the first £223 million of receipts from the Olympic Park goes to the Greater London Authority; the Lottery receives 75% of the next £900 million of receipts (i.e. up to £675 million), with the other 25% going to the Greater London Authority; and any receipts over £1,123 million are shared equally between the Greater London Authority and the Exchequer. Ownership of the Olympic Park land and assets rests with the London Legacy Development Corporation, which is a mayoral body, and is responsible for deciding what is sold, when, and for how much.³⁹

24. We were concerned about the mechanisms in place to protect Lottery interests in securing the return of funds for good causes.⁴⁰ The Department said that the contract for the Lottery to share in future proceeds from the Olympic Park had been negotiated to protect the Lottery interest, that the London Legacy Development Corporation existed to develop the assets and regenerate the area, and that the Development Corporation was incentivised to generate receipts for both the Greater London Authority and the Lottery.⁴¹ However, the Lottery has no say in the Legacy Corporation's approach to generating receipts from development of the Olympic Park. The Development Corporation's current projections are that the first payment to the Lottery from Olympic Park land sales will be in the mid-2020s.⁴²

25. The Development Corporation told us that it had entered into a development agreement for the building of the first homes on the Park and would share in sales values once the new homes started to be sold in a year's time. The Corporation expects to have all sites completed by 2030.⁴³

26. The Development Corporation faces difficult decisions about sales over a long period of time. For example, the Corporation told us that it is committed to providing up to 35% affordable housing but that ultimately the precise number of affordable homes would affect sales values, as would the particular locations of affordable and private housing.⁴⁴ The Development Corporation also told us that it ultimately wants all buildings to move to the private sector, but that it would secure a better price if it waits until there is a thriving

38 Qq 171-172; C&AG's report, paragraph 3.11

39 C&AG's report, paragraph 3.11

40 Qq 119, 171-172; C&AG's report, Figure 3 and paragraphs 2.6, 3.11

41 Qq 119-121, 172

42 Q 170; Ev 28

43 Qq 165-170

44 Qq 192-193

operation in a building before selling.⁴⁵ Ultimately the amount and timing of future revenues, and therefore returns to the Lottery and the Exchequer, depend on the Development Corporation attracting sufficient investment, on which proposals for development of the Park it decides to accept and when, and on land and property prices at the time of disposal.⁴⁶

The wider legacy

27. The Cabinet Office is now responsible for coordinating and assuring delivery of the legacy as a whole. We and the National Audit Office have noted before the diffuse responsibilities for individual projects that make up the legacy programme and it will be important that the Cabinet Office provides strong leadership to maintain momentum and focus across all aspects.⁴⁷

28. On increasing sports participation, the Department now uses the number of people taking part in sport once a week as its main measure, rather than the previous measure of people participating three times a week.⁴⁸ Under the new measure of once a week, the Department told us that there are now 1.5 million more people participating than at the time of the bid. The Department wants to see continued growth, and in particular cited the importance of the Places People Play programme in providing opportunities for people to play sport.⁴⁹ The Paralympics was a great success and the Department told us it was very keen to capitalise on that, while recognising that figures specifically for disabled people participating in sport lag significantly behind those for the population as a whole.⁵⁰

29. The Cabinet Office told us that all parts of the United Kingdom should benefit from economic growth on the back of the Games and that business contacts made during the Games to promote Britain abroad were bearing fruit.⁵¹ On tourism, the Department reported that in the first nine months of 2012 fewer tourists came to the UK than in the equivalent period in 2011, which was also the experience of previous Olympic hosts. However, total spending by tourists was 5% higher over the same period.⁵² The Department also told us that its ambition is to secure an extra 4.5 million visitors to the UK over the next four years.⁵³

Learning lessons

30. There is great potential to apply lessons from delivering the Games to the delivery and financial management of other major projects in the public sector. The Olympic Delivery

45 Qq 217-219

46 Qq 163, 173; C&AG's report, paragraph 3.11

47 Q 177; C&AG's report, paragraphs 9, 2.10-2.13

48 Qq 138-139; C&AG's report paragraph 2.2

49 Qq 137, 139, 141

50 Qq 186-188

51 Qq 206-207

52 Qq 220-221

53 Qq 222

Authority has captured lessons from its construction programme in areas including procurement, engineering, supply chain management, project and programme management, and health and safety. The National Audit Office has also provided its perspective on some of the important lessons to come out of the Games.⁵⁴

31. The Department told us that transferrable lessons included the value of: putting in place delivery bodies designed for their particular purposes, in this case most notably the Olympic Delivery Authority and LOCOG; a clear and consistent financial framework based on a realistic budget that made allowance for risks and uncertainties; utilising the best professional skills in project, programme and financial management; effective coordination across multiple government departments; continuity of key people; and sustained cross-party political engagement and leadership.⁵⁵

32. On capturing the lessons to be learned, the Department told us that the Cabinet Office is coordinating a formal lessons-learned exercise across government and that other bodies, for example the Institute for Government, were also working on this. The Department also told us that the Major Projects Authority and Major Projects Leadership Academy, under the Cabinet Office, now provide a structure and source of knowledge for oversight and best practice in managing major projects, and is building up a pool of people with relevant experience.⁵⁶

33. The Home Office said that it had made an effort to deploy people who had grown their project management skills on the Olympics to other large projects in the Home Office, and considered there would also be a trickle-down effect from the Major Projects Authority and Leadership Academy.⁵⁷ The Department told us that its Government Olympic Executive team had been disbanded, with staff on secondment from other departments returning to their home departments, and others who had come from the private sector returning there.⁵⁸

54 C&AG's report, paragraphs 4.1-4.19

55 Q 3

56 Qq 7, 11

57 Q 15

58 Qq 9-10

Formal Minutes

Monday 18 March 2013

Members present:

Rt Hon Margaret Hodge, in the Chair

Richard Bacon
Stephen Barclay
Jackie Doyle-Price
Chris Heaton-Harris
Meg Hillier
Mr Stewart Jackson

Fiona Mactaggart
Mr Austin Mitchell
Nick Smith
Ian Swales
Justin Tomlinson

Draft Report (*The London 2012 Olympic Games and Paralympic Games: post-Games review*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 33 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Fortieth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report (in addition to that ordered to be reported for publishing on 14 January 2013).

[Adjourned till Monday 25 March at 3.15 pm]

Witnesses

Wednesday 12 December 2012

Page

Nick Buckles, Chief Executive Officer, G4S, **Dame Helen Ghosh DCB**, Former Permanent Secretary, Home Office, **General Sir Nick Parker**, Commander Land Forces, **Jonathan Stephens**, Permanent Secretary, DCMS and **Neil Wood**, Chief Financial Officer, LOCOG

Ev 1

List of printed written evidence

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Oral evidence

Taken before the Public Accounts Committee on Wednesday 12 December 2012

Members present:

Margaret Hodge (Chair)

Mr Richard Bacon
Chris Heaton-Harris
Meg Hillier
Fiona Mactaggart

Austin Mitchell
Nick Smith
Ian Swales
Justin Tomlinson

Amyas Morse, Comptroller and Auditor General, **Gabrielle Cohen**, Assistant Auditor General, **Keith Hawkswell**, Director, National Audit Office, and **Marius Gallaher**, Alternate Treasury Officer of Accounts, were in attendance.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

The London 2012 Olympic Games and Paralympic Games: post-Games review

Examination of Witnesses

Witnesses: **Nick Buckles**, Chief Executive Officer, G4S, **Dame Helen Ghosh DCB**, Former Permanent Secretary, Home Office, **General Sir Nick Parker**, Commander Land Forces, **Jonathan Stephens**, Permanent Secretary, DCMS, and **Neil Wood**, Chief Financial Officer, LOCOG, gave evidence.

Q1 Chair: Welcome. Jonathan, well done. Those of us who spent time enjoying the Olympics think well done. I was looking back over all the evidence. This is your sixth, seventh or eighth appearance?

Jonathan Stephens: I have lost count.

Q2 Chair: The first time you appeared, Edward Leigh asked whether you would be here at the end and you said yes, and you are. He probably asked, "Will it be in budget?", did he?

Jonathan Stephens: I think so, yes. I said yes.

Q3 Chair: So well done. Many congratulations from all of the Committee for a really fantastic staging of the Olympics here in the UK. Congratulations to everybody involved. It was brilliant.

I have a gentle question to start with. As you think back on this major endeavour, what are the four or five things that you think we can learn from it? We probably will not host the Olympics again, but for a similar major project.

Jonathan Stephens: Thank you very much indeed for those warm words, Madam Chair. I would just add to them and say that it was a huge team effort from across the different delivery bodies, with the ODA and LOCOG at the forefront, of course, but also from across the public sector. The transport, police and security agencies played absolutely vital roles. And of course the support and engagement of the private sector in delivering their part and in financially supporting the Games was also absolutely critical.

We had at least 19 different Government Departments playing a part very successfully, so I think some of the lessons to be learned were first of all the benefits of sustained and cross-party political engagement and leadership in a project of this length of time and this complexity and challenge. We really saw the benefits

of all the political parties getting behind it and being consistent in their support. That was sustained over changes of Mayor in London and changes of Government at Westminster.

Another lesson was the importance of thinking about the structure of delivery for a project of this scale and complexity, and designing purpose-built delivery bodies that are fit for their particular purpose. It was very much a function of the DCMS in the early days to think about what would be the effective framework for delivery, so we ensured that there was a purpose-built delivery body in the Olympic Delivery Authority that was focused on and effective for the construction project, and for the oversight of the overwhelming bulk of the public funds that went into the project.

We ensured that in the organising committee there was a body that was fleet of foot and could bring in the commercial and private sector expertise and funding that was also needed to be effective in supporting the planning and operation of the Games. Having a purpose-built set of delivery bodies was really important. We saw, too, the benefits of a clear and consistent financial framework. The final budget was, of course, set in 2007. It was one of the things that we were really focused on within the DCMS, and my personal accountability and responsibility was to ensure that we kept to that budget and delivered value for the taxpayer through it. We saw the benefits of setting that budget on a basis that was realistic, but which also had a realistic allowance for risks of what was a one-off of its kind, where there were many uncertain elements that could not be anticipated and planned for at the beginning.

I should like to bring out one final thing. It is hard to pick out a success, among so many: the volunteers, the sporting achievements, the fantastic look and feel of the park and all of that. But something of particular

interest to the Committee is that it also brought out the public services and the civil service, at their very best, demonstrating the ability to work effectively together for a common purpose, demonstrating great flexibility and the very best professional skills in project and programme management, in financial management, in integration and the huge commitment and dedication among civil servants, who went the extra mile to make sure that the Games were a success. The Games demonstrated how the civil service and the public services working together can really create great value for this country and for the taxpayer. That is something that can everyone can take real pride in.

Q4 Ian Swales: Can you just say a word about the successful volunteer programme—the Games Makers programme—because most observers feel that that was one of the enormous successes of the Games? What can we learn from that?

Jonathan Stephens: Absolutely, and LOCOG, which led on that programme, may want to add on that. I endorse what you said. The programme brought in large numbers of volunteers in support and gave a very visible and positive public face to the Games. One of LOCOG's successes was how it recruited, engaged and effectively deployed those volunteers.

Neil Wood: That is absolutely right. We were able to tap into the wonderful appetite this country has for volunteering. Notwithstanding that, we are told that about 40% of our volunteers had not volunteered before. We were encouraging new people to come into volunteering. The team that worked on it did a fantastic job during that whole process of initially setting out what the jobs were as well as on engagement. That was one of the key successes. Over the two years from when the programme started until the Games, the Games Makers were constantly engaged. We kept in contact with them. That was one of the major successes.

Q5 Austin Mitchell: But were you not also exploiting them? It is amazing to me that they kept up their enthusiasm. Everyone who came to London from, for example, the States, speaks highly of them, but surely they were exploited. What reward did they get out of it?

Neil Wood: I don't think we did exploit them. We made it very clear right from the outset what the roles would be, so everyone who volunteered was clear what the roles would involve. Some of them were not particularly sexy roles, such as being a car park attendant or a traffic marshal, but everyone was clear that this was not all about serving champagne to VIPs or holding Usain Bolt's tracksuit. I do not think that we exploited people; I think people wanted to be part of this amazing venture.

Q6 Austin Mitchell: But what did they actually get, apart from enthusiasm for the job?

Neil Wood: They got to take part in something very special. That was the most important thing.

Chair: For many of them, it cost them. It cost quite a lot of the ones I met to come to London and all that sort of stuff.

Q7 Chris Heaton-Harris: I have a question for Mr Stephens, but, first, congratulations, absolutely fantastic. It was a brilliant success for Britain and you deserve the country's thanks. I am interested in what you said about purpose-built delivery bodies. As you will know, on this Committee we see, twice a week, projects that might have needed a purpose-built delivery body, but have not had one and have failed or cost the taxpayer a lot more money than they should have done. How are you communicating the method of your success across government, because there have to be plenty of lessons to be learned across the civil service on how you delivered this particular project?

Jonathan Stephens: First of all, I should say that we learned some lessons ourselves at the beginning. One of the first things that I did when I was appointed to DCMS was to seek out other examples, particularly of big capital projects. I went to the Department for Transport to discuss the channel tunnel rail link and how they had overseen and assured that process. We sought to incorporate many of the lessons from that and lessons from previous NAO and PAC Reports into our thinking on delivery bodies. In turn, we are ensuring that the lessons that we have learned are captured. The Cabinet Office is co-ordinating a formal lessons-learned exercise across government. Outside bodies are working on this. The Institute for Government, for example, are working on a similar exercise bringing together all the partners. There are individual bodies, too. The ODA is doing its own lessons-learned exercise. We can see real progress in how the Government approaches major projects of this kind.

In 2006, when I was seeking to assemble a team within government to oversee and assure the project, it was hard to find the pool of people to go to who had experience within government. Indeed, I could not find them. We had to mount a special competition. We ended up recruiting people from outside the civil service or from other parts of the public sector alongside civil servants. With the Major Projects Authority and, in particular, the Major Projects Leadership Academy, a pool of experienced, trained and capable people within government, who have delivered and have experience on major projects of this kind, is being built up and sustained. For the next project, one can go to that pool, rather than having to start from scratch.

Q8 Chair: I thought that the Olympic Executive, which was your team, was being disbanded. Is it not being disbanded now?

Jonathan Stephens: The Government Olympic Executive closed down formally at the end of October.

Q9 Chair: And the people in it?

Jonathan Stephens: It was originally composed of a mix of long-term DCMS civil servants, civil servants seconded from other Government Departments and some external recruits and fixed-term appointments. The job that that team was brought together to do has ended and has ended successfully. We quickly disbanded the team. There are obviously some continuing responsibilities that we are continuing to

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discharge, but they are within the normal management structure of DCMS. The individuals who comprised that team have gone on to different jobs and are using those—

Q10 Chair: In government?

Jonathan Stephens: Yes. Well, there is of course a degree of choice about that. Those who were on secondment from other Departments have returned to their home Departments. Many have gone on to other significant public sector jobs. Some who came in from the private sector are returning to that world.

Q11 Chair: Is there a pattern? Just thinking of the project management skills that we have, they will have been in the ODA, your executive and LOCOG. My just chatting to people suggested that a lot of that was being dispersed, rather than being retained in the way Chris suggested.

Chris Heaton-Harris: My point was not really about personnel. It was actually about the bodies themselves. There must be a template that you can transfer across government for huge construction projects that are multi-million pound in character. Different people will come in with different expertise, but there was also the level of involvement from the private sector and the people whom you could call in. It was the template rather than the personnel that I was interested in.

Chair: Can you pick up both bits?

Jonathan Stephens: The Major Projects Authority provides a structure within government for oversight and best practice in managing these major projects. That is the source of knowledge and expertise within government now, which is overseen by the Cabinet Office.

Q12 Chair: I think there is something about the skill base as well, which you do not want to lose. I do not know how many LOCOG or ODA people are going to be employed in the civil service somewhere.

Jonathan Stephens: Both ODA and LOCOG were outside the civil service and part of the skill was actually effective working with them and integration with the public sector. Within the civil service, where people are remaining civil servants, those skills are obviously retained. The feedback that we get from individuals who worked on the Olympic project is about the enhancement of their skills and capabilities that they have been able to add through the Olympics, which will be used elsewhere.

Q13 Chair: How many LOCOG people have ended up working for Government?

Neil Wood: I don't know. We downsized quite considerably, as you would expect, so we are down to about 300 people from a peak of 9,000. They are all out in the market. I am sure that some have already found jobs. I cannot tell you how many of them will end up working in the civil service or within government.

Chair: It would be interesting to track it.

Q14 Nick Smith (Blaenau Gwent) (Lab): I just want to get back quickly to the Games Makers before we

get on to the meat and drink of the Report, because, like many others, I just thought that they did a great job across the board. A chap called Joel Sutton from Blaenau Gwent, who is partially blind, did a great job as a supervisor at one of the venues. He paid for his own accommodation, and it cost him a lot of money, but he describes it as really having made a difference to his career and his experience.

Has there been any legacy for the Games Makers? Has there been any learning around volunteer management? How many of them have gone into other jobs? Are some of them going to be pointed towards other interesting volunteer projects? It seems to me that that was really one of the bright spots of what was a tremendous Games.

Neil Wood: One of the legacies that we were hoping for was to be able to give some people, who were previously unemployed, a start into employment. We haven't tracked how many of the previously unemployed Games Makers are now in employment. That would be a longer term eventuality. In terms of legacies, the "Join In" programme has started and that will try to take forward some of the benefits and legacy from the volunteer programme. We are working with the individuals who are setting up that programme. We hope that there will be a legacy out of the Games Makers programme.

Q15 Fiona Mactaggart: I was going to follow up on project management. In some ways it connects more with the next part of our session, which is about legacy. Dame Helen, you might be the person to answer this. I am struck by the fact that there are not enough project management skills—not necessarily just at the big project management level but inherently—in the Civil Service. That is one of the problems that we have experienced. I know you are not responsible any more, but you were until very recently. Do you think there has been any cascading of the lessons learned? Has there been any strengthening of the project management capacity of the Civil Service during this period? What this has highlighted is that, if you have the right project management skills, you can succeed in a project, and if you don't, you don't.

Dame Helen Ghosh: Yes, although I would add, if you have the right context for the project management. That is one of the interesting things that Jonathan picked up, as did John Armitth the other day, although I know that was in another political context. If you take the example of the Home Office, when I was there, and indeed it was always the case—despite the good efforts over a number of years by the Cabinet Office and now by the Major Projects Authority and the leaders of the project management career home across Government—that we were short of good project managers. Inevitably we would sometimes buy them in from outside, trying as far as possible to transfer skills with project managers who came in from outside. One of the things when I was there—my successor could comment on how successful we were—was explicitly to say, "Let's look at the people who worked in the Olympics security directorate and transfer those who have clearly grown their project management skills on to some of our other projects."

We made a very positive effort to move people from Olympics to similar large projects, of which the Home Office has a large number.

There are broader issues for us. There will be a trickle-down effect from the Major Projects Authority and the Leadership Academy. There are issues about pay levels that I know Bob Kerslake and others are grappling with. There are issues about how accountability is defined. Again, this is something picked up in the Civil Service reform plan: a key lesson that I took away when John Armit was talked to a group of permanent secretaries was that you need to put all your effort in at the very beginning of the project when it is just a gleam in people's eyes to work out the correct budget and timetable. As he said, what he benefited from over time was the right budget, the right timetable—he had a fixed timetable—and being able to employ people with the right sets of skills. That is the context in which John Armit was operating and it was obviously highly successful. I know that Bob Kerslake and others are thinking, “How can we replicate that through the accountability, for example, of the accounting officer in the Civil Service world?”

Jonathan Stephens: If I may, I would add one thing to that, which is the continuity of key people.

Dame Helen Ghosh: Continuity, yes. That is also in the Civil Service plan.

Jonathan Stephens: The team that I brought together in 2006 was largely the team that delivered the Games in 2012. That was true, too, of the leadership of the key delivery bodies, both the ODA and LOCOG.

Q16 Chair: Did you promote them within the team?

Jonathan Stephens: In some instances, yes.

Q17 Chair: Because that is always put up as an argument against, isn't it? You've got to move every couple of years if you want your promotion.

Jonathan Stephens: The key senior leadership was actually assembled in 2006 and 2007 and remained throughout.

Q18 Fiona Mactaggart: Dame Helen, you have opened the door to a further question that I think is critical. You were the person who was paying for the venue security. You described that as an unprecedented challenge. I wonder why right at the beginning you did not, in John Armit's terms, get involved in working out what security numbers we needed. We all think the Olympics went brilliantly but we know that some things did not, and that was one that we got wrong at the beginning.

Dame Helen Ghosh: As we have discussed in this Committee before, first of all, of course, it was not me; it was my predecessor. I think the estimate that LOCOG made in 2010, of a total requirement of 10,000 security guards, was based on the best information that anybody had at the time.

Q19 Chair: Dame Helen, can I take you back? If we are going to move on to security, I am interested in why it took until 2010 even to get to that figure. If we trace it all back, LOCOG had £29 million in its budget

for venue security, full stop. How on earth did anybody think that was right?

Dame Helen Ghosh: At every stage in the budget setting process and the financial provision process, we had to—and LOCOG had to—operate on the basis of the best information we had at the time. So, for example, when we quoted the figure for venue security in the 2010 SR, neither LOCOG nor ourselves were then in a position to make any precise estimate of the number of guards we would need. We did not know how many venues there would be—

Q20 Chair: You are taking me back to 2010; I am taking you right back, now. As I understand it, in the early stages, when everybody was saying we should plan early and get it right, and we had already had 7/7, LOCOG had £29 million set aside in the budget for security. I cannot, for the life of me, understand why, at that time, people had not planned better.

Dame Helen Ghosh: I will hand over to Neil, who no doubt knows better—

Q21 Chair: But it was always your responsibility.

Dame Helen Ghosh: No; I was not there at the time. All I can say is that, as I have said to this Committee before, the scope and therefore the cost of the security operation has been persistently a moving feast. We could not have projected, right at the beginning of the budget-setting process, precisely what the cost would be.

Q22 Chair: Well, why £29 million? Maybe Jonathan or Neil can answer that.

Dame Helen Ghosh: Neil can tell you why it was £29 million.

Jonathan Stephens: Can I just add this? I have been involved since 2006, but even before then, my predecessor had written to this Committee specifically to say that the costs of security were unpredictable and that it would not be possible to do the detailed planning on which they would depend until much closer to the time. That warning was specifically put in.

Q23 Chair: It was not £29 million, but £514 million.

Jonathan Stephens: Perhaps, before I hand over to Neil, I can say that when we drew up the budget in 2007, we were clear at that time that, as across whole swathes of the plans, there were not at that stage detailed operational plans in place. It is precisely because it simply would not have been realistic or possible to do that level of detailed operational planning that there was a very significant element of contingency built in within that.

Q24 Ian Swales: But to be out by a factor of 20 suggests that you had no concept at all of what you were going to do.

Jonathan Stephens: No, I am sorry. This is quite an important point: that is almost treating every individual line item from the broadest beginnings of planning as a precise estimate. Within the £9.3 billion public sector funding package, a security budget was set aside both in terms of the wider policing and security programme, and in terms of the ODA's capital

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programme as well. Over time, it became clear that more emphasis needed to be placed on the operational delivery, including that of venue security, and that element of spending was increased, just as other elements of that original £9.3 billion budget were coming down.

Q25 Meg Hillier: I was going to ask if Neil could tell us about this: right from a very early stage—if I remember correctly, right back to the bid—we knew that venues were being planned as part of that bid, and we knew where they were going to be. I know that there were some amendments. Can you remind us? Wind back to 2005. Did we know the venues that we were going to have then?

Neil Wood: There were changes to the venues, but I do not think that that is the point.

Q26 Meg Hillier: How big a change? From 2005 to the final venues, how big was the shift?

Neil Wood: It was not really the shift in venues from 2004 to where we ended up that caused the costs of security to go from £29 million. We need to be clear on this.

Q27 Meg Hillier: If it was not the changes of venues—that is exactly my point. If we look at paragraph 1.22 of the Report, the Government say that they did not know and there was no precedent for an event such as this, but there has been a precedent for Olympic Games with big venues. Every week in London you see big football matches going on. You have the O2. Surely you can extrapolate from some of these experiences a better prediction for something that was so way out of the £29 million figure.

Neil Wood: The security regime that we were going to put in place when we put the bid together in 2004 was fundamentally different. There were no secure islands. There were no 12-foot fences around any venues. There was limited mag and bag. It was going to be low barriers.

Q28 Chair: The budget was set in 2007.

Neil Wood: The bid budget was set in 2004. It was part of our application.

Q29 Chair: And then after 7/7?

Neil Wood: The morning after we won, we had 7/7. We knew that the security regime was going to change. It was inevitable. Something dreadful had happened. What we did not know for a number of years exactly what the security regime was going to be and whether we were going to have island sites and so on. So, as Jonathan says, we knew that there was going to be an increase. We did not know what that was going to be. It was only when we got to 2010 that we had a better understanding of both the physical infrastructure that was going to be put in place—

Q30 Chair: I am just going to say to all three of you that it just does not sound credible. It would really help this Committee, in writing our Report on this—it just does not sound credible. I remember informal discussions after 7/7 with Ministers and politicians. It was absolutely staring you in the face that security

was going to be the big challenge. I can accept that there was a finger in the air, but we are talking about a budget set in 2007 with £29 million for venue security. After 7/7, everybody knows it is a big challenge. We just need to understand what you guys were doing.

Jonathan Stephens: Can I just clarify? That £29 million was, within the LOCOG budget, their provision. Within the public sector funding package set aside in 2007, there was £954 million allocated to security across the board, plus, on top of that, a contingency of £238 million.

Q31 Chair: Was that for venue security?

Jonathan Stephens: That was for security and policing across the board. I make no pretence: there was not and could not have been at that stage in 2007 the detailed line-by-line breakdown at a time when the detail of the venues and the security regime was not established. Against that figure, we have ended up spending from the public sector funding package £1.2 billion on policing and security, including venue security. So that is either slightly above the original planning figure, or, if you include the contingency that was not needed, very close to it. What that demonstrates is that the nature of the provision changed from what was expected in the sense of less emphasis upon capital provision and more emphasis on operational provision, but that there was originally significant provision within the public sector funding package, which was much more than the £29 million.

Q32 Chair: Let me just make something clear. I know you are in negotiations with G4S and we will come to that issue. We are focusing here on the planning. We will roll forward to the contract. I say this publicly: G4S signed a contract knowingly, so there is no connection in my mind at all from the mistakes that were made from planning and then G4S choosing to sign a contract to deliver. I want to get that on the table. But I still cannot get in my brain—do you want to come in, Amyas?

Amyas Morse: I just wanted to say something, without taking away from the overall mood. Our information is that in 2006—it would be interesting to understand technically how this happened—you estimated an operational requirement of 10,000 guards. It must have been something about the costing, mustn't it? I am assuming that. You had in mind that the number of guards required was going to be quite large. There must have been something else that changed the costing—out of curiosity, what was that?

Neil Wood: I would come back to Jonathan's previous answer. The £29 million was the provision made in the bid budget for LOCOG. The arrangement was that any increase in the security cost was a matter for the public sector. Jonathan has set out that there was a provision for security in its broader sense. What had not happened at that stage was the direction of where that money was—

Q33 Chair: When did you realise it was a mad figure? You were planning it—were you there from the start?

Neil Wood: Yes, I was.

Q34 Chair: Right, so when you saw this budget head figure of £29 million, when did you realise that it was mad?

Neil Wood: The morning after we won the bid, when that—

Q35 Chair: Well then why didn't you start sorting it at that point?

Neil Wood: I think we did. We were in conversation about the fact that the security regime was going to change. Because we had the guarantee in place, we knew that the OCOG was not going to have to contribute towards the increase in the security costs, and that that would fall to the public sector. Within the revised budget in 2007, there was broad provision for security. How or whether that provision needed to be supplemented, and how that was going to be divided up, took some time to work through.

Keith Hawkswell: I think that a lot of things are being conflated here and we need to be a little bit careful. In 2010, the Home Office and LOCOG had not agreed who was going to pay for venue security. If there was a discussion from 2006 about numbers, in 2010 it had not been sorted out. When the funding package was established in March 2007, there was no money in that funding package for venue security. We must be very clear about that. Mr Stephens just mentioned a figure of £1.2 billion for security. That includes £238 million that is explicitly a contingency for an increase in the security threat—that money has not been spent. So I just think we need to be a little bit careful about some of these numbers and the overall cost of security, we need to be very careful about how we describe the £238 million contingency for security, and we need to be absolutely clear that there was nothing in the funding package for venue security in 2007.

Q36 Meg Hillier: Can I wind forward to 2010, which was still a full two years out from the Olympics, when, Neil Wood, you knew the venues, yes? They were all finalised. The Home Office, as chair of the Olympic Security Board, was aware of the venues too. At this point, you cannot pass the buck to anyone. You all had to be aware of the broad level of need for security, so why was no decision made then? Why were we still flapping around? We had a hearing in December 2011, we know that into May 2012 there was some worrying going on inside the Home Office, and it was not until two weeks before that it all hit the headlines, so what happened in that gap?

Dame Helen Ghosh: Are you meaning in relation to provision, or are you—

Meg Hillier: Numbers.

Dame Helen Ghosh: Okay. I am very happy to give a Home Office perspective and Neil can give a LOCOG perspective.

Q37 Meg Hillier: I appreciate that you didn't arrive at the Home Office personally, but—

Dame Helen Ghosh: No, that is quite all right. You are absolutely right in terms of the provision, although we need to come back to Jonathan's point that we must see this in the context of overall contingency

provision. In 2010, our estimate for the number of people we would need to guard the venues was 10,000, and we made the first contract with G4S. Yes, we may have known the absolute number of venues involved, although I suspect the number still went up between 2010 and 2011, but all sorts of other things, such as how many venue exits and entries there would be and so how many guards you would need at all these sites, were still unknown. We were operating with LOCOG on the basis that we would make our best estimate at that stage and that they would rely on the overall provision within the envelope for the final decisions and contract as it was made ultimately in December 2011. To say that we knew all that in 2010, we did not. We did not know that in 2010 and we were still working on it.

Q38 Meg Hillier: But there was a lot that was known, and there was awareness in the Home Office that there was an issue and a problem to be solved.

Dame Helen Ghosh: No, can I just correct this? In 2010, the estimate of the people we would need to guard the venues was only, as Jonathan said, one element in a vast security operation because all the time we were permutating how much we would spend on the physical security at the sites. We made a very accurate estimate in 2010 of what we would pay for the physical safety security of the buildings at the site; what we would be paying for security more broadly; the police activity and the security services, all of which are covered by the figures that Jonathan described.

The one element we could not be certain of was what proportion of that money would need to go on the physical guarding of the sites. It is absolutely the case that we did not know at that stage. When we were therefore working between 2010 and about the summer of 2011, LOCOG had made its initial estimate. That was not a Home Office estimate, but we had no reason to challenge it because we didn't have so many other facts about the security operation that we could do so.

We worked closely with LOCOG and, by the summer of 2011, we had reached the view that it was more like 23,700. We went for a mixed economy response, which is why we were ready with the contingency, for example, from the military and the police. We were working with G4S at that time. They knew the growing requirement. We had agreed the financial cover, and signed the contract in December 2011. None of that and the fact that the accuracy of the budget was developing in any way imperilled the delivery of security for the Games, as the outcome shows. We were coming in under our budget with general security and venue security. It is inevitably a developing science.

Q39 Meg Hillier: Let's separate two things. I don't think any of us, even when the crisis happened, had any worry that Her Majesty's forces couldn't make the Olympics secure, so there was a very good backstop.

Dame Helen Ghosh: Which was not chance. We had a contingency plan that involved the military, and we operated it. That was well planned.

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Q40 Meg Hillier: Of course. Congratulations. It is great that we have the armed forces to do that.

Dame Helen Ghosh: And that they were ready to do so.

Q41 Meg Hillier: And that they were very good. But the point still is that a key volume of people were needed to make sure that large numbers of crowds could get through in a reasonable period of time. That is the bag checking bit of it. The people around the venue were relatively small in number, and it is pretty blindingly obvious that you need lots of people to do that so that you don't have very, very long queues and people all arriving at the same time.

It is not rocket science. It happens in football grounds. It happens in other Olympics. It happens all over the place. That is the bit on which I am suggesting the Home Office was asleep on the job and not challenging LOCOG. LOCOG managed things very well in one way, but actually was a very short-term planner because you had to deal with each immediate next thing, in my view, rather than having a very long-range plan and lots of lawful goals along the way. You didn't need to deal with this issue until it was imperative.

Neil Wood: Perhaps I can respond. I don't think anyone is suggesting in any way that the estimate of 10,000 was wrong.

Q42 Meg Hillier: You are saying that it wasn't wrong.

Neil Wood: No, I am saying that it is wrong. We didn't try to get it wrong, and we didn't need to get it wrong. The reality is that it isn't simple, because the number of guards you need is highly sensitive to a number of things. It is highly sensitive to the timing of the sports schedules, because of the time of the inflow and outflow of individuals, and it is highly sensitive to the way in which transport works.

It wasn't until late in 2011 that we settled on the detail of the sports schedules. It makes a huge difference, for example, if the aquatic centre session is ending at 11.30 and, let us say, an athletic session is starting at 12. It would have a fundamental effect on the amount of guards you need. If you can actually put an hour and a half between those inflows and outflows, you can cut the number of guards. It is highly sensitive to both the schedule, and it is highly sensitive also to the transport arrangements.

What happened in that period from 2010—when we did an estimate of 10,000—until we get to 2011 when we are going venue by venue, session by session, looking at the flows of individuals coming out, how quickly people are arriving on the transport system and all the modelling that TFL did, was that it became apparent that we had significantly underestimated the number of guards required.

We did not have the information in 2010; it was an estimate based on the information at the time, and it was wrong. No one is saying that it wasn't wrong.

Q43 Chair: The criticism that I think you will end up getting from the Committee is that, first, I do not accept that you did not know the venues as there were drawings of the venues around. In fact, some of us

were around at the disastrous opening of the millennium Dome, so from that we knew how important it was to get people through quickly.

We think that you went too late, and the factor by which you got it wrong—even when you finally did it in 2011 and what you ended up needing in 2012—was so enormous that something went deeply wrong in your original calculations. If you had ever thought that that factor of mistake was possible, for which you should have been able to plan, you should never have signed a contract.

Q44 Meg Hillier: May I ask Neil and Dame Helen to say what they would recommend anyone following in their footsteps to do differently so that we do not face this problem again? We want to host more big events, and I feel that there is an insouciance, if I may say.

Dame Helen Ghosh: On the technical point, we will do a lessons-learned exercise, as you know, which is currently being produced. It will be classified, but we will share it in its classified form with this Committee and the Home Affairs Committee. I think that the question one has to consider is that—you are absolutely right. As Neil said, LOCOG's 2010 estimate was obviously an underestimate. With the additional information that they had and shared with us and the additional work that we did in 2011, we got to an accurate estimate—it proved to be an absolutely accurate estimate.

Q45 Chair: Why didn't you own the 2010 estimate?

Dame Helen Ghosh: Because we recognised, as Neil has said, that, at that stage, it could be no more than an estimate because—

Q46 Chair: Didn't you own the figures?

Dame Helen Ghosh: No, they were local figures. We acknowledged them, and we had no grounds on which to challenge them. We did not know, for example, all the facts of the scheduling, for how people move around and so on. Both this report and the HASC report—and indeed the PwC review, which, no doubt, Mr Buckles will talk about—emphasise that the fact that it was only in the summer of 2011 that we were able, because of these circumstances, to define the number of guards that were required was not the cause of the ultimate failure.

As the PwC report says, G4S were perfectly capable, as all the data in the early months of 2012 showed, to get that number of guards; that was not the problem. You will want to talk to Mr Buckles about what the problem was, but the fact that we had moved from 10,000 to 23,700 by summer 2011 did not cause the problem. Indeed, one would want to be as accurate as possible for budgeting and forecasting, but that was not the thing that caused the problem.

Q47 Ian Swales: Before we get to Mr Buckles, can I build an important factor here in the form of a question. By doing this as late as you did, how much commercial freedom of action do you think that you then had to fix this? Were you able to talk to the witnesses at the other end of the table, and others, about what you were going to do? The thrust of our

previous hearings has not been about the failure to deliver but the enormous escalation of cost and the huge contract that was ultimately awarded. Before we get to the fact that the contract was not delivered, can we talk a bit about what your commercial room for manoeuvre was at the point when you were thinking about spending this huge sum of public money?

Dame Helen Ghosh: Indeed, and on the contract I will hand over to Neil. The discussions about how, from summer 2011, given what now we agreed was a much higher man guarding—as it is called—provision, were absolutely open and transparent. Whether it was with the military on the contribution that they could make under the mixed-economy model, or the DCMS and LOCOG on how many volunteers we could provide, through the summer and autumn of 2011, leading up to the contract, that was a completely transparent and open process, done with all of us involved and with expert advice from the Departments represented here. Neil, do you want to talk about the contract?

Neil Wood: There are three points we could make. First, we sign up with suppliers early with many of our contracts on the basis that we can amend the contract as we go forward. We think that getting a partner on board early is a good thing. We signed up G4S back in 2010. We think that was a good thing because it allowed us to have a partner on board. Secondly, when the number of security guards increased we moved to a mixed economy. We built in safeguards so that not all of the requirement was with G4S. We brought in the military and we used other incumbents as well.

Q48 Chair: That was in the 10,000?

Neil Wood: In the 23,000.

Dame Helen Ghosh: It is not in the 10,000.

Q49 Ian Swales: Can we get it on the record that the contract you already had with G4S forced you to remain with G4S to get the extra guards you needed?

Neil Wood: I would not say it forced us to stay with G4S. I think that G4S was the right choice. It is the world's largest security company. If any private security company was going to be capable of delivering the guards, it was G4S.

Q50 Ian Swales: The reason for asking the question is that we have had evidence previously that the contract then trebled in size. It is important to understand what commercial freedoms you had at that point, and it sounds like the answer is virtually none.

Neil Wood: The reality is that when we opened up the initial bidding for security, there were only a limited number of potential suppliers. G4S by far and away were the most capable of all those suppliers. We shouldn't believe that when the number of security guards increased we would have had a huge choice. G4S is the biggest security company in the world.

Q51 Chair: But you could have had separate contracts for separate venues.

Neil Wood: In many cases we did. In many cases we used incumbents. We did for some of the football matches, for example.

Q52 Chair: So you didn't need to have one overarching contract and say, "G4S are the only ones who can do it". You could have split it up.

Neil Wood: The model we came up with was using G4S—

Q53 Chair: You chose a model.

Neil Wood: We chose a model. We thought it was the right and appropriate model. We thought that G4S was more than capable of delivering the number of guards.

Q54 Ian Swales: My point is simply about the money, not about the capability of the company. If you are trying to tell us that G4S was the only company in the world that could deliver this, frankly I don't believe you.

Neil Wood: There are other things you need to consider. If you use multiple security firms, they have all got to go out into the market and hire because there are not that many trained security guards available in the market. Either you use one organisation that does not compete against itself, or you could have half a dozen all competing against each other, and the price would go up. We made a choice.

Q55 Ian Swales: So the answer to my question about commercial freedom is that basically you did not have any at that point. You had to allow the escalation of the contract with G4S on its terms. Is that right?

Neil Wood: No.

Nick Buckles: I think you have to take something into account. When the contract was renegotiated from August through to December, you have to be mindful of the fact that the UK Government is a huge customer of ours. They spend £700 million a year with us. We were under as much pressure to come up with decent commercial terms as LOCOG was. It was an open book exercise, it was fully transparent, margins were all agreed and understood and all the cost stipulations were set in the contract and passed through cost. It was an open book exercise. To a certain extent, I would say that there did not need to be competitive pressure. The pressure came from the fact that we wanted to be part of the Olympics and we wanted to do a good job for the UK Government, and our people wanted to. I don't believe that was a key issue commercially in the contract negotiations.

Q56 Ian Swales: We can understand from what has happened since how important your reputation is in relation to Government work. We can see that. The reason this Committee was concerned about the way the contract more than trebled in size was partly because of details that appeared in a letter from Dame Helen and Mr Stephens in January last year about the content of how the contract had escalated. There were huge increases in programme management, IT costs and so on, completely out of proportion to what you would expect. If G4S was capable of delivering the 10,000 people with one set of costs, it did not seem credible.

Dame Helen Ghosh: It was a very different requirement. Again, Neil is the expert. The crucial difference was with the original contract. My colleagues can speak in more detail. With the original

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contract, G4S were proposing at that level to supply 2,000 guards from their own work force, already trained and accredited. As we have previously discussed with the Committee, they would not have had to build a new machine to hire, train, accredit, move around. The key difference between the first contract and the second contract, the single large item that Jonathan and I explained in our letter, was that you could not hire, recruit, train and organise that number of guards—10,000 guards—without building a new project-management, programme-management machine. That was the big additional cost.

Q57 Chair: Can we just ask Mr Buckles? We don't want you to repeat the evidence. Maybe you will have to give it to us succinctly. Tell me how many people you employ as guards in the UK?

Nick Buckles: In the UK? We have got about 50,000 staff. We have 670,000 worldwide.

Q58 Chair: So you originally thought you would get 2,000 from that 50,000.

Nick Buckles: We have events staff in the UK we felt we could use on some of the posts.

Q59 Chair: You would do no additional recruitment at all.

Nick Buckles: There would have been some, yes, but not a huge amount.

Q60 Chair: Some? How much?

Nick Buckles: I don't know that estimate, but it is not significant. The new operation was providing infrastructure support for the whole 23,000: whole meals planning, accommodation planning, logistics planning.

Q61 Chair: Who was going to provide that in the previous 10,000?

Nick Buckles: I've no idea actually. I don't think it had got into that level of detail.

Q62 Chair: Who was going to provide it for the 10,000?

Neil Wood: I don't think we were at that level of detail.

Q63 Meg Hillier: The money that you had agreed for the 10,000 contract was an underestimate if no one knew who was paying for meals and accommodation.

Dame Helen Ghosh: It is not comparable with the later figure. It just demonstrates the point that it isn't comparable.

Q64 Meg Hillier: The 10,000 was for the people, not some of the on costs.

Dame Helen Ghosh: The £85.5 million was the cost in 2010.

Q65 Meg Hillier: Which didn't include meals and some other on costs.

Dame Helen Ghosh: No, it did include some.

Q66 Chair: Let's just get this point. We are talking about management and operational. The management

was £7 million when it was 10,000 and it went up to £60 million. Operational was £3 million and it went up to £65 million. Management covered recruitment and IT. Stop me if I am getting this wrong. Operational covered uniforms and travel. When you signed the original contract, presumably the 10,000 needed to travel, have uniforms, be on some IT system, though perhaps did not need to be recruited. I accept that. Where was that going to be funded from in the original contract?

Dame Helen Ghosh: In the £85.5 million—and we put all these details in the original letter but I am sure my colleagues would be happy to give them—we did indeed have figures for travel, accommodation and uniforms. That was £10.6 million. It was not that we were not providing for all those things. The point that Mr Buckles was making was what was the assumption about—

Q67 Chair: Was that in the contract?

Neil Wood: Yes.

Dame Helen Ghosh: Yes, that was in the contract.

Q68 Chair: Then the justification for these increasing figures—that you were taking on a different job—falls apart.

Dame Helen Ghosh: No, it absolutely does not fall apart, and we would be happy to justify that.

Chair: It does. You can't keep saying that. Am I being mad? Somebody else take this on.

Q69 Ian Swales: One of the things that comes out of this for me—and is very important as far as the reputation of G4S is concerned—is that the numbers that we have seen are just not credible, given what we thought we were buying for the first set of numbers, and what the second set of numbers appears to cover. The reason I talked about commercial freedoms—and Mr Buckles rightly talks about his company's reputation—is that there has got to be, through another piece of work or whatever, a bit of transparency to rebuild the trust that says that, faced with that situation, the amount of money we were prepared to pay for G4S was fully justified. I think this is the third time this Committee has discussed this and it is hard to—

Neil Wood: Perhaps I can help shed some light on this. The biggest single change, the biggest single cost increase, was the project-management office, which went from about £7 million to £57 million. The reason for that was, as Mr Buckles has laid out, that in the initial arrangement G4S was required, out of the mix of 10,000, to provide only 2,000. That could, by and large, come from its existing work force, with some modicum of additional recruitment. When we increased the number of guards, we had provision from the military, but the amount that G4S was required to provide went from 2,000 to 10,400, which is a five-fold increase. G4S said that it was unable to provide that from its existing work force. In fact, there was not that body of security-trained personnel in the UK market who could be made available. G4S therefore had to effectively to set up an organisation to take members of the public and recruit and train

them, and that was a significant operation that required a very significant set-up.

The £57 million was therefore effectively to set up the new machine. About £30-odd million of it was for the provision of 800 to 900 staff within G4S. About £6 million or £7 million was for the IT infrastructure required and some additional office space and training and so on. It was a fundamentally different operation and that was the biggest shift. Yes, of course you have additional operational expenditure, such as transport, accommodation and so on—

Q70 Chair: That went up from £3 million to £65 million between the two negotiations.

Neil Wood: Some of that was within the G4S contract for provision. Some would have been within the broader security contract.

Q71 Meg Hillier: Are you saying that the £65 million is not in the G4S contract?

Neil Wood: Under the new regime, because G4S was managing such a large proportion of the overall security work force, it also took on responsibility, except for the military, for all the accommodation, all the transport, all the uniforming, all the rostering and the scheduling and so on. They took on a bigger role.

Q72 Ian Swales: I am sure the Chair will stop me if she wants to carry on with this, but, having accepted our scepticism, clearly in the end it did not get delivered. The question for Mr Buckles is: do you regret taking this contract on? Did you think at the time that you would be able to deliver it?

Nick Buckles: Listening to the earlier conversation, we have done our lessons learned with our external review. When the contract changed so significantly in scale and scope in December, we did not stand back and rethink the project management resource requirement against the big change in project requirement. It became an incredibly unique contract for us against the contracts that we usually deliver.

We have successfully delivered many contracts in the past five years at least. We have delivered six in the UK in the last 12 months, but we did not step back and say, "This is a very different and unique contract." We had six months to set something up, and we did not spend that time at that point assessing that. The review said that the contract was achievable.

The two main failures that we made in the contract delivery were, first, on the management information of managing that work force through the process of getting them Games-time ready. It is interesting to hear that there was a two-year programme of communication with the volunteers. We did not have that time; we had a very short period of time.

Secondly, the project management methodology, which has served us very well in other contracts—we tend to take on contracts that run for five years at a time, take on a lot of existing resource and take cost out and improve service—was not the right methodology and was not fleet of foot enough to deal with the complexities of this contract. Those were the two main findings that we had.

Q73 Ian Swales: I am not sure whether anyone on the Committee has seen that report, so forgive me if we are repeating things that you have already answered in other places. At board level, did you consider the reputational risk of taking this contract at the time? I do not mean now; I mean at the time when you were originally moving into this regime of doing something much bigger.

Nick Buckles: We certainly undertook a major review of reputation at the first contract point, because our big concern was liability around incidents. That has always been our main concern from the security contract. We did not, as I said just now, take a large enough step back in December last year to review the operational risk around the massive change in the contract requirement. That is, again, something that we have learned from this contract.

Q74 Ian Swales: Is it true to say that, of the £700 million the Government spend with you, a lot of that is to do with routine activities, running prisons and moving prisoners about—I know that you are involved in the Work programme and other issues—and other things that tick over day to day?

Nick Buckles: They are complex, but once you get them right, you are then improving on the service that you have set up. This was incredibly unique for us.

Q75 Chair: What proportion is that £700 million of your turnover in the UK?

Nick Buckles: Our turnover is about £1.6 billion, so it is just under half.

Q76 Ian Swales: This was a very big deal for the UK business. It should have been massive in your management attention.

Nick Buckles: Absolutely.

Q77 Ian Swales: Yet, when we watched the TV rolling week after week, it was quite evident that there were massive management breakdowns—people being trained and never spoken to again. They were interviewing people: "Oh yeah, I have been through the training, but nobody has contacted me." The systems must have been in absolute chaos.

Nick Buckles: One of the critical failures was the management information around the candidate tracking and keeping in touch with those candidates. The issue was that the time scale was compressed. We started recruiting, training and screening people in a non-sequential fashion. By the time we got to the end of June, we had lots of people nearly ready but not many who were absolutely ready. That was why it was such a late call on our behalf to say, "We are having significant problems."

Q78 Ian Swales: Did you think that you would make more money by starting late? Was there ever that kind of discussion?

Nick Buckles: No. All the costs up to the actual delivery of the security officers were in the management set-up costs, which we were incurring on a month-by-month basis. It was open book accounting. We couldn't actually defer or save money, because it was all passed through. The manpower

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itself, we could only bill for once they were on site and providing service.

Chair: Austin, then Meg, and then I want to try to start hearing from Sir Nick Parker.

Q79 Austin Mitchell: I still don't understand at what stage it became clear to you that you had bitten off more than you could chew.

Nick Buckles: What we have said—this is very well documented—is that all the way through May and June, our candidate pipeline looked like it was going to deliver. We needed 15,000 to 16,000 staff on our books to deliver 10,800, because you have so many people off shift. It looked like that was exactly the number that we were going to deliver.

But the problem was the management information over having them accredited, picking up passes and having the right training skills for the venue they were going to. We had nearly all of it there, but we couldn't guarantee that each of those individuals was going to be ready. That is why, ultimately, we did deliver 16,000 trained security officers; we just didn't get them in time for the start of the Olympics.

Q80 Austin Mitchell: Wasn't that partly your fault? My grandson, who applied for a job, I think, in April, didn't hear anything for several months. Meanwhile—this will be a common pattern with students—he had taken another job. So they just weren't available. So it was your messing about in the recruitment that caused the shortage.

Nick Buckles: From the word go we have accepted that we didn't do a good job on the candidate recruitment. There were candidates who didn't get employed, and we have said that. But the fact is, we did ultimately get 16,000 people. We could have done it better. We wouldn't have had the failure that we had in not delivering the whole contract if we had done it perfectly well. We have accepted that.

Q81 Austin Mitchell: What compensation are you now going to have to pay for the fact that the police and the Army had to be brought in? How much is it going to cost you?

Nick Buckles: We have said all along from the word go that we are going to pay for any additional cost for the military and the police. We are going on record again to say that we are very grateful that they helped us through a very difficult time. Then it is really the additional cost that we have incurred to make the contract good in the end. Thirdly, it is any degree of compensation around penalties in the contract that we quite rightly will pay for failing to deliver on the whole contract.

Q82 Chair: Can you describe the penalty clauses for us? We are always interested in penalty clauses.

Neil Wood: There are various penalty clauses and service credits in the contract. Most of the penalty clauses are designed for what I would call marginal failure. We did not have a marginal failure; we had quite a substantial failure. The negotiation we are now having is around a basic contractual concept, which is that you don't pay unless you receive the service.

We are negotiating with G4S, and I don't want to go into the details, because we are in the middle of the negotiation. But there are three basic principles. G4S has already agreed to pay for the military and the police. That is accepted; they are going to do that. There will be no additional cost to the public purse for G4S's failure—this is principle two. Principle three is that we will only pay where we have received a service or value. That is what we are negotiating with G4S.

Q83 Chair: Let me just put two other things. It seems to me that if someone fails to deliver, there should be a penalty for failure to deliver. Secondly, we are now three months from the end of the Games. It seems rather odd that you are still in negotiation. We are going to have to come back to it at the end—again. We think it should be concluded.

Nick Buckles: It is in all our interests to get the negotiation finished as quickly as possible. The reason it has taken a while is just the complexity of gathering the information. We have had to bill for 6 million hours of security. We have had to process 100,000-plus pieces of paper to make sure we have back-up to all the costs we have incurred in delivering the contract.

Q84 Chair: You don't usually wait so long to get paid, do you, Mr Buckles, because you wouldn't have a very good business model if you did?

Nick Buckles: We were told we weren't going to be paid till we had reached settlement anyway, and we haven't been, so it has really been a case of getting all that information together in such a way that LOCOG can work through it. Secondly, we have been waiting for a detailed breakdown of the military and police costs so that we can ensure, when we pay them, that we're happy with the make-up of that. So it has not been negotiating; it has been getting the information together to form the basis of the negotiation.

Neil Wood: As Mr Buckles said, we stopped paying G4S the day after we heard that they were not able to fulfil the contract, and we have been very clear, and they have accepted, that they are not going to receive payment until we have finally settled—

Q85 Chair: Okay, but you should just hear from this Committee that we see all too often what happens if there is a failure of a private sector provider delivering public services. It should not just be the case that you're not paid for what you don't do, which is fair enough. There should be a penalty for failure to deliver. We are publishing a Report that shows—

Nick Buckles: There are penalties in the contract for that.

Chair: Yes, but it sounded a bit odd to me.

Q86 Ian Swales: Mr Buckles, you have announced to the stock market that you expect to lose £57 million on this contract. Is that £57 million against the profit you expected to make or—there are two ways of saying a loss—is it that your costs will be £57 million more than your income?

Nick Buckles: Yes.

Q87 Ian Swales: The latter.

Nick Buckles: Absolutely. We were very clear from the word go: we will make a £50 million loss on this contract, so that's £50 million more cost than revenue we are going to get. There's no profit in the contract whatsoever on that basis. It's a £50 million loss on the contract.

Q88 Ian Swales: Hold on. When you say "the revenue", you mean turnover—

Nick Buckles: Yes. Roughly speaking, it's a £250 million revenue contract and it will cost us £300 million—or knock £50 million off if you take the military in a different way, etc.

Q89 Ian Swales: So am I right in saying that you expected to make, clearly, a significant profit on this contract?

Nick Buckles: No, the profit was going to be £15 million on 280. It has always been a low-margin contract, and that's why I am saying it was commercially negotiated on the same terms as we had for the original contract.

Q90 Ian Swales: So you expected to make £15 million profit and now you expect to make a £50 million loss on the contract.

Nick Buckles: Correct.

Q91 Ian Swales: Is that loss calculated with any internal—

Nick Buckles: No—no internal allocations.

Ian Swales: Transfer pricing or—

Nick Buckles: None whatsoever. It's a completely stand-alone contract.

Q92 Meg Hillier: Chair, I want to come in quickly to ask a question of Nick Buckles and then I have a point to raise with Dame Helen and LOCOG.

Mr Buckles, I recognise that G4S is actually a good employer for many of my constituents, who appreciate working for you. However, many of my constituents applied to work right next door; they live next door to the Olympic site. They applied to work for you and they were treated—I won't repeat what Ian Swales said, but they were treated very badly, very shoddily. They came away with a very negative view of you and a loss of opportunity and a huge disappointment. I wondered whether you would like to take the opportunity now to say something to my constituents and others who lost out.

Nick Buckles: Yes, I have said all along that we didn't—we did provide 16,000 staff that did have a good time; we certainly let down a lot of other staff that didn't. I certainly apologise to them for an experience that was bad. We hope to have compensated some of them, if they have applied for compensation. We have worked with the GMB to make sure there is a scheme in place to deal with that. But the important thing is, we do want to be known as a good company to work for. We have 50,000 pretty happy employees in the UK and 670,000 worldwide. It is a major issue for us that this has happened, and we want to put it right.

Q93 Meg Hillier: I appreciate that. I will make sure I drive constituents who want a job to your door in future on that promise—and I will be on your back if they have a bad experience, I can tell you.

Dame Helen, I want to refer you to page 16, paragraph 1.26, which talks about the Olympic Security Board flagging "the risk that the private sector would be unable to meet the needs of the security programme as 'very severe' by as early as May 2011", and that is when you began to do close monitoring and assurance. Then LOCOG, so Mr Wood—in April 2012, you commissioned work from Deloitte, and it was the first time you exercised your audit access rights to review the G4S programme directly. You talked earlier about it being very difficult and so on. You knew then, in May 2011, there was a problem, but it was not until April 2012 that this level of audit was undertaken. What happened between May 2011 and April 2012, Dame Helen, if the Olympic Security Board, which the Home Office was responsible for, was actually aware of this very severe crisis?

Dame Helen Ghosh: The Olympic Security Board, chaired by Charles Farr, met on a very regular basis and, from the summer of 2011 to Games time in 2012, it was meeting G4S and LOCOG on this particular issue on a very regular basis. By recollection, I think they had 40 meetings between January 2012 and July 2012, specifically to talk about this issue. So the idea that we only just woke up to it—in the sense that we were alert, and we had identified from the moment that it became clear that the requirement—

Q94 Meg Hillier: Are you saying that you disagree with the Report?

Dame Helen Ghosh: Sorry, I could not immediately find it. What reference was it?

Q95 Meg Hillier: On page 16—paragraph 1.26—the Report says that you "had flagged the risk that the private sector would be unable to meet the needs of the security programme as 'very severe' by as early as May 2011".

Dame Helen Ghosh: Jonathan was around at the time. Can we just go back to the fundamental issue of risk?

Q96 Meg Hillier: You were around at the time, too.

Dame Helen Ghosh: I was around at the time, too—just.

We always knew that a key risk in the security programme was whether or not enough venue security guards would be produced. Therefore, it was consistently flagged as a risk. Just to fast-forward to early 2012, we were most concerned that the risk was not the number of people they would be able to recruit, but in fact the number of people they would be able to train. The discussions that we had with G4S and LOCOG during that period were about both the training issue and the delivery—the numbers coming through.

Q97 Meg Hillier: You keep fast-forwarding to the beginning of 2012. What happened between May 2011 and then?

Dame Helen Ghosh: One of the things that happened was that we spread our risk. We decided that when we

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knew that it was 23,700 and not 10,000. That is why we started discussing in spring 2011, with Nick Parker and his team and others, the idea that you spread your risk. By the time we got to our contract in December 2011, we had decided that we would spread the risk by assuming up to 7,500 military and so on.

The point I was trying to make was this. Were we asleep on the job? Absolutely not, in the sense that we were having, throughout that period—2011 and 2012—very regular contact with all parties.

Q98 Chair: I am going to bring in Sir Nick Parker, who has been sitting there very patiently. I think that any of us who went to any of the venues and saw the excellent way in which the Army handled the security were incredibly impressed, particularly because presumably lots of them lost their holidays and everything. From this Committee, there is a real “Well done” to you, too, for stepping in and delivering excellence in terms of venue security.

What we know is that you were asked, if I have got this right, for an extra 3,500 at a very late stage. Are my figures right?

General Sir Nick Parker: Thank you very much. It was not the Army but the armed forces, because we had components from all three armed services.

Chair: Sorry.

General Sir Nick Parker: Very briefly, there were three parts to our security operation. There was the defence specialist tasks, which amounted to about 4,000 people, planned long in advance. We had a 1,000 man contingency force that was to be used either on the venues or elsewhere in the Games, which again had been earmarked a long time in advance; this is sitting out above everything that you have been talking about. The third component, agreed in December 2011, was the 7,500 venue security force.

For me, from that point there were really three further milestones, which took us to the point of your question. The first was in April 2012. You will understand that we automatically, without being asked to do so, looked at whether the threat was going to increase or decrease, and we were also honestly looking to see whether the security model that we were working with was going to function well.

Nobody asked us to do that; we just thought it was prudent to do so, partly because I was being quite difficult about keeping the military in discrete blocks. That was itself giving LOCOG a bit of a problem, because it would have been much easier just to allocate individuals to security slots around the venues. When we arrived on the scene, we introduced a bit of friction, and I wanted to be absolutely clear that I was doing the right thing and not making it more difficult for the other stakeholders in this to do their business.

In April, effectively on the basis of a rise to critical, we looked at whether we needed more forces. We identified a further 4,000 in two waves of 2,000. The reason for that was that we needed a quick reaction and we had 48 hours’ notice to move; we had 2,000 people already on standby for other contingencies to be earmarked in case the alert state went up to critical. We then earmarked at seven days’ notice to move on the basis that we would give them time to do their

normal business and give them warning if things were going to change and earmarked another 2,000. They were stacked and are recorded as 2,000, but actually 4,000 people were warned. That was based on a shift to critical, but clearly we knew that we could use these people to cover risks in the security contract if they emerged.

We monitored the contract very closely, as you would imagine, and were again using our initiative. But we heard similar stories that people were getting information that wasn’t necessarily being carried through, so through May and, particularly after the test events that took place in May, we were beginning to work on contingencies just in case things didn’t go according to plan.

We knew that the evidence whether things were going to go according to plan was going to be very late because the profile of the contract left an enormous amount of training into the last three to four weeks. Our indicators that we were going to have to react were not going to give us enough time to react, given the sort of numbers that we might have to shift.

The third milestone for me was at just about the end of June when it became clear that we were already starting to have some difficulties with what was referred to then as the lockdown—the security lockdown of each of the island sites. The security force wasn’t turning up on time and, at that point, I directed that three contingency plans were to be put in place. Again, we did this on our own initiative, just in case—and three contingency plans looked at the early part of July, the middle of July and, at the end of July, things were not going well.

I have to say that, in the first two weeks of July, it became clear that things were not going very well and we put a lot of military people into all of our various stakeholders, including the headquarters of G4S, so we knew what was going on and were able to react in time. It was maybe a little bit uncharitable, but we put our hand up the back of the security organisation just to make sure that we knew exactly what was going on, and we could tweak it if it would help. When the white flag was waved on 11 July, that was the point when we committed the 3,500.

Q99 Chair: From the 4,000?

General Sir Nick Parker: From the 4,000. The way in which military numbers work, you can never absolutely pin these down, but these people would all have been warned off in the 4,000 that we identified in May.

Q100 Chair: That sounds like you were the only person planning for contingency. Did LOCOG know you were doing all this planning?

General Sir Nick Parker: Absolutely, and the Home Office.

Dame Helen Ghosh: And we knew too. It was very much a collaborative enterprise.

General Sir Nick Parker: It is sort of what the military does. We were scanning the whole town to see what—

Q101 Mr Bacon: You don’t want to run the whole Government, do you?

General Sir Nick Parker: The two big risks associated with the operation were the threat increasing and other stakeholders in the security operation failing. To be honest, we had to get on with that as quickly as possible, because you can't react as quickly as it looked as if we did react.

Q102 Chair: One thought that we should have covered earlier was clearly running the contract in a way that left it all so much to the last minute in terms of recruitment and training. It was so finely timed at the end that it sounds to me not the most sensible of planning.

Neil Wood: The challenge there, and Mr Buckles has referred to it in previous hearings, is that you can't actually recruit a year in advance a temporary work force who are really only going to work for two, three, four weeks.

Q103 Chair: I don't think that anybody was asking a year in advance, but a few weeks in advance might have been helpful.

Neil Wood: Mr Buckles has previously said that he wouldn't have started recruitment until January in any case, so the timing of when we informed G4S that the requirement was going up had no impact on his plan for recruitment.

Q104 Chair: Maybe you should have recruited. Somebody along the line should have recruited earlier and trained earlier.

Nick Buckles: The issue there was that they would not get paid until they worked.

Q105 Chair: Maybe you should have paid them for a couple of weeks more to make sure that they were there. It is down to you guys to negotiate it, but if venue security is a priority, it is more important to get them there. In a £9.2 billion budget, that should have been built in.

Q106 Ian Swales: I don't want to replay previous hearings, but when we—as we did do—queried in great detail the labour costs that were in these contracts and divided the labour costs by the number of security guards, especially when you allowed for volunteers as well, it seemed like there was an awful lot of money per person. Part of the answer was, “We will have them around for longer because of training,” and so on. This thing still smells to me. There is something wrong somewhere. The amount of labour costs—£340 million was in the letter we got. I'd like to understand how that money actually ended up in the pockets—

Nick Buckles: We spent £127 million on labour for 16,000 security officers.

Q107 Ian Swales: Right. The total labour costs in the letter that we got were just on guard force costs—£345 million was in the £582 million.

Neil Wood: That is not labour. Broadly speaking, there are nine and a half million hours of guard force labour in what we call the “Games time period” from about the beginning of July until shortly after the end of the Paralympic Games. Roughly speaking, it works out at

just over £10 an hour on average. It is about £100 million. Mr Buckles has a slightly higher figure because he recruited and paid a higher number to get some contingency.

Nick Buckles: And my figure went through to January.

Q108 Ian Swales: As I say, I don't want to replay it, but I seem to remember that some of our answers last time were to do with, “Yes, but you can't just employ them for the two or three weeks of the Games because you have to train them.”

Q109 Chair: They were.

Neil Wood: That is true. There is a period prior to the Games; there is a period for which you have to pay them to turn up for training, but we were trying to work within the constraints of a budget. We have had an earlier conversation about the challenges of budgeting. You could, I guess, have hired people and paid them to be on standby for a month or so.

Q110 Ian Swales: Not just standby; learning the job and getting it right. That was the impression I got from the previous hearing.

Neil Wood: The issue wasn't learning the job and getting it right. It was being able to deploy the people who had been accredited and trained, and actually deploy them. Mr Buckles has already laid out some of the management failings.

Q111 Justin Tomlinson: From a different angle, I am interested in feedback from the armed forces. I have three specific questions. Would you say, in hindsight, that those who were deployed enjoyed it? Was it a valuable experience for them? If, hypothetically, the Brazilians tripped over and said, “We can't host it. The UK did so well, would you host it once again?” would you proactively offer your services?

General Sir Nick Parker: Your first question: I should play back the comments that have been made by the Committee about the Games Makers. There was, as you all know, a real sense that this was a once-in-a-lifetime event and participating in it was exciting, worth while and rewarding. I sense that the vast majority of the armed forces that were involved felt like that. That is not to say that some of them had not been working very hard, hadn't had to adjust their holidays and those sorts of things, but because we had been able to warn the vast majority of them off, we were able to mitigate against that.

To be frank—always dangerous—when it became a crisis, a crisis is what we do. You had this really exciting opportunity, once-in-a-lifetime and a crisis, and you put those two things together and it becomes an enjoyable and a massively valuable experience. We tested our logistics in a way that we hadn't for some time, and there was a lot of value from that.

Q112 Justin Tomlinson: So if, suddenly, we are staging the Olympic Games in three years' time, would you proactively offer?

General Sir Nick Parker: I think you know that I am not going to answer that question. I could just say that I have been to Brazil and spoken to the Brazilian

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army. Rio is the most fantastic venue for the 2016 Games.

Q113 Justin Tomlinson: To rephrase the question, would you recommend that the Brazilian army offers its services?

General Sir Nick Parker: That is very pertinent question. That is for the Brazilians to decide, but we did notice that in the way that the Brazilian constitution appears to be constructed, the army has a different role to play and it may be appropriate—

Q114 Chair: I think this is probably one of the final questions before we move on. You are clearly calculating the obvious costs—the costs of salaries, pension contributions. What were you not able to do because you had 4,000 people having to act as security guards who would have been otherwise employed?

General Sir Nick Parker: It is really difficult to answer that question because, of course, by April people were starting to aim off in the 4,000 that we had warned. You just know that you are going to have to shuffle things around in order to meet a new commitment, so a lot of things will just be moved to the right or adapted.

Q115 Chair: Like what?

General Sir Nick Parker: Leave. A lot of leave is being taken now or was moved.

Q116 Chair: What impact has that had on your other responsibilities?

General Sir Nick Parker: Not a great deal. You remain on standby when you are on leave anyway. We have recall procedures. You send someone on leave but there is a recall mechanism to bring them back within however many days that is necessary. The impact in that respect has been relatively manageable. I can think of two instances where we had to adjust slightly major exercises, but it was an adjustment and not a cancellation. There were no direct cancellations as a result of what we were doing because we were able to plan far enough out.

Q117 Chair: Were there indirect costs?

General Sir Nick Parker: There will inevitably be some opportunity costs related to this. If somebody was going on leave and had to cancel it and their insurance had not been paid for some reason, then that would come back to us. There will be some such costs, but we will pass those, as much as possible, through to the Home Office.

Chair: And?

Neil Wood: They are being settled by G4S. That is part of the analysis that the MOD has provided, which we have passed on to G4S and they have agreed to settle.

Nick Buckles: We said that we would pay all additional costs. We just need to see evidence of it, but we are very happy to do that.

Q118 Chair: So, operationally, it did not impact on your ability to deliver for Britain—in its defence capabilities?

General Sir Nick Parker: No. The other point to note is that we did not keep people on the job for a moment longer than they needed to be. We were quite ruthless about pulling people off. It is worth noting that by the time we got to the interim period and then the Paralympics, G4S were largely doing the job that they had been commissioned to do.

Chair: I only saw the armed services at the Paralympics.

Q119 Fiona Mactaggart: I am interested in the overall cost envelope and who gets what moneys are left over. I am a bit concerned that if you look at figure 3 on page 23 in the report we learn that central Government provided about 67% of the cost, the lottery about 23% and the Greater London Authority and the LDA under 10%, yet the arrangements for repayments seem to put a huge amount of power in the hands of the Greater London Authority and the LDA, which are having a contract that will decide how moneys are handed on at the expense of the bigger contributor, which is the lottery. You will be aware, Jonathan, that I have been writing to the Secretary of State and have secured a statement that there will be, from the underspend, something like £30 million to £50 million going to the lottery. That is the first time that most of the good causes have had any idea of the kind of sums that they might get in the short term. What I am worried about is, in handing over the payback, which will come from the sales and so on, what mechanism can be used that ensures that the good causes get it. They are not in this circle. It is a circle of other people.

Jonathan Stephens: The guarantee is the contract with the GLA.

Fiona Mactaggart: But the good causes are not in it.
Jonathan Stephens: But that contract has been negotiated by us specifically to protect their position, to ensure that they share in the receipts that are generated from development. This year—2012—we converted what was previously a non-binding memorandum of understanding into a binding contract. At that stage, we also brought forward the stage at which receipts would accrue to the lottery, so it will get receipts earlier than would have been the case under the previous memorandum of understanding, and its position is clearly protected.

Q120 Fiona Mactaggart: Only if sales are completed.

Jonathan Stephens: Indeed.

Q121 Fiona Mactaggart: What is the incentive for the Greater London Authority to ensure that those are completed?

Jonathan Stephens: The incentive is partly that they are sharing in the receipts. The development corporation exists precisely to develop the asset and to regenerate the area as a whole.

Q122 Chair: Let's just ask two final questions, and then we will move to the legacy. Can you now tell us, Mr Wood, how many tickets were for accredited seats, which were not publicly available?

Neil Wood: Perhaps I can explain the way accredited seating works, because it is not directly comparable to tickets. There are four groups of individuals who get access to accredited seating. The first is broadcasters, and generally speaking there are no seats, because the broadcast position takes up a number of seats; the second is press and photographers; the third is athletes; and the fourth is officials and what we call the Olympic family—those individuals who are working on the Games. The number of accredited seats varied by venue, and also varied to a certain extent by session. Broadly speaking—as I say, the numbers do vary—broadcasters got about 5% of the gross capacity of the venue; the press and photographers took slightly more, with somewhere between 5% and 7%; athletes took 1% to 2%; and officials took about 1%. Those were the broad allocations.

Q123 Chair: So about 12% to 15% of the totality, which probably runs into 1.5 million seats.

Neil Wood: Something of that order.

Q124 Chair: So if you had 1.5 million, why did you release only 100,000?

Neil Wood: Because those accredited seats are provided under contract. In the host city contract, you have to set aside those seats for accredited individuals so that they can do their job.

Q125 Chair: I understand that, but they were obviously not used, and we saw the empty seats. You released only 100,000 seats out of 1.5 million.

Neil Wood: We knew from previous Games that there can often be an issue with accredited seating not being used, certainly in the preliminary rounds. That is, for example, because athletes are busy training and have not been knocked out of the competition, so they do not tend to go and watch their fellow competitors. So we negotiated over the two years with the various client groups to see whether we could reduce the amount of accredited seating.

Clearly, when the Games started there was still an issue with empty seats, and we moved as fast as we could to deal with that problem in the early days. That is actually technically quite difficult; in many cases, the route into those accredited seats is different, because you segregate the various client groups for security reasons. It is not a case of just moving the rows along and saying, “This will now be ticketed,” because in some cases you can only access seats through security. So it was quite a complex exercise. We released as many seats as we could. As I say, 90,000 were converted into ticketed seats, and we gave away several thousand to schoolchildren. After the first few days the problem was largely resolved, and you did not see any empty seating in the latter part of the Games, because the broadcasters, the press, the athletes and the officials were generally using those seats.

The other thing I would say is that you only tend to see one side of the problem, because it is very visible on TV. There were many circumstances where we had queues of officials, broadcasters or press in rooms behind seats, because they were just unable to get in.

It was very difficult, and we tried to mitigate the problem as best we could. To the extent that we could, we wanted to sell tickets because obviously that improved our revenue. So we did what we could. It was very difficult.

Q126 Chair: This is the very final question. We have had discussions about this before, Jonathan, but why can't you be properly transparent and produce a comprehensive cost for staging the Olympics?

Jonathan Stephens: I think this has been one of the most transparent projects that Government has—

Q127 Chair: No, the £9.2 billion. You know you and I have disagreed before on the true costs. The Report sets out a number of these points. All we are saying is that it would be more honest to have a complete, transparent, cross-Government costing of the Olympic staging.

Jonathan Stephens: We have always sought to set out very clearly what is in the public sector funding package from when it was formed in 2007—

Q128 Chair: That is not the question.

Jonathan Stephens: We have always set out also that there were some costs that fell outside that. We have also sought all along—the Committee's report brought that out in 2008. Our early quarterly reports brought that out as well. So there is no question of seeking to hide or being dishonest about the cost. What we have always sought to do—we were talking about continuity earlier—is to report on a continuous and consistent basis against the public sector funding package that was set out. That we have sought to do. This Report brings it out that a number of the costs to which you are referring are either costs that will be recouped from receipts, such as the land sales—those land sales were identified as costs that fell outside the public sector funding package from the very beginning of the budget being identified; there has been no attempt to hide that; we have always said that those will be recouped from development after the Games—or they are other costs, which by and large are costs of what can be and is described in the Report as “business as usual” activity. That includes lottery spending on, for example, sports participation that is statutorily required to be spent on sports participation. So, rather than seeing these as extra costs, I actually think that the Games have enabled extra value to be secured from existing “business as usual” spending.

Q129 Chair: We will come to that when we talk about the legacy, but I just have to say this to you. The land costs are big, and you do not know whether we are going to get that back. There was the cost of running the Government Olympic Executive. There is the £110 million that went from the Homes and Communities Agency into Triathlon. There was expenditure, as I have said to you before, on ensuring transport infrastructure. I do not know all the pots of money. I just think that for good transparency and for good government, it would be an important exercise to go beyond the public funding budget head and really do a trawl-through, so that there is an honest view of how much the Olympics cost us.

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Jonathan Stephens: I think I just have to push back on the “honest” word. We have sought to be clear and transparent. We have not sought to hide costs. We have—

Q130 Chair: Honest and comprehensive—a comprehensive view.

Jonathan Stephens: We have sought to set out clearly what is within the public sector funding package.

Chair: I know that.

Jonathan Stephens: And what is not. We have never sought to hide any of that.

Q131 Chair: But we don’t know everything that is out there.

Jonathan Stephens: What I am saying is that it would be, I think, an inaccurate and potentially dishonest view to include costs that were actually costs of activities that were largely business as usual. I think it is inaccurate and dishonest, for example, to include the cost of lottery support that is statutorily required to be spent on lottery support for sports participation. Yes, of course there was a great opportunity around the Olympics to add to the value that is secured from that spending, but that spending would have been spent on promoting community sport anyway. Of course there are legacy programmes associated with it, but that spending would have gone on sports participation—

Q132 Chair: On the lottery spending, there was money that was forgone from all sorts of other lottery funding, not just—

Jonathan Stephens: And that spending is directly included within the package.

Q133 Chair: Anyway, it is not just the lottery. I think you haven’t given us a comprehensive picture, and I regret that.

Jonathan Stephens: As you know, what I am setting out is—we have always sought to set out clearly what is in and what is outside the public sector funding package, so that everyone can understand the basis on which it is assembled. I think it is useful and one of the key points of learning about projects to have a consistent and continuous basis on which one is reporting. We set that basis out in 2007, and that is the basis that has been looked at consistently and helpfully by the NAO and by this Committee since then. I think it would be misleading to come along now and reinvent that budget at the last moment. Equally, however, we are taking very seriously the business of reporting against what has been achieved and, just as we sought to do before, to set out the costs that fall outside the public sector funding package. We will continue to do that, and also to report. We have already had one report on the benefits delivered against that up to the time of the Games.

Q134 Chair: Benefits against what—the public sector?

Jonathan Stephens: From the Games as a whole.

Q135 Chair: You don’t know. That is dishonest, if I may say so. If you do not see the cost, you cannot see the benefit, and we cannot at the moment see the comprehensive cost. I am going to stop there, because we must agree to differ on that. The Committee would have liked a comprehensive statement, but you felt that you needed to report against the funding package. I hear that. I just disagree with you. Thank you very much.

Sitting suspended for a Division in the House.

On resuming—

Examination of Witnesses

Witnesses: **Richard Heaton**, Permanent Secretary, Cabinet Office, **Dennis Hone**, Chief Executive Officer, LLDC, and **Jonathan Stephens**, Permanent Secretary, DCMS, gave evidence.

Jonathan Stephens: May I make one reflection on where we ended at the end of that last session? For my part, I want to take away and reflect on how we can ensure that we present the costs in a way that is not only consistent and clear but, as we have sought to do before, brings out any costs associated with the Games from outside the public sector funding package.

Chair: That would be really helpful.

Jonathan Stephens: And in a way that sets out why, if we think this, they are not genuinely net additional costs, so that everyone can reach their own judgment. People might end up in different places, but at least everyone would be able to see the basis on which we have reached a decision.

My second point is that I hope that the Committee will reflect on the use of the word “dishonest”. To my mind, it conveys a direct and deliberate attempt to mislead. In my opinion, that is directly contrary to the

requirements of the Civil Service Code, so it is quite a serious professional slur. You will know better than me whether that would be appropriate parliamentary language—whether it would be approved by Mr Speaker in the Chamber—but, just for the purposes of the Report, I ask the Committee to reflect on the use of that particular term, given the professionalism and integrity with which the Games have been delivered.

Q136 Chair: Okay. Let me respond by saying that I warmly welcome that, and if we can have a more comprehensive picture of the expenditure on the Games, we would welcome that, and it would allow us to make a better judgment. I am sorry if you were offended by the word “dishonest”, and I will withdraw it.

Jonathan Stephens: I very much appreciate that. Thank you.

Q137 Justin Tomlinson: First, I want to look at participation levels. I have just noted that Sport England has helpfully tweeted the current figures to me. I think it suspected that I was going to mention them. I am a big fan of Sport England, and I work with it. Looking at the figures, there was only a slight increase in participation after the Olympics. There was a bigger jump from October 2011 to just before the Olympics than after them. In my experience, we were all inspired when watching the television, and we all then got the bikes out of the garage and went off on a bike ride. My mother-in-law then crashed into a hedge, and that will be the last time she ever uses one. What are your thoughts about the participation legacy, because it has not been quite the explosion that we hoped for?

Jonathan Stephens: I do not quite recognise that picture. We want to see more people playing more sport, basically. The figures from the latest Active People survey results, published last year by Sport England, show that there are 750,000 more people playing sport than a year before.

Q138 Chair: But you've changed the criteria.

Jonathan Stephens: Which is 1.5 million more people playing more sport than when the bid was won.

Chair: Hang on. Let us be clear: the criterion has changed.

Q139 Justin Tomlinson: First, that has changed. That includes those who participate regularly, which is good, but those who only do it once a month has actually fallen, so there is a bit of movement within that. Perhaps what we have seen is that some of those people who were occasionally doing it are now doing it more frequently. But getting the whole of Britain active three times a week has suddenly become let us make sure they do it at any one time for 30 minutes. There is a positive movement. I will suggest what I think is partly the problem. We were all inspired, particularly the children. Athletics is a good example. They all turned up for athletics at the gymnastics clubs and they swamped those clubs because there were simply not enough volunteers. So my second question is: what is being done with the Games Makers—or those who were inspired by the Olympics to become volunteers—to encourage them to carry on volunteering? So when hundreds of children turn up at the athletics tracks and gymnastics clubs, there are sufficient volunteers and they are not turned away.

Jonathan Stephens: Again, I do not quite recognise the picture you are painting. We have 1.5 million more people doing sport at least once a week than at the time of the bid, and half of that increase has come in the past year. That shows significant growth. We want to see that continue to grow year on year.

If I can just pick up the measurement point, the point here is that what we are seeking to achieve is more people doing more sport. There was a genuine question as to whether the three times 30 minutes was the best measure of that, and indeed whether as a target, as it was originally set, it actually incentivised the right things. Or did it incentivise people who were already doing sport to do that little bit more, rather

than to get people who were not previously engaged in sport engaged in sport?

If I may give an example: when you think of a school age kid taking up football outside of school, he or she will go to a training session on a weekday evening and play a game at the weekend. If such a kid has taken up such a sport, that would not be caught by the original figures. That was the basis and the thinking.

Q140 Justin Tomlinson: Hang on. The reason behind three times 30 minutes was because that is what medical people have deemed is the minimum for a healthy, active lifestyle. I get your point about the football, but we would then hope they were going to do something else to fill in that third slot. We are all positive that we are going in the right direction. I think the challenge was simply that we do not necessarily have huge swathes of facilities and public open space. As a councillor, I represented a new development area and there simply were not places for jumpers for goalposts. Hundreds of people who were enthused by sports stars collecting Olympic medals were turned away because the clubs did not have sufficient volunteers, so the main point is what is being done. I noticed that you have set up www.sportmakers.co.uk. At this stage, how many people and clubs have signed up to take on a volunteer? I looked just now. I could have typed in my postcode and signed up. How many clubs would it have signposted?

Jonathan Stephens: I'll have to write to you with those details. I am very happy to do so.

Q141 Justin Tomlinson: How many have signed up and how many clubs?

Jonathan Stephens: This is where the Places People Play programme, which is using Sport England's lottery money—£150 million over the period—plays a significant part. That is both improving local community facilities, which are an essential part of enabling people to participate in sport, and supporting sports makers. The aim is to have 40,000 sports makers—volunteers who are equipped and supported—to play their part in local clubs.

Q142 Justin Tomlinson: That has led nicely, because I was going to talk about Places People Play. I have been involved in some of my organisations in trying to get funding. There is potentially a very good pot there, and more sports organisations need to apply. Rightly, they are looking for sustainable bids, but with sustainable bids you need a good business plan. With all the will in the world, a lot of these sporting organisations are particularly good at sport, and not necessarily good at building business plans. How confident are you that there is sufficient communication of the pots of money and assistance available to be able to write that coherent business plan to get that funding?

Jonathan Stephens: The programme has been under way for some time now. It has had a very good response. Not surprisingly, there are a large number of bids. Sport England very carefully assesses those bids. Part of the Places People Play programme is support to club leaders—often, volunteers who are playing an absolutely critical administrative role: not

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just supporting the evening training, but actually organising the club and its finances—with further training, not just to make bids of course, but to be up to the significant task of managing a club of that local nature.

Q143 Justin Tomlinson: With the sport makers programme, are you seeking those sorts of people—the administrators, the treasurers, the person who can build the website—as well as simply the sports coach who can put people through their paces?

Jonathan Stephens: There are two different parts of the programme. Part of the programme is focused on sports makers, which is essentially about volunteers to help with coaching. Then there is a programme to support club leaders—again, largely volunteers—to provide them with some training and support for the management tasks around running clubs.

Q144 Justin Tomlinson: When I talk to sports groups, the area they are particularly short of is the people to do the things behind the scenes that make everything go.

Where are we with the Olympic park? We keep seeing in the news that a certain football club has nearly got it.

Dennis Hone: In terms of the London Legacy Development Corporation, I have just taken over as chief executive. I am doing two roles, between the ODA and the legacy corporation, and I will be full-time on the legacy corporation from 1 April next year. I find an organisation that has made really good progress since coming into being.

We have long-term operators for the Orbit facility, the aquatics centre and the multi-use arena, which was known as the Copper Box during the Games. We have arrangements with Lee Valley Regional Park Authority to take on the Velopark, with all its forms of cycling. They are bringing forward Eton Manor, which will have tennis, hockey and five-a-side football. We have operators for the management of the park. Quite a lot of good things have been done. The outline planning permission for the park, which is going to create 7,000 new homes, is in place. The two big issues that you are going to focus on are obviously the main stadium and the media centre.

Q145 Justin Tomlinson: I am particularly interested in the stadium, because—I say this as both a football fan and an athletics fan—it is blindingly obvious that the two do not fit. That is a problem for the fans, and it is a problem in terms of making the numbers work with an untested retractable seating system. Surely, from a value for money perspective, we should just have accepted that football was the only option, let it become a purpose-built football stadium with a good commercial return and provided alternative athletics provision somewhere in a purpose-built athletics facility. Is it just too insensitive to pursue that?

Dennis Hone: Whenever you are involved in any project, you can always reappraise your position. If you think that you are carrying on blindly with something that will not work, you should reappraise it. But I do think we have workable options, and that is the point.

Clearly, we have run a competition. That competition is about having a tenant. The media will portray that as one tenant. We announced last week, at our board, that the highest ranked bid was from West Ham, but we actually have more than that. We are in the midst of a negotiation with UK Athletics around their tenancy. Also, the London borough of Newham is playing a very active part in that, and we are going to make the stadium available for community involvement as well. We are actively negotiating three tenancies.

Q146 Ian Swales: Have you been constrained by already having won the 2018 World Athletics Championships?

Dennis Hone: To an extent, although I do not want to call it a constraint. We have obviously won the 2017 World Athletics Championships. If you go back into the history, you will remember that at one point we had won this before. It was going to be staged at Picketts Lock, and we had to hand that back. It was a very difficult decision. We have made all the arrangements so we can take that place, and the stadium is a fantastic home for athletics in the summer, so there is absolutely no reason why we shouldn't host them.

Q147 Ian Swales: Building on Justin's question, our Committee is about value for money. Do you believe that you have received a different value of bid from the bidders because you have insisted on athletics still being possible in the stadium? Is the amount available to the public purse different as a result of doing that?

Dennis Hone: We have run a very open robust competition to see that we get a value for money rent for the utilisation of the stadium. West Ham has made a bid. We have evaluated all the bids and ranked them the highest, and under the terms of competition, we can now enter a period of negotiation. I think I can speak for the chairman of the Legacy corporation, who is obviously the Mayor of London as well, in that we are now trying to make sure that that deal is value for money for the taxpayer.

Q148 Justin Tomlinson: But that is under the constraints of having athletics. Hypothetically, you could have either said, "We are going to build an alternative athletic provision somewhere else," or "We'll have a temporary arrangement until 2017 and then once that is done and all the bunting is taken down, we'll then hand it over lock, stock and barrel." You are seeking a rental arrangement rather than seeking to sell an asset lock, stock and barrel for which they could have borrowed against. They could have invested in the same way as football clubs like Arsenal have redeveloped stadiums on a business case, for which presumably we could have got more money for the taxpayer.

Dennis Hone: There's always a counter-factual to what you are doing, and you are right that we should always have that in mind. The original competition was predicated on that basis. There were concerns about the original competition that was abandoned—the public sector money going in and whether or not it would be state-aid compliant and things like that.

They were the very reasons we moved away from the original competition to this competition. It is undoubtedly true that in terms of having the World Athletics Championships, we need to retain the athletics track to 2017 and fulfil that obligation. There are non-financial reasons for doing that, in terms of reputation.

Q149 Justin Tomlinson: My worry is not only that we have missed out on money but, secondly, that West Ham will actually then not be able to make it a viable project in the same way as Coventry City is currently struggling with its Ricoh Arena, and we will end up with a just a modern millennium dome. We really should have just gone to the football community and said, “What is the best way to do this?” We would have had something that was sustainable, and we could have then built a purpose-built athletics stadium, but I understand that the decision has been made.

Dennis Hone: It is very difficult. Why would the public sector build a purpose-built stadium for a premier league football club?

Q150 Chair: How much extra money does the public sector have to put in now?

Q151 Ian Swales: Did you examine the situation in Manchester, where exactly that happened? The Commonwealth games athletics stadium is now the home of Manchester City football club.

Q152 Chair: Can you just answer this, Mr Hone? How much extra money will you have to put in to meet the needs of, let us say, West Ham, as well as retaining it? That will be public money you will have to put in—I have seen estimates of up to £200 million.

Dennis Hone: I have seen those estimates in the media as well. I really don’t like to describe it as money put in for West Ham or whatever. We are really trying to make sure that this stadium moves from being a stadium that is functional in the summer months only. If you think about it, we have a roof covering that only partially covers the existing seat line, let alone if you were to try to move seats closer to a winter sports format. There would be licensing issues if we wanted to use it in that format during winter.

The organisation is trying to see if we can come to a value for money solution—we are very conscious of taxpayers’ money and the money going into this—that will provide a format so that we can get maximum utilisation out of that stadium. In other words, can we use the stadium 360 days a year? Can we run it for all sorts of events? Can we incorporate football or other winter sports? Can we use it in the summer? Can we use it for concerts? Can we use it for our UK athletics window? We are looking at all those options to see if we can come to a value for money solution. There will be a cost of conversion and—

Q153 Chair: There will be a cost. Just to get it clear, it cost us half a billion to put it up.

Dennis Hone: Correct. It was put up in a format, and the decision was taken—

Q154 Chair: It is difficult. I don’t know how you are defining value for money. Have you sunk that cost? Are you now just looking at the extra cost?

Dennis Hone: Yes, I am. The reason for that is that the decision was taken by the Olympic board way back in 2006–07, when we had to make decisions about construction, making sure that we stuck to programme and invested the money so that we had a stadium that was constructed a year before the Games, so that it could be fully commissioned and tested, and we could run testing events. Those decisions were taken through the Olympic board then—that we would go for an athletics format, and that the athletics format would be retained post Games. We have delivered against that mandate. That cost is sunk. It is a huge amount of public money, but it is sunk money. You have to look at the options going forward on the basis of the additionality that you would invest and what that return would be. You are all right to say to me, “You wouldn’t make a decision here where there is an option that offers better value for money.” You are absolutely correct in that assumption.

Q155 Ian Swales: I have just done the maths: every man, woman and child in the country has put £10 in to build this stadium. Are you now saying that we did the wrong thing, or that there is uncertainty about how much more money we are going to have to throw at it?

Dennis Hone: I clearly am not saying that it was in any way a waste of taxpayers’ money. It was designed to perform and did perform perfectly at an event of national importance and significance, with benefits such as winning contracts around the world, and others.

Q156 Chair: This is a hypothetical question. As I recall it, the decision was that we had to have this athletics venue. The priority post Games was the demand for an athletics venue. If the decision had been taken that we needed an athletics venue to stage the Games but you could then convert it for a football club, what would have been different?

Dennis Hone: It is a hypothetical question. I cannot speculate now on how much extra that would have cost and the investment at that time. It clearly would have been a more expensive option than the one that was chosen.

Q157 Chair: Can you?

Jonathan Stephens: I was participant in the discussions and the decision that was taken in the Olympic board. First of all, it was a clear decision—indeed, it was part of the bid—that the legacy of the stadium would be an athletics stadium. That was part of the basis on which the bid was won. None the less, other options were looked at. As Mr Hone said, the overriding priority when the decision was taken in 2007 was, rightly, to make sure that the stadium was built and fit for purpose for 2012; that was the overriding priority. Against a backdrop of uncertainty about who exactly would be the future user, the decision was taken to build the maximum flexibility into the stadium and into the design. Consideration was given to a football use, and there were discussions with football clubs at the time. The plain fact of the

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matter is that it would have required extra money, and there was no club at that time that was prepared to make a commitment to using the stadium seven years out from when they would have got the use of the stadium—a stadium that at that stage was untested and unbuilt; also, of course, no one in 2007 was anticipating the great success that we actually had in 2012. I would also just observe that that was one or two owners ago for West Ham, some of which have gone bankrupt in the meantime. Even if there had been a commitment, I am not sure it would have been a reliable one.

Q158 Chair: When you go and visit it, you think that you would have done things like build the roof out, so there would be cover. You would have done things like that. It seems to me that there will be a cost to the public purse that might have been limited if at an earlier stage, we had at least left the flexibility and done the roof properly. That is the big question.

Jonathan Stephens: That would undoubtedly have cost more.

Q159 Chair: It is a big cost.

Jonathan Stephens: It would undoubtedly have cost more at the time, against what I am describing—an uncertain background, where we would have had no commitment from a football tenant at the time.

Q160 Ian Swales: When the Committee visited the stadium, the only thing I remember about the future of the stadium—the legacy use—was that the top half could be taken off. That is the only thing I remember about it. I am concerned about the planning of legacy. It was probably about the time that Manchester City were taking over the ground in Manchester. Was that case discussed at all by the board, the learning from their stadium?

Jonathan Stephens: Yes, very much so. All those options were very much on the table and for consideration. The decision was taken against the background of the commitments that had been made, to which importance was attached around the athletics legacy. There is absolutely no doubt that to build a roof over the whole stadium would have required more money, against an uncertain prospect at that stage. No one would have committed seven years out.

Q161 Ian Swales: If you do a cross-reference against some other stadiums such as Arsenal or the Millennium stadium in Cardiff have done in the past few years, it feels like half a billion should have got us pretty much what we wanted. If you look at the cost of all those other stadiums, rather than a temporary thing that you can take the top half off, it just doesn't feel quite right in terms of the costing.

Dennis Hone: I want to come back on the first question and then I will come to that. Clearly, with the Commonwealth games there was the ability of the council, the Commonwealth organisers and Manchester City to work together on those plans and pre-sign a deal on usage. In terms of the Olympic Games, as Mr Stephens has said, the really big difference was that we went to the market, we talked to a number of football clubs and there was no

substantive offer. We would then have been building blind with no tenant. I really have to re-emphasise that. That was the decision of the Olympic board, looking at all of those factors and all of those uncertainties on how to move forward.

Regarding the costing of the stadium, the Arsenal stadium was commissioned way before the Olympic stadium. If you look at the floor area of the stadium, the volumes of concrete, all of the different things that went with it, this is a completely different set-up. We had moved forward a number of years in time from the commissioning of the Emirates to the commissioning of the Olympic stadium, so there are inflationary factors. Secondly, it is on a much bigger scale. If you have been in both, you will know how close the stands are to a football pitch and therefore the differences involved.

Q162 Fiona Mactaggart: Who is going to end up owning the stadium? As I understand what you have been saying, you expect it to remain in public ownership and for you to get rental income.

Dennis Hone: Correct.

Q163 Fiona Mactaggart: That leads me directly to the issue I was talking about before. The distribution to things like the Lottery good causes absolutely depends on capital sales. If the strategy is not to have a capital sale of one of the biggest assets in the park, then the Lottery good causes will not get the money. Am I right?

Dennis Hone: May I comment in general?

Q164 Fiona Mactaggart: Do they have any call on the revenue that you will be getting?

Dennis Hone: No. May I comment on the repayments on the park? The report sets out clearly how receipts will be split as they are generated on the park. We have got the legacy planning permission coming through—the outline permission—we have got more than 7,000 houses and we can bring those sites to the market. Our forecasts show that we can achieve over £1 billion of receipts, subject to—

Q165 Chair: When?

Dennis Hone: There are of course several uncertainties around that in terms of market conditions at the point of sale and how the market moves over a number of years. There is also a development programme that goes through to 2030, bringing forward those houses, and we—

Q166 Chair: Where are you actually at the moment? Presumably you have some sort of modelling as to when you will start putting land on the market. When?

Dennis Hone: The first site—Chobham Manor—has already been to the market. It will sit on the site where the temporary basketball arena was. The construction of those houses will start within a year. We have entered into an agreement with Taylor Wimpey around that.

Q167 Chair: You've sold the land there.

Dennis Hone: It's a development agreement where we will participate in the sales values that they

achieve on that land. We have a projection for that in line with the level of receipts we would hope to get back over a period of time.

Q168 Chair: When will they start selling the houses?

Dennis Hone: My understanding is that they will be doing that within a year.

Q169 Chair: Within a year?

Dennis Hone: Yes.

Q170 Fiona Mactaggart: But the good causes have not got the first call; they are being told that they will not get any money back until 2020 or 2030.

Dennis Hone: If you look at the legacy planning commission that we have got on the site, 2030 is when we will have completed all of the sites; all the housing will be completed and we will have occupation. In other words, that is the final implementation date for the scheme on current projection.

Q171 Fiona Mactaggart: My anxiety is that we have an agreement that is between two parties, one of which is you, the other is the Greater London council who put in a smaller proportion of the original income than the lottery good causes. But the control of that agreement is in the hands of the GLC, so if big assets such as the stadium are not sold but used to produce rental income, the lottery good causes do not get their money, and they are not at the table.

When the Secretary of State wrote a helpful letter to me that pointed out, for the first time, that the lottery good causes knew about the £30 million to £50 million estimate, that was helpful, but I was struck that there is a real lack of transparency for them about what will happen; when they can expect money and so on.

This is a time when charities are under the cosh. Most of the money from something like the Big Lottery Fund will go to small charities that are really suffering because philanthropy is being squeezed at the moment. They want to know when this is going to happen, but they are not at a place where they can put any leverage on it, and I do not think that that is right. There have already been three agreements about asset sales, so how many more will there be before 2020?

Jonathan Stephens: May I pick up on the position around the lottery? There are two points here. First, any money in the Olympic lottery distribution fund that is left unspent goes back directly to the lottery good causes. We do not know exactly what that will be; you have got an estimate, and that will be adjusted, but there will be some. Secondly, there is a significant contribution that the lottery made also towards the development and funding of the village, which was in the form of a loan, which will be repaid on completion of the sale of the village in 2014. That will bring some £75 million back to the lottery distributors at that stage.

Q172 Fiona Mactaggart: Just over 10% of what they get.

Jonathan Stephens: The third and final part: the Olympics were a good cause, and, of course, I recall the decision to increase the contribution from the

lottery in March 2007. At that time, the then Secretary of State was very clear that, were it possible to enable the lottery to share in the development proceeds of the site, the lottery should get its fair and proper share. That has been reflected. Indeed, since that original agreement, we have firmed the agreement up, made it legally binding and actually brought forward the stage and time at which lottery distributors will receive their share.

It is right that the purpose-built development corporation is focused on developing the site. Most of the development value of the site is in the general development opportunities for which planning permission has been developed, and that is what will generate most of the receipts. The GLA development corporation is incentivised to do the work both to generate receipts for themselves, and the lottery will get the lion's share of the early proceeds.

Q173 Chair: We are just trying to get a time frame. It is £675 million, which is a lot of money, and the problem is that it looks like a promise in the future. Accepting that it is a guesstimate and accepting that it depends on what happens with land prices, property, house prices and all that stuff, when do you guesstimate that the first lot of that money will go back to the lottery?

Dennis Hone: I can't give you that off the top of my head. I am happy to write to the Committee and set out, from the modelling work that we have done, when that would come. There are uncertainties around that, which we have talked about, but I am happy to do that.

Chair: Okay. It would be helpful to have that sooner rather than later.

Q174 Nick Smith: I want to turn to Mr Tomlinson's line of enquiry and this business about Games Makers. How has the good will from all of that been taken forward? When I asked Mr Wood from LOCOG about the legacy of Games Makers his answer felt a bit thin, a bit disappointing, and I am still not sure what is going on. How many Games Makers were there altogether?

Jonathan Stephens: There were 70,000 LOCOG volunteers.

Q175 Nick Smith: How many of those have signed up for sports makers?

Jonathan Stephens: I don't know. There is not necessarily an overlap between those two.

Q176 Nick Smith: I know, but you would expect there to be a link. How many of the Games Makers have been contacted and encouraged to get in touch with sports makers?

Jonathan Stephens: I am being told all of them, but I can write to confirm that.

Q177 Nick Smith: It seems that there is a massive amount of good will here, and I am not sure that it is being captured and driven forward.

Richard Heaton: May I pick up on that? I am here as Permanent Secretary of the Cabinet Office. We have picked up the responsibility to co-ordinate legacy

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generally. As it happens, volunteering is also part of my Department's policy responsibility. Capturing the amazing volunteering spirit is a key part of the legacy and is something my Department is going to focus on. It less visible than the stadium, but it is as important and probably more difficulty in many ways.

We have set up an arms-length organisation called the Join In Trust. It is a separate, not-for-profit organisation with a bit of public money. That is designed, for the first time following the Olympic Games, to capture the social legacy of the Games. It is in touch with the Games Makers through the LOCOG database. The LOCOG HR Director sits on its board. We aim for the Join In Trust to encourage Games Makers, and people who were equally enthused but did not get around to volunteering, to volunteer for big, national events and small, local events. There will certainly be Join In weekends next summer, but hopefully there will be events between now and then. This is difficult, innovative stuff. But what we cannot do is wave a great big Government stick at these brilliant volunteers and say, "Do it again."

Q178 Justin Tomlinson: But what has happened since? Pretend I'm a Games Maker. The Olympics has passed. Have I been contacted, and what have I been asked to do if I have been contacted?

Richard Heaton: The Mayor's organisation will have deployed some Games Makers at recent sporting events. You will have been contacted by Join In Trust, I hope—I am told that you will have been contacted by Join In Trust. You will have been contacted by a range of people. My Department has Games Makers—civil servants who got involved—who are being reached out to in all sorts of ways. They are being asked for observations on why it was such a success and what got them involved. So it is partly Government organisations and initiatives, and it is partly employers, local groups and community organisations seeing what went on and asking individuals, "What happened? What got you involved?" Capturing it is never going to be entirely a central thing, it is also going to be a network of local initiatives.

Q179 Nick Smith: Mr Heaton, you talked about the value and complexity. We, as politicians, work with volunteers all the time. We are team players; we are leaders. One of the things you learn is that if you get any interest, you get on with it straight away. You capture it and you find out what that volunteer's interests are, and then try to signpost them in the right direction, mentor them, keep them warm—cwtsh them, as we say in Wales. I just don't get the impression from that little bit of feedback from you that that is going on.

Richard Heaton: It would be interesting to hear from Games Makers themselves. There are any number of people waiting to generate some feedback.

Q180 Nick Smith: I bet there are. What is your systematic programme for contacting these people and getting them into locally-based activities, like Mr Tomlinson said, where they can really make a

difference in their home community if they travelled from across the UK to participate? What is going on?

Richard Heaton: Join In Trust is the big, central initiative. As I say, that is partnered by local organisations as well.

Q181 Justin Tomlinson: What does the Join In Trust do?

Richard Heaton: It hopes to be the home of Games Makers. It provides a toolkit for local organisations that want to use volunteering. It tells them how to use volunteering and how to make it successful. It provides Games Makers and other people who want to volunteer with opportunities. It puts people in touch with each other. It is an enabling organisation as well as a match-making organisation.

Q182 Justin Tomlinson: Did that exist before? Is it a new organisation?

Richard Heaton: It is a new organisation.

Q183 Justin Tomlinson: How many active members have they now got?

Richard Heaton: They arranged 6,000 events this year just ending.

Q184 Justin Tomlinson: Were those 6,000 events for volunteers, or for volunteers to go on to?

Richard Heaton: Towards the end of the autumn, volunteering events—6,000 events, with 300,000 people taking part. So it was quite a serious effort, and the first time, I think, that that sort of initiative has tried to be captured by an organising nation.

Q185 Nick Smith: How many of the 300,000 were Games Makers?

Richard Heaton: Sitting here, I don't know. I would have to write to the Committee.

Chris Heaton-Harris: May I help Mr Heaton here? Sport England's regional bodies are helping Games Makers keep in contact with one other, and they have been turning up at different sporting events and handing out things to kids at school, and all that sort of stuff. It is one of those things where I do not expect—in fact, I do not want—you centrally to collect all that, because this is the organic nature of sport, where people go out and help themselves, volunteer and do all that. However, there are networks that I feel as though you are lacking, because the Games Makers are a special, unique group of people who have kept in contact with each other, so that should be quite easy to tap into, and the other one is the torch carriers, who still, to this day, go round schools in their white tracksuits and are worshipped by everybody who sees them. They bring with them a fantastic feel and that renaissance of how everybody felt during the summer of the Olympics, so what we are trying to say is that while we have all seen them, and seen them doing fantastic things locally, there is a resource that you could potentially use, but we do not necessarily want you to boss it around so much—or at all.

Chair: Good. Chris, do you want to come in on something else?

Q186 Chris Heaton-Harris: Yes. I want to be relentlessly positive about all this, if I may, because it was a fantastic event and it was not a disaster like—I can remember the Sheffield World Student Games, and all sorts of things that went on then, and it is such a different feel, with so much public money being spent on it. Mr Tomlinson talked about legacy and the ability of the clubs and groups to take people on. I am a football referee, and the one bit that is missing—and has always been missing from your Department, though not so much from Sport England—is the ability to get people to take on being an official in sports. There is a fantastic, absolutely brilliant gymnastics club in my constituency called the Phoenix gymnastics club. They are desperate to get people to train to help be officials at—I do not know what you do when you go to a gymnastic event, but when they are doing their events. In legacy terms, I can understand that you are getting volunteers in, and getting more competitors and improving facilities, but I would like to hear a bit about what you are doing with officials.

The second part is what happened with the Paralympics and the fantastic—you blew the doors off when it came to disability sport. There are no figures in the reports, and I am struggling to find figures about participation in disability sports since the Paralympics. I just wanted to flag up that there is also the Special Olympics for those who are learning disabled. The Special Olympics GB are in Bath next summer and have struggled to get any resource at all from central Government. It is an amazing organisation—a movement, more than anything else—and the winter international games are in South Korea in January and February. How are you going to spread the brilliant feel that we all had for disabled sports, and the fact that we all wanted to help people to participate, through all disabilities and through all sports?

Jonathan Stephens: To pick up first on the point about disability, the sporting survey that I mentioned—the Active People Survey—surveys participation by disabled people in sport, and figures published there last week were that the number of disabled people playing sport has risen from 1.3 million at the time of the bid to 1.68 million now. That is 65,000 higher than at the same time last year.

Q187 Chair: Are those consistent measurements? It is not the three times a week, once a week—

Jonathan Stephens: Yes. That is consistent on the same basis.

Q188 Chris Heaton-Harris: Is that the Paralympic sports or disability sport?

Jonathan Stephens: It is disabled people participating in sport. There is absolutely no doubt that it lags significantly behind participation by the general population. Sport England has programmes directed at supporting and encouraging more disabled people to participate in sport, as well as having a strand for support of disabled people in every one of their programmes with the national governing bodies of the various sports. It is also a significant strand of the school games programme, which for the first time

offered an opportunity for school students to participate in disabled sport. What you say about the impact of the Paralympics is absolutely manifest: they were very clear in opening eyes to the opportunities and, indeed, in generally changing attitudes to disability very positively. In terms of sport, that is something we are very keen to capitalise on.

Q189 Chair: But Sport England has half the money it had last year.

Jonathan Stephens: I am sorry, but I do not recognise that figure. There may be confusion between grant funding and lottery funding: the total funding available to Sport England—I can write to you with the figures—has declined very slightly over the period, and, indeed, Sport England will of course be receiving extra lottery income as the diversion to the Olympics ceases and more money goes back to good causes.

Q190 Chris Heaton-Harris: Until recently, Sport England found it quite difficult—the bar was set very high—to find partners to spend money on disability sport. I wonder whether your Department has been talking to them and helping them and the governing bodies of those disability sports to manage it so that the money set aside for disability sport is spent.

Jonathan Stephens: Sport England is seeking to do that in two ways, both through working directly, partnering with disabled sports organisations, and through its general support for and work with national sports governing bodies to ensure that they are addressing issues of including disabled people in all their programmes. So there is not just support for specific disabled sports groups but mainstreaming, which can be particularly important for younger people who may not be seeking to focus on one particular sport but need general support and encouragement to participate in sport generally.

Q191 Chris Heaton-Harris: The Special Olympics has its GB games next summer, and it has struggled to receive a level of funding that allows the athletes to turn up with their carers, which they tend to need, and to stay in Bath, where it is taking place. It could be a very small event, when, the year after such a successful advert for disability sport, it should be something much bigger.

Richard Heaton: A number of Paralympians are joining us in something we have set up with the Mayor's office—I think we are calling it a Paralympic legacy advisory group—and it is designed to ensure that Paralympians and disabled people, who enjoyed such a fantastic summer, can help us to change practices and policies where a bit of culture change is needed. That is an initiative.

Q192 Meg Hillier: I want to touch on the other legacy venues. As an MP for part of the Olympic park, it is great to see that we have already had a job advert for the manager of the Copper Box, who I think may have been appointed by now. Apart from being 20 minutes from my front door, it is a great venue for local young people. I believe the pricing is going to be set so that local school children will be able to

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afford it, which is fantastic. I am giving it a fair wind, and I will call you back if it does not work, but that is very good news.

I want to go back to the issue of housing on the site, because there is great excitement locally about the potential, but there is also great nervousness that a lot of the housing may be well outside the reach of local people. Could you clarify what you mean by “affordable”? How much will be in whatever different bands of affordable that you categorise?

Dennis Hone: First, to break down the numbers, obviously there are 2,800 homes coming forward in the Olympic village, of which 1,379 have already been pre-contracted to Triathlon Homes. So that offer is coming forward very quickly.

The legacy master plan brings forward almost 7,000 new homes. As we get detailed planning permissions, those numbers could vary, depending on the ultimate densities of the sites and how we lay them out. As we said, Chobham Manor is coming forward with more than 850 homes, predominantly aimed at families.

Under the legacy communities scheme’s outlined planning permission, we have committed to up to 35% affordable housing. Our predetermined split is 30% social rent, 30% rented and 40% intermediate.

Q193 Meg Hillier: That is of the 35%. You break that down into thirds.

Dennis Hone: Almost a third of each, yes. That is the policy. It is clearly something that we have spent a lot of time consulting with the local boroughs on and taking their views on. Their views are not always uniform. I would say that if Tower Hamlets were sitting around this table, they would like to see more social rented in there, but we are trying to keep a balance between the communities going into the park. We want to create a mixed-income, thriving community there. Therefore, we are trying to make sure that we get people from all walks of life going into the park. Some of the questions that were asked earlier, the perceptive questions around repayment on lottery and things such as that are determined by the actual value of the properties coming forward. If we increase the affordable housing content, we will have less money to give back to the lottery. There is a simple trade—

Q194 Chair: Where are your priorities on that?

Dennis Hone: We have gone through a very detailed process with the local authorities to make sure that what we are bringing forward is something that they would support. In fact, the mayors of Hackney, Tower Hamlets and Newham and the leader of the council of Waltham Forest all sit on our board, so they are integral to our position. I come here today and say that we have been through that process. It has been a robust process. We have up to 35% affordable housing, split in the ratios that I have given. On top of that, we are aiming to produce at least 40% of homes for family housing, which means—they could be apartments or they could be like Chobham Manor, where we are creating homes which have their own front door and outdoor space at the front and the back of the house—that they have at least three bedrooms. We are creating an offer of a mixed-use community

on the park. A mixed socio-economic grouping is coming to our park.

Q195 Meg Hillier: That’s great, and I know about some of that. My constituents are interested. There are a number of interesting factors though. First, there is a new rent regime. Already local boroughs in London, including Westminster, have all parties negotiating with the Mayor about whether to go for 80% or a lower percentage of local private rent. In terms of the mix, I visited Sydney’s park. It was a very chichi community, so I completely support a mix. But are you looking at pepper-potting it, or will you say, “This block is for the private owners, and this block is for the tenant?” Or will you have a mix?

Dennis Hone: Two things in there. The LLDC is a creature of the Mayor.

Meg Hillier: So, we will just keep knocking on his door. That’s fine. We are doing that.

Dennis Hone: You understand about that. The second part is—remind me?

Meg Hillier: Pepper-potting.

Dennis Hone: I will talk you through the way we have done it on the Olympic village. We obviously worked hand in glove with the affordable housing provider, which was Triathlon Homes, and on Chobham Manor, it was London and Quadrant. We want to make the properties tenure-blind. You should not be able to tell, from looking at any front door, whether it is affordable housing or private rented.

Q196 Chair: Does the Mayor agree?

Dennis Hone: That is the policy that we are adopting here.

Q197 Meg Hillier: It can mean a reduction in capital income, apparently—that is what some developers say. I am battling locally on one of these. They say, “If you give us one block, you’ll get more money when we sell them than if it’s all mixed up.” Perhaps in London, that is not a good argument. I am interested to know whether you have had any discussions on that basis or whether you are being robust.

Dennis Hone: If I am wearing my ODA hat on the subject of the village, strict pepper-potting does not work because of the maintenance and management. But there is no reason why you have to have a block tucked in the corner that is affordable housing and the entire river frontage being private. There are ways of making that work, and making it work financially. I would not come to the Committee and say that there are not some financial considerations; of course there are in any of the decisions that you make. However, there are ways of making sure that you get a fair allocation of affordable housing throughout the block. As a public sector body that is trying to create a new community, we are very aware that we are not trying to create first-class and second-class citizenship of the Olympic park. That would be completely the wrong approach to take.

Q198 Meg Hillier: May I just be clear on the allocations? I do not think you have got the allocations

sorted for every bit yet, because I know that planning permission is coming through.

Dennis Hone: No.

Q199 Meg Hillier: But the allocations are going to be given to the social housing providers, so they will be 100% local authority nominations. Is that right?

Dennis Hone: Do you know, off the top of my head I cannot remember. I do not think it is 100%; I think it is something like 70%, and then it goes out to a wider audience. I would have to check.

Q200 Meg Hillier: Could you give us a note on that? It would be interesting to know what “wider audience” means, and we might want to come back to that. I would like to come on to iCITY and the broadcast centre. You are saying that there are two big venue issues. iCITY are the preferred bidder for the broadcast and media centre. When are you going to let them take over the building?

Dennis Hone: Okay, two points on this. As you would understand, we set them a condition precedent to meet, which means that they have to sign up tenancies for at least 40%, or 400,000 square feet of the building. They have to have come back with financial underpinning, and they are working with Delancey on that. So there are a number of things that are signing up. Over the past few weeks, we have grabbed the initiative to bring BT Sport into the media centre. BT Sport have won one of the packages for next season’s premier league coverage, and they wanted to come to the park. We get the media centre back from LOCOG on 31 January, and we are pre-signing agreements now with BT Sport that they can move in on 1 February.

Q201 Chair: Have you sunk the capital cost there as well? That was £300 million, wasn’t it?

Dennis Hone: To go back to sunk costs, about £6.5 billion to £7 billion was invested in the Olympic Park, of which we have always been very clear that 75% has legacy value. It has got new utility networks, new roads, new bridges and landscaping, and all the contamination for the developments that have taken place has been taken out, so they are all positive legacies left behind. “Sunk costs” can sound slightly pejorative, like it is money wasted, but it is completely the opposite of that. There has been a huge and very successful investment. I could mention the transport infrastructure in Stratford and things like that. I could go on and bore you for ages.

Q202 Chair: You wouldn’t bore me. I will just say that you got that at the expense of us getting the DLR extension.

Dennis Hone: Okay. The media centre, obviously, was an investment. Again, for the Games you had a particular audience and you had the world’s broadcasters. The UK presented itself to the world through that building, so there was an investment in that building. We are now trying to make sure that it is used as effectively as possible.

Q203 Chair: I accept all that, but these are all big sums of money. You have got to accept that. We are

talking about half a billion on the stadium, and this is £300 million on the media centre. I assumed that since it is a building, that should not be a cost that is forgone, if you do not like the term “sunk costs”. It should not be a cost that you just do not get back again. It should be something that you ought to be able to get a return on.

Dennis Hone: We are going to get market rents for that. We are not giving subsidised deals.

Q204 Chair: Why not sell it?

Dennis Hone: That is one option, but the option at the moment is that we are entering into an arrangement with iCITY where they will lease out of that and we will get payment back over a period of time.

Q205 Meg Hillier: Can I just ask when you think iCITY will be able to move in and take over? You have got this 40% letting condition. Do you have any idea or ambition for when that would be?

Dennis Hone: They are making very good progress, I can tell you now. I believe that they will be in a position to sign up by the end of this financial year.

Q206 Austin Mitchell: I am impressed with the legacy benefits of the Games for the area, for London and indeed for Westfield, just as I was impressed with the Games themselves. At the end of the day, however, all politics is local, so what is in it for Grimsby? What is in the legacy for Grimsby? What do we get out of it, 200 miles away from London?

Richard Heaton: I would hope that Grimsby and any part of the United Kingdom—certainly any part of England—would benefit from each of the legacy strands. Economic growth potential, for example—

Austin Mitchell: In Grimsby?

Richard Heaton: Absolutely. Why not? On the Prime Minister’s trade trips abroad, the business contacts made during the Olympics are bearing fruit. Economic growth potential is one thing, and there are the volunteering initiative and attitudes to disability. These are not local things; they have to be national benefits.

Q207 Chair: Just take us through the economic growth argument.

Richard Heaton: The argument is that this is a brilliant showcase for Britain. Britain did brilliantly. The GREAT campaign is selling Britain worldwide. The Prime Minister and other members of the Government and UKTI are using contacts made during the Olympic fortnight to promote Britain abroad.

Q208 Austin Mitchell: There is a huge north-south gap and we get very little benefit from whatever growth is going on in London, and I just don’t see that argument at all. We are having difficulties in Grimsby now keeping open a 50-year old swimming pool, either by refurbishing it so that it can go on or building a new swimming pool. People have got to swim. Yet no money is available. The council, like all councils, is hard strapped for cash. What benefits does

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Grimsby get out of the Olympic legacy? We are one nation.

Richard Heaton: It would be fantastic also if the community legacy, the legacy of volunteering, of people joining in local sports clubs, people knowing how to arrange volunteering opportunities, as happened with the Olympics. If that happened—

Austin Mitchell: That goes on anyway and did before.

Richard Heaton: We know how to do it really, really well now. That is a big difference. The lessons-learned exercise won't just focus on Whitehall, Westminster, London or the south-east. There are benefits for every community if we properly learn the lessons on how to do things really well, as happened in London.

Q209 Ian Swales: Two very quick questions from me. The Report, on page 25, talks about the athletes' village sale. When was the deal done with Triathlon for the first 1,379 units? When was that agreed?

Dennis Hone: I believe that was in 2009, because it was at a point in time when the private sector funding for the Games collapsed due to the global financial crisis. We worked with Triathlon to get a cash injection into this.

Q210 Ian Swales: At that time what would your budget have said for the sale of the remainder?

Dennis Hone: In terms of the figures here, I think I am right in saying they are about £14 million in excess of the projections we made at that time.

Ian Swales: So you thought you would get—

Dennis Hone: There are two amounts of money. There is the £268 million that came through Triathlon and £557 million in the deal with Qatari Diar/Delancey.

Q211 Ian Swales: So you expected the second half of the sale to be about £540 million. Is that what you are saying?

Dennis Hone: Correct.

Q212 Ian Swales: I have just done the maths and the second price is exactly double the first. So why would that be?

Dennis Hone: Because they are for private sale and private rental as opposed to affordable housing.

Q213 Ian Swales: What is the difference between the units?

Dennis Hone: It is not the units, it is the income and financial model of the purchaser.

Q214 Ian Swales: So we have sold houses into the rented sector at half the price to the private sector?

Dennis Hone: There is a strict model, as you know, that is looked at by the Homes and Communities Agency, who also put funding into this, and Triathlon Homes, looking at their future rent role and how that would work. That is the price.

Q215 Ian Swales: So effectively there is a quarter of a billion pounds of taxpayers' money being put into these 1,300 homes against their real commercial value. Is that right?

Dennis Hone: I wouldn't accept that it is their real commercial value, because every development that comes forward now has an affordable housing content. Therefore you have to look at it as a package as a whole. If your proposition is if we had sold it without any affordable housing conditions, would we have got more money, the answer is yes.

Ian Swales: That would have been the difference.

Dennis Hone: But that would be true on any development in London or other part of the country.

Q216 Ian Swales: My other question is very simple. For both the media centre and the stadium, we seem to be proposing that the public sector remains a long-term private landlord—I suppose public landlord in a sense. Why on earth should we support the idea that we should run a property business as the public sector? Why would we not be outsourcing this to people who actually do this for a living? Why are we doing that?

Dennis Hone: It is a valid point in looking at future options. One reason I would give you for why the public sector should take an interest is the long-term profitability and redevelopment potential of those areas. Therefore holding the freehold means that if at a later date there is a more profitable use—

Chair: That is not the case with the stadium. You couldn't manage it if you didn't keep it in the public sector.

Dennis Hone: Well, I believe we want multiple occupation between public sector bodies. In terms of the operation of the stadium, recognising the point about private sector expertise, we will now go to the market and appoint a long-term operator. It will manage all the events and the interfaces between UK Athletics, any bidder that goes in under a concession arrangement and one-off events. So I recognise that there is a need for private sector expertise to get involved in the running of the stadium.

Q217 Ian Swales: In a way, I'm thinking more about the media centre. As the Chair said, it is a building—why should we be in the business of renting out commercial buildings? Why are doing it? It is because the real situation is that there are going to be more hidden costs or losses, or a lack of return in this?

Dennis Hone: Ultimately, I would like to see those buildings move completely into the private sector. As I say, we have a preferred bidder with iCITY, which is coming up with at least 400,000 square feet of rents under that bid, and our participation in the ownership of that building will be through freehold arrangements only.

Q218 Ian Swales: But you have just said on the record that you would prefer to see these businesses move to the private sector.

Dennis Hone: Over a period of time.

Q219 Ian Swales: So what determines the time over which that happens, particularly bearing in mind Ms Mactaggart's comment about returns to the taxpayers and so on, and the lottery in particular?

Dennis Hone: Can we just take this away from those individual buildings? If you are uncertain how

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profitable a building is going to be, whether it is a stadium or anything else, if you were to sell it at this point in time, you would get a reduced price. If you get a thriving operation going in that building and then take it to the market, you will get a better price. We are trying to take the uncertainty and risk out of it.

Ian Swales: Okay, I'll buy that argument.

Q220 Justin Tomlinson: Good news—I have done some extensive research on our earlier question. Chris Van Roon, who worked in my office and was a Games Maker, has confirmed that he has had two e-mails from London 2012, one last month and one this month, and that Boris Johnson and David Cameron both wrote to thank them. So he is still enthused to have been a volunteer—it was a good experience overall.

Fiona Mactaggart: But has he got a programme of things to do?

Justin Tomlinson: I haven't had a chance to ask.

Briefly, one other issue is tourism. One of the things I was most impressed about, just watching it on the television, was that it really sold the UK as an amazing destination. We had great weather and great greenery behind all the outdoor events. What has been the impact so far? Is there any indication of how it has benefited tourism?

Jonathan Stephens: The figures we have show that tourist spend in the first nine months of 2012 was about 5% higher than the equivalent period in 2011.

Q221 Chair: Is that the spend here, in the UK?

Jonathan Stephens: Spend in the UK, by tourists coming to the UK. There were fewer absolute numbers of tourists, and that is the experience of every Olympic city, but the spend per head was very significantly higher, so the overall tourist spend is higher than 2011.

Q222 Justin Tomlinson: Obviously a lot of people chose not to come to the UK during the Olympics

because they thought that they would not be able to get anywhere to stay. Now that the Olympics has passed and people abroad are starting to book their holidays, are we seeing an increase in the number of people who are now choosing the UK as a destination?

Jonathan Stephens: I don't think we have any reliable indicators on that. That is certainly our ambition, and we are continuing with, for example, the GREAT campaign. We have a clear ambition to secure an extra 4.5 million visitors over the next four years.

Q223 Justin Tomlinson: I presume you don't have them now, but I would be interested to see the statistics for the VisitBritain and VisitEngland websites that were so heavily promoted during the Olympics.

Q224 Chair: Can I just unpick that, because my final question was going to be on tourism? You say that 5% is an increase in spend on inward tourism?

Jonathan Stephens: Yes.

Q225 Chair: I think you ought to start seeing a difference in people coming to London from September onwards. Has there not been any change in those figures on visitors to London?

Jonathan Stephens: That is very recent. The last figures I have are for September 2012, which show a slight increase in visits compared with a year earlier, and record levels of spend compared with previous periods, but it is very early days to be seeing those figures.

Chair: Good. Thank you very much indeed.

Written evidence from the London Legacy Development Corporation

Response to Q173: *We are just trying to get a time frame. It is £675 million, which is a lot of money, and the problem is that it looks like a promise in the future. Accepting that it is a guesstimate and accepting that it depends on what happens with land prices, property, house prices and all that stuff, when do you guesstimate that the first lot of that money will go back to the lottery?*

Under an agreement between the Government and the Mayor of London the first £233 million of land receipts are paid to the GLA in respect of loans they took out to fund the acquisition of the Olympic park. Accordingly our current projections suggest the first payment to the National Lottery will be in the mid 2020s although the precise timing of payments is heavily dependent on market conditions over the life of the Park development programme.

Response to Q198–200: *May I just be clear on the allocations? I do not think you have got the allocations sorted for every bit yet, because I know that planning permission is coming through.*

There is no allocations policy but a policy on housing nominations has been secured through the Legacy Communities Scheme s106 agreement.

For each of the development zones homes for social rent and affordable rent will be allocated in the following way:

- 10% LLDC
- 10% GLA

- 10% RSL provider
- 30% East London Housing Partnership
- 40% host borough in which the zone is located.

19 December 2012

Written evidence from the Cabinet Office

How many of the 300,000 people who attended Join In events over the summer were Games Makers?

Anecdotal feedback from the clubs who took part in the Join In events over the summer suggests that Games Makers were well represented at them although the approximately 300,000 people who attended these events were not specifically asked if they were Games Makers. The events also took place over the Olympic/Paralympic period when many Games Makers would have been just finished supporting the Olympics and preparing to support the Paralympics.

In terms of wider impact of the Join In events over the summer, 10% of the participants volunteered on the day and 13% signed up for future volunteering and The Join In Trust are now focused on developing plans to make the most of the volunteering legacy of London 2012.

Richard Heaton
Permanent Secretary

21 December 2012

Written evidence from the Department for Culture, Media and Sport

When I appeared before the Committee on 12 December, I undertook to write to provide the Committee with further information on a number of issues that arose.

THE COST OF THE GAMES

The £9.3 billion Public Sector Funding Package (PSFP) was established in 2007 to meet the major additional costs falling on the public sector to deliver the London 2012 Olympic and Paralympic Games. The forecast cost of venues, infrastructure and security accounted for the majority of the initial budget, although there was also provision for other items such as elite and community sport, "Look of London", and a contribution towards the running costs of the Paralympic Games. In 2010 we broadened the scope of the PSFP to fund some necessary operational requirements from savings generated elsewhere in the programme. The items funded from the PSFP have been transparent in the Quarterly Reports we have published since January 2008, and the NAO's own reports on the programme.

As set out in our latest Quarterly Report, and the NAO Report, the current anticipated final cost of the PSFP is £8,921 million.

I undertook to reflect on other costs associated with the Games. When we established the PSFP, we were very clear on what was within the PSFP and what was not, and why. This was set out in the Government Olympic Executive's Report in January 2008 and the NAO Report on the budget for the Games in July 2007. It was covered again in the most recent NAO Report. In more detail:

OLYMPIC PARK LAND ACQUISITION

The London Development Agency acquired the Olympic Park land at a cost of £766 million. This has never been part of the PSFP because we have always assumed that this cost will be recouped from post-Games developments on the Park, and will therefore result in no net cost to the taxpayer. This assumption was made explicit to Parliament as early as 2003. This also reflects the "net" basis on which the PSFP has operated, including, for example, the Village.

Although there is always uncertainty when it comes to the property market, we remain very confident that the future receipts the London Legacy Development Corporation are able to secure will mean this cost is recouped in full. Indeed, the sale of the Olympic Village in an excellent deal for the taxpayer indicated the desirability of developments in this area of London. We anticipate that the level of interest can only have been enhanced further by the subsequent success of the Games. There is no reason to suggest the land acquisition costs will not be recouped in full, and therefore no reason to include them in an analysis of the total net cost of the Games.

LEGACY PROGRAMMES

We have consistently stated and applied the principle that the PSFP makes no provision for the wider legacy programmes associated with the Games (beyond a contribution to the post-Games transformation of the Olympic Park). The NAO has estimated, based on information provided by the Government Olympic

Executive, that the cost of delivering the wider aspects of the Olympic and Paralympic legacy programme was £826 million.¹ This included a number of publicly funded legacy programmes:

- The School Games—Annual sport competition open to every school in England;
- Places People Play—Programme to enhance local sports facilities and support mass participation in sport in England;
- International Inspiration—Programme to inspire young people around the world to choose sport;
- Olympic Park legacy—Programme to make the Olympic Park a focal point for London’s growth and a catalyst for regeneration (additional to PSFP funding);
- Tourism marketing campaigns by VisitBritain and Visit England;
- Employment and skills programmes;
- Business and economic legacy programmes;
- Cultural Olympiad—Series of events to showcase the UK’s arts and culture.

The above programmes represent largely business as usual expenditure aligned towards projects that sought to maximise the unique opportunity presented by the Games. Had we not been hosting the Games, public bodies would still have sought to achieve the same broad objectives of, for instance, encouraging participation in sport, attracting visitors to the UK, or regenerating East London. Indeed, DCMS is statutorily required to fund community sport—we chose to channel this funding in such a way as to benefit from the huge opportunity presented by the London 2012 Games.

In our view, the legacy programmes are not an additional cost of the Games. Rather, they were an investment public bodies chose to make from existing funding, in order to use the unprecedented opportunity presented by the Games to achieve broader objectives.

GOVERNMENT SERVICES

There were certain costs that fell upon Government Departments and agencies to meet in order to provide services in support of the Games and deliver Government Guarantees. This included services such as provision of medical services (eg free healthcare to athletes and other Olympic family members), accreditation services at ports of arrival, and provision of sufficient communications spectrum.

These services were not funded from the PSFP. This was in part because it would have been very difficult to identify and fund the Olympic-additional element over and above business as usual activity. Similarly, at an operational level it made much more sense to deliver these requirements as an extension of existing services, rather than establish separate programmes. That said, we did estimate during the 2010 Spending Review that the Olympic-additional costs would be in the region of £86 million.

GOVERNMENT OLYMPIC EXECUTIVE AND OTHER CENTRAL GOVERNMENT STAFFING COSTS

The Government Olympic Executive oversaw the London 2012 programme, coordinated the public sector effort, and managed the £9.3 billion PSFP. It was accountable to Parliament and the public for the successful delivery of the project to time and to budget. It was closed down at the end of October 2012, with residual work around the Olympics (as opposed to Legacy work which transfers to the Cabinet Office) absorbed into core DCMS.

The PSFP was set up as a programme budget and did not include provision for central Government staffing and administrative costs. The Government Olympic Executive was integrated within the wider DCMS. However, our latest assessment of the lifetime additional cost to the Department of the Olympic Executive is £52 million (as per the NAO report). It would of course be an exercise in hypothetical speculation as to whether, in the event that we had not won the bid, the Department would have had similar funding at its disposal to deliver against other Departmental objectives.

AFFORDABLE HOUSING GRANT

The Homes and Communities Agency made a £110 million grant to Triathlon Homes as a contribution to the £268 million purchase of 1,379 residential units in the Athletes’ Village. In doing so, the Agency was discharging its remit to finance affordable housing. The fact that it did so by funding affordable housing in the Olympic Village, rather than elsewhere, did not constitute additional spending. Rather, this was a choice taken by the Agency to distribute its existing funds. The development of the Park and the Village presented an opportunity to deliver high quality affordable housing in an area of high demand. The funding provided by the Homes and Communities Agency did not place an additional burden on the tax payer.

SUMMARY

The analysis above indicates that the vast majority of the wider costs associated with the Games (outside the PSFP) were either:

¹ In its December 2012 Report, the NAO noted that this estimate included “realignment of “business as usual” activity”.

- Existing business as usual activities which used the unique opportunity presented by the Games in order to deliver against existing broad objectives.
- Costs that are fully expected to be recouped (as in the case of the cost of acquiring the Olympic Park land).

The staffing and service costs incurred by Government Departments and agencies are less easily categorised. At one extreme, they represented only a slight departure from existing business as usual activities. At the other extreme, for instance in the work of the Olympic Executive which was solely focused on the delivery of the London 2012 programme, the costs were more obviously additional and Olympic-related. What is clear is that it represented better value to the taxpayer to deliver these requirements within existing structures and funding channels, rather than establish separate, discreet programmes within the PSFP.

Even if the staffing and service costs were added in full to the anticipated final cost of the PSFP programme—and to do so would be highly speculative—it is clear that the total cost would still be some way below the original £9.3 billion budget. It would of course also mean that the scope funded within the £9.3 billion funding envelope would be significantly greater than that originally envisaged in 2007, and therefore be a further demonstration of good value for the taxpayer.

SPORT ENGLAND FUNDING

The Committee requested information on the level of funding available to Sport England, by year. Sport England receives both Exchequer and Lottery funding. As the table below demonstrates, while Exchequer funding has been reduced, this is projected to be more than offset by an increase in Lottery funding:

<i>Year</i>	<i>Grant in Aid funding (£m)</i>	<i>Lottery funding (£m; out-turn to 2011–12, projected from 2012–13 onwards)</i>	<i>Total funding (£m)</i>
2008–09	130.2	128.8	259.0
2009–10	134.4	126.9	261.3
2010–11	121.4	134.5	255.9
2011–12	98.4	161.5	259.9
2012–13	100.8	216.0	316.8
2013–14	93.8	231.0	324.8
2014–15	91.4	233.0	324.4

SPORT MAKERS

The Committee requested information on the number of people (including Games Makers) and clubs that have signed up for the Sport Makers programme.

59,600 people have registered with Sport Makers. Unfortunately there is currently no information available on how many of these people were previously Games Makers. However, Sport England has been working with LOCOG to target Games Makers via email and signpost them towards the Sport Makers website. LOCOG has included this signpost on three occasions in its weekly email to its Games Maker database.

It is individuals, rather than clubs, that the Sport Makers scheme is inviting to sign up. However, once people have signed up and attended a training session (designed to inspire them to make more sport happen in their community), they may decide that they want to help a local club and provide their support. They may choose to do so by helping a local club attract more members (eg by promoting England Netball's "Back to Netball" initiative at "Race for Life" events), or help out at a local sports event (eg marshalling at a local cycle ride).

TOURISM CAMPAIGNS

The Committee requested information on the impact VisitEngland and VisitBritain's Games-related tourism campaigns and websites have had on visitor figures.

VisitEngland's £25 million campaign (featuring "Holiday's at Home are GREAT") is expected to deliver an additional £500 million in consumer spending on domestic holidays over four years from early 2012. Results from the first three months of the campaign show that it has already delivered over £100m in additional visitor spend. Of this, £17 million has been generated by the great2012offers.com and visitengland.com websites, and a further £90 million has been generated by the associated TV campaign (source: VisitEngland; <http://www.visitengland.org/marketing/HAHAG/results.aspx>).

The GREAT Britain image campaign has provided more than £22 million to VisitBritain which, alongside its £100 million partner funded tactical marketing campaign, equates to an unprecedented level of investment. Over four years from 2012, this major international campaign is expected to deliver 4.6 million extra visitors from overseas, £2.27 billion in additional visitor spend, and over 60,000 job opportunities.

At this stage, it is too early to accurately assess the impact of this campaign on visitor numbers and spend. However, initial evaluation results show that Britain saw the greatest increase in unprompted recall of

advertising and “strong likelihood to visit within a year” compared to major competitor destinations. A post-Games phase of advertising has begun, and £22 million of further funding for the GREAT campaign was announced in the Autumn Statement.

Jonathan Stephens
Permanent Secretary

21 December 2012

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