The Impact of the 2012 Games on London Borough Expenditure

Final report

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London Councils Foreword

- The time until the eyes of the world are upon London is drawing ever closer. London Local Government is already making, and will continue to make, a major contribution to both the Games themselves and, as importantly, the delivery of a lasting legacy for all Londoners. Boroughs are engaging all communities across London – enthusing them about the Games, the benefits it can help deliver and the potential to use this opportunity to change London. When London submitted its bid the IOC London signed up to host inspirational Olympic and Paralympic games. When we welcome the world to London, local government will play its part in presenting London in the best possible terms. London local government understands how important it is that they step up and delivers exceptional services so that Londoners and London's visitors can enjoy the party in 2012.

- However making sure London functions during the Games is of huge concern to Londoners. London is already a busy thriving city with millions of people moving around the city daily whether it be to travel to and from work, run businesses, socialise or to visit friends and family. It is essential to London boroughs that while the city celebrates the Games being in London in 2012 our residents are not unduly inconvenienced over this period. Londoners should be able to expect a maintained experience of local government service, despite the Games taking place. In order for this to be achieved it will be essential that local government increase capacity and resources in particular services area across London.

- This report rightly focuses on services, which are by some definition unavoidable. In taking this narrow focus we do not mean to disregard those tasks and responsibilities which are likely to fall to local government because of the need to deliver an exciting, inspirational Games. Such responsibilities include dressing the city through the "Look of London" programme or providing inspiring experiences through watching events of one of the planned Live Sites or providing exceptional visitor services for example through the Host City Volunteer programme and borough volunteer programmes. The expectations likely to be placed on boroughs and the aspirations of boroughs themselves are likely to be high as will be the costs associated with these expectations

- The costs laid out in this report are rightly conservative. However if anything the case studies included in this report from Manchester and other Olympic Host Cities show that inevitably "one-off" expenditure of this nature is almost always higher than planned.

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Executive summary

The research question

- The purpose of the report is to explore the extent of additional costs that are likely to fall on the boroughs as a result of the 2012 Olympic and Paralympic Games. The aim is to clarify the sources of such costs and to provide an estimate of their likely extent. Only costs that are deemed to be unavoidable and which are not already identified in Olympic budgets are included.

- The Olympic and Paralympic Games are big specific events, different in kind from an increase in normal tourism. In particular, the centre of gravity for visitors and participants will be in east London rather than central London, and the pattern and timing of their movements is likely to differ greatly from that of typical tourists. Both the increased level of activity and the distinct nature of the Games mean that local authorities will incur additional costs.

- The Olympic agreement rules out any contract to enable authorities to recover such costs. Nor is there any allocation from the precept. Moreover, unlike in most other Olympic host countries, under the UK system of local government finance, the boroughs will not receive any financial benefit from increased tax take arising from the Olympic Games. Estimating the extent of these costs is therefore of prime importance.

Methodology

- The research was carried out over a three-month period in late 2009 and early 2010. It involved a combination of desk research; questionnaires to chief executives; interviews with local authority officers and other stakeholders; case studies of Wembley, Wimbledon and Manchester; and a seminar with a broader group of those involved in planning for the events.

- The cost estimates, which form the core of the output, used CIPFA statistics on borough expenditure by service together with estimates from chief executives of expected proportionate increases in service costs to produce a possible range of additional costs directly associated with the Games.

- Data from similar events which could in principle have been used to 'validate' these estimates turned out to be extremely limited. Those for earlier Games did not provide enough detail separately to identify the costs to the relevant local authorities. Those from other special events in the UK, such as Wimbledon or football matches, tend to be confidential as they form part of the contracts made between event organisers and local authorities to cover local-authority costs.

- The extent to which boroughs are aware of the potential increases in costs varies greatly. The five East and South East host boroughs have made detailed estimates using their own methodology; most other boroughs are in a much earlier stage of

planning. Moreover, many elements depend on decisions that have not yet been made – and which may not be finalised until very close to the actual events.

Sources of additional demand and cost

- Over the 2012 Games period, all London boroughs are likely to see increased demand for services that they are required to provide. Meeting this demand will involve costs, but the scale of the cost increases will vary across boroughs. It is therefore appropriate to divide the boroughs into categories, based on the likely impact. The five categories chosen were:
    - 5 East and South East Host boroughs[1]
    - Non-host boroughs with venues
    - Central London boroughs
    - Boroughs neighbouring the 5 east and south east host boroughs
    - Non-neighbouring boroughs
- The additional demands on local-authority services come mainly from increased visitor numbers and the fact that visitors will be concentrated in particular areas; restrictions on traffic and parking which will both impose costs and result in loss of revenue; unexpected events (notably with respect to the consequences of security alerts); the need to change normal work schedules; and significant additional workloads in particular service areas such as licensing and enforcement. It was thought possible that these additional demands could impact on some thirteen service categories to a greater or lesser degree. The questionnaire to the chief executives suggested that significant costs would be concentrated among a relatively small number of council services, in particular:
    - road and traffic management, because of the need to provide special routes for 2012 Games participants to travel quickly around London;
    - enforcement of all kinds – parking, but also health and safety, environmental health, licensing and trading standards;
    - waste and cleansing, because the spectators and participants will produce litter outside venues and as they move around London; and
    - community safety, to take up any slack as Metropolitan Police officers are assigned to 2012 Games-related duties and because large sporting events tend to attract petty criminals and anti-social behaviour.
- In addition central administration and emergency planning costs were identified as likely to be of significant importance.

[1] The 5 East and South East Host Boroughs are LB Newham, LB Waltham Forest, LB Hackney, LB Tower Hamlets (East), and LB Greenwich (South East)

Estimates of cost increases by borough category

- CIPFA statistics show that the total annual expenditure on the 13 identified areas where increases might be expected is around £1.1bn in 2009/10. Three broad areas--waste and cleansing, environmental health and associated areas, and roads and traffic--account for about £800m of this total.

- The expected proportionate increases for services estimated by chief executives ranged from 0% for many individual services to as high as 55% for licensing in one of the host boroughs.

- The overall total of the lower-bound estimates was less than £2m. This is clearly a massive underestimate, and reflects the extent to which officers are still unclear about the costs they might bear. We therefore used the midpoint estimates as a more realistic indicator of minimum expected costs. The results by borough category are summarized in Table A.

- **Table A: Summary of expected service costs by borough category**

- **(£ millions)**

	Midpoint between lower and upper bounds	**Maximum**	**% of total expenditure**
5 east and south east Host boroughs	24.0	46.5	63
Central boroughs	7.7	15.5	21
Other venue boroughs	1.9	3.8	5
Neighbours	2.2	4.4	6
Non-neighbours	2.0	3.9	5
TOTAL	**37.8**	**74.0**	**100**

Excludes parking revenue
Source: Calculations based on tables in Annex C.

- International experience from other Olympic host cities, together with that for Manchester's in 2002, suggests that central administration or overhead costs are indeed significant. Estimates of these costs cannot be made directly, but the cost to boroughs of employing '2012 officers' gives some indication of order of magnitude – although these officers are also involved in some 'voluntary' activities.

- Taking account of both the pre-2012 Games planning period and the post-2012 Games 'recovery' period, the current evidence suggests there might be some 180 person-years of additional staffing. Assuming 60% of such staffing is for 'unavoidable' costs and the average cost of employing another person is £50,000 per annum, the additional cost would be of the order of £5 million.

- The total likely additional cost is estimated at between about £40 million (based on midpoint estimates for service costs plus administrative staffing costs) and £80 million (based on upper estimates for service costs). Because there are still many areas of uncertainty these amounts could rise – or indeed fall – as planning progresses.

- Some cost mitigation might be possible, notably through joint working. Some charges, such as license fees, could also be increased. However the benefits of such approaches are more likely to be seen into the longer term than in any significant reduction during the 2012 Games period.

1. Introduction

The purpose of this report is to explore which London borough services will be affected by additional demand from the 2012 Games, and to estimate what it will cost boroughs to meet this demand without affecting normal provision to their own residents. The project aims to identify those extra service demands that have *not* been accounted for already in 2012 Games budgets. It is concerned with those services that boroughs *must* provide, for legal or practical reasons—with necessary services rather than merely desirable ones.

The 2012 Games are to be held in London (and elsewhere in the UK) from 27 July to 12 August 2012, and the Paralympics will follow shortly after (29 August – 9 September). Some 8 million tickets will be available for the Olympic Games, and 2 million for the Paralympics; the great majority will be for events in London. Many of the spectators will be Londoners, but the majority will come from elsewhere in the UK and from abroad (ODA 2009). There will be over 10,000 athletes, 20,000 press and media personnel, and tens of thousands of staff members and volunteers. These visitors will move around London in very different ways from the typical summer tourist flow, and will impose particular demands on the services supplied by London local authorities. These demands will not be limited to the 5 host boroughs but will affect all London boroughs (and some beyond Greater London), because 2012 Games visitors will stay across the metropolitan area and will travel around the capital.

There are 34 Olympic venues and 21 Paralympic venues, concentrated in five east and south east London boroughs (known collectively as the host boroughs). In addition, a programme of associated cultural events will take place across London. The city's accommodation and other visitor facilities are concentrated in central London, although visitors will stay across all of London in both commercial facilities and private homes. The athletes will stay in the Olympic Village, though they constitute but a small minority of all those involved in the Games.

Detailed planning has already been underway for some time, and boroughs have been represented at various levels of the planning process, and particularly in the City Operations Group convened by the GLA to look at borough services during the games. The London 2012 Games will involve a number of institutions, including the Department for Culture, Media & Sport, the Mayor of London/the Greater London Authority, the London Development Agency, the Olympic Delivery Authority, the London Organising Committee of the Olympic Games (LOCOG), the 5 host boroughs and the Olympic Park Legacy Company. Many other bodies also have important roles and responsibilities. The boroughs will have a series of relationships with these and other organisations, creating transaction costs and, in the longer term, demands on a number of services.

The London Organising Committee of the Olympic Games and Paralympic Games (LOCOG) is the private sector company responsible for staging and hosting the 2012 Games. It has a £2bn budget, with almost all of it to be raised from the private sector.
The Olympic Delivery Authority (ODA) is the public sector body responsible for the delivery of the new venues and infrastructure required for the London 2012 Games. The ODA budget is drawn entirely from the public sector.
Put another way, the ODA is responsible for building the theatre, LOCOG is responsible for putting on the show.

The Olympic Delivery Authority and LOCOG have the primary responsibility for getting the Games up and running. However, the 2012 Games will generate pressures on other service providers that risk being 'invisible' as compared to the visible (and funded) costs of the Games and their legacy. It is not yet clear precisely how the boroughs (not just the five) will be funded for the additional costs that will inevitably arise.

2. Methodology

This research was carried out over a two-month period in late 2009/early 2010, using a combination of desk research, questionnaires, interviews and case studies.

A questionnaire was sent to chief executives of all 33 London boroughs, asking which borough activities, by department, were likely to be affected by changes in demand over the Olympic period[2], and for an estimate of the cost to the borough of providing necessary additional services. A short literature review was carried out to identify relevant academic and professional literature, particularly about experience in previous Olympic host cities.

Case studies were undertaken in two London boroughs with venues that regularly host major sporting and public events: Brent, where Wembley Stadium hosts football cup finals as well as other sports events and concerts; and Merton, where the All-England Lawn Tennis Club hosts its annual championship tournament at Wimbledon. We carried out a case study of the experience of Manchester during the 2002 Commonwealth Games; this included a visit to Manchester and interviews with officials who had worked on the Commonwealth Games. We also surveyed the experience of selected Olympic host cities over the last 25 years. These studies attempted to determine the types of additional demand the local authorities experienced before, during and after major events, how they organized their services to meet this demand, and the costs they incurred.

Interviews were carried out with local-authority officers from each service area—normally the chairs of the London-wide professional groups. We also interviewed officials from LOCOG, central government, the GLA and other non-borough experts. A list of the organisations contacted in the course of the research can be found in Annex A.

Using the information gathered, we developed a methodology for estimating a range within which the costs to London boroughs of providing additional services during the Olympic Game period are likely to fall. This methodology is based on CIPFA statistics on borough expenditure in each service area. Further details are given in Annex C. Using it we calculated a range of extra costs for each relevant service area.

3. Background: The Games

The 2012 Olympic and Paralympic Games will take place over a seven-week period in summer 2012, from the opening ceremony of the Olympics on 27 July to the closing ceremony of the Paralympics on 8 September. The Olympic Games themselves, by far the bigger of the two events, will last 17 days, ending on 12 August. There will then be a 17-day break before the opening of the Paralympic Games.

Some 18,000 athletes and team officials are expected to participate in the Olympic Games, but the total 'Olympic family' (including press, IOC members, etc.) is much larger, with 77,000

[2] 'The London Olympics Period' is defined in the Act as the period from four weeks before the opening ceremony of the Olympic Games until five days after the closing ceremony of the Paralympic Games—that is, from 31 June until 13 September 2012 (76 days or 11 weeks).

people. The Paralympic family will number about 12,000. In addition there will be a workforce for the Olympic Games of approximately 170,000 (of which 70,000 will be volunteers) across the Olympic and Paralympic Games (ODA 2009).

The Olympic Games will take place at 33 competition venues across the UK. The London venues are concentrated in three areas:

- The Olympic Park, located in/bordering on the host boroughs of Newham, Hackney, Tower Hamlets and Waltham Forest. This is where the major new venues are under construction.
- The River Zone, which includes venues north and south of the Thames in the host boroughs of Newham and Greenwich.
- The Central Zone, including venues in Westminster and other central London boroughs.

The Paralympic Games will take place in a smaller number of venues, concentrated in the Olympic Park and River Zone. Tables 1 and 2 set out the London venues for the Olympic and Paralympic games respectively, their locations, and the events that will take place in each.

Table 1: London venues for 2012 Olympic Games

Olympic Park (boroughs of Newham, Hackney, Tower Hamlets & Waltham Forest)		**River Zone (boroughs of Greenwich and Newham)**		**Central zone (boroughs of Westminster, Kensington & Chelsea, Hammersmith & Fulham)**		**Other venues (boroughs of Merton and Brent)**	
Venue	***Events***	***Venue***	***Events***	***Venue***	***Events***	***Venue***	***Events***
Olympic Stadium	Opening/closing ceremonies Track & field Marathon Road walk	ExCel	Boxing Fencing Judy Table tennis Taekwando Weightlifting Wrestling	Earl's Court	Volleyball	Wimbledon	Tennis
Aquatics centre	Diving Swimming Synchronised swimming Modern pentathlon: swimming	Royal Artillery Barracks	Shooting	Horse Guard's Parade	Beach volleyball	Wembley Stadium	Football
Basketball arena	Basketball	North Greenwich Arena	Gymnastics Basketball	Hyde Park	Triathlon	Wembley Arena	Badminton Gymnastics
BMX circuit	BMX cycling	Greenwich Park	Equestrian events Modern pentathlon: riding; shooting/running	Lord's Cricket Ground	Archery		
Handball arena	Handball Modern pentathlon: fencing			Central London	Road cycling		
Hockey centre	Hockey						
Velodrome	Track cycling						
Water polo arena	Water polo						

Source: Transport Plan for the London 2012 Olympic and Paralympic Games – second edition consultation draft

Table 2: London venues for 2012 Paralympic Games

Olympic Park		River Zone		Other	
Venue	***Events***	***Venue***	***Events***	***Venue***	***Events***
Olympic Stadium	Opening/closing ceremonies Track & field Marathon Road walk	ExCel	Boccia Judo Powerlifting Table tennis Volleyball (sitting) Wheelchair fencing	Regent's Park	Cycling
Aquatics centre	Swimming	Royal Artillery Barracks	Archery Shooting		
Basketball arena	Wheelchair rugby	North Greenwich Arena	Wheelchair basketball		
Handball arena	Wheelchair basketball Goalball	Greenwich Park	Dressage		
Hockey centre	Football 7-a-side Football 5-a-side				
Eton Manor	Wheelchair tennis				
Velodrome	Cycling				

Source: Transport Plan for the London 2012 Olympic and Paralympic Games – second edition consultation draft

There will be a total of about 8 million tickets available to Olympic events, with 800,000 available on the busiest day; some 70% of these will be for events taking place in London. The Olympic Delivery Authority forecasts that between 350,000 and 600,000 spectators per day will attend events in London between 28 July and 12 August, if the venues are filled to capacity. About 33% of the spectators will be at the Olympic Park; the highest number expected there in any one day is about 300,000 (ODA 2009, pp. 41-42).

In addition, some events are non-ticketed (for example, road events such as the marathon), and there will be several so-called Live Sites where spectators will be able to view events on big screens for free.

Before the Games themselves there will be ancillary activities that may affect local government services. These include the Olympic torch relay, pre-games training camps for the athletes and pre-Olympic test events. The torch relay will move throughout the UK, and potentially through all 33 London boroughs, in the run-up to the games; the final route will not be announced until 2011.

One or more pre-games training camps will be established somewhere in the UK by each national team for a period before the games. Some of these camps will operate only for a few weeks or months, while others may be functioning for as much as a year. The locations and timings of these camps are yet to be determined; LOCOG is providing a marriage-bureau service for national teams and the local authorities who want to attract them.

Pre-Olympic events will take place at each venue sometime in 2011 to test preparations for the events themselves, spectator movements, etc. These tests will take the form of actual sporting competitions—for example, Wimbledon might host a small one-day tennis tournament.

Paralympic Games

The Paralympic Games can be expected to have a much smaller impact on London local authorities than the Olympics themselves. This is mainly because the Paralympics are a much smaller operation—for the 11 days of Paralympic competition about 2 million tickets will be available (vs. 8 million for the Olympics)—and is concentrated in the host boroughs. Although the raw numbers of spectators and participants will be lower, the Paralympics will raise accessibility issues, especially for venue and central boroughs.

The Olympic Route Network (ORN)

Unlike spectators, who are expected to travel mainly by public transport, members of the 'Olympic family' will travel to, from and between Olympic venues and training locations by road on the Olympic Route Network. This network of roads, which covers many of London's main routes, was designated by legislation in 2009 (REF). While the

specific roads are listed in the legislation, the details of how the ORN will operate have yet to be determined. Decisions have yet to be taken about the extent and timing of parking and waiting restrictions and of special Olympic lanes. The legislation requires the local highway authorities (in London the boroughs for everything except 'strategic roads' and motorways) to co-operate in the implementation of the ORN (and in the rest of the Olympic Transport Plan).

On the ORN itself, the ODA will enforce any parking and waiting restrictions (although it may contract the work out to the boroughs themselves). But any restrictions on the ORN will have a knock-on effect on surrounding roads, particularly as the ORN passes through some of the most congested parts of London. In order to maintain traffic flow and keep disruption to residents (and their cars) to a minimum, boroughs expect to have to provide increased parking enforcement on these surrounding roads. The scale of this requirement is one of the major unknowns at this point, as the type and duration of ORN restrictions have not yet been decided. A total ban on stopping along a road for the duration of the Olympic period would clearly have major implications, while a ban that lasted for a few hours in the middle of a weekday might not.

4. Local government finance

The 2012 Games are expected to bring significant economic benefit to London. The £9 billion spent on construction and other infrastructure in advance of the event will add to the city's economy. The Games themselves will bring athletes, officials and tourists to the capital. It is very likely the economic impact of these visitors will add to economic output. The medium-term impact on tourism is harder to predict—experience in other Olympic host cities has shown that there can be a negative impact as tourists are put off by the perception that the city is 'full' or by the belief that prices will rise (European Tour Operators Association n.d.). In the longer term, the clearance of a vast tract of inner east London will provide space for London to develop and expand its economy.

Thus, overall, it is expected that London will benefit economically from the 2012 Games. The economy will be bigger than would otherwise have been the case, with some benefit also being felt beyond the capital. These benefits are expected to include higher spending in shops, restaurants and theatres, increased employment and ongoing regeneration opportunities.

Tax and expenditure consequences

Growth in GDP will also lead to an increased tax take for the Exchequer. However, while the economy as a whole may be bigger than would otherwise have been the case, leading to an increase in tax revenues, council budgets cannot benefit from the expected extra tax take. Because of the way the English local government funding system operates, councils will not earn a penny in increased tax revenue if, as assumed, there is an increase in local economic activity. This point will be explored in more detail below.

Yet it is almost certain that London boroughs will incur higher expenditure as a result of the 2012 Games. Councils provide services such as street cleaning, refuse disposal, local transport management, licensing, environmental protection and planning which are likely to face higher costs, particularly in the Olympic and central London boroughs. There are other services, such as parking, where it might be possible to match extra costs with additional income. But, overall, there will be few services where local authorities can recoup the costs of any additional services provided.

The 2012 Olympics and Paralympics are a one-off event. No British local authorities have any experience of a six-week long series of sports contests with global media coverage. Even 'world' football, cricket or rugby events are not on the same scale and are generally spread across the country. Some London boroughs have experience of major sporting competitions, notably Wimbledon (in Merton) and FA Cup Finals at Wembley (Brent).

But even these occasions are different to the Olympics. Wimbledon takes place annually, with the consequence that Merton council has a regular understanding of the costs and consequences associated with the tennis championships. FA Cup Finals (and similar events held at Lord's and Twickenham) take place on a single day, and the host councils (Brent, Westminster and Richmond) are used to sports finals as regular, one-day, events.

Central London authorities, notably Westminster, Camden and Lambeth are annually faced with large New Year's Eve events, particularly a major firework display on the Embankment. These annual occasions generate sizeable crowds for several hours before and after midnight, resulting in the need for a major clear-up exercise. Marches, demonstrations and Royal events also generate additional work for, particularly, Westminster and Camden. Almost all boroughs host sports matches, religious celebrations, marches and other street events.

Thus, most major public events are regular and take place for a few hours or, at most, for one day. The costs associated with such local and national activities are seen as part of the 'normal' running costs of an area, and are incorporated in the boroughs' contracts with outside service providers such as waste collection firms. In the case of major football, cricket and rugby matches, there are usually arrangements in place to re-charge part of the costs of policing and other expenses to the relevant authorities. When Wembley Stadium was redeveloped in (completed in 2007), one of the planning conditions imposed by Brent Council was that the Stadium had to reimburse the council for the cost of services provided in connection with major events.

But the Olympic and Paralympic games are different, being a major one-off event and are, to a significant degree, a relatively rapidly-developed public investment in east London. Although LOCOG will cover the costs incurred within the perimeter of events venues, both those in the Olympic Park and elsewhere, there is no mechanism such as exists at Wembley to guarantee the refund of costs borne by boroughs. Moreover, extra

costs will be faced by authorities across the city, so it would be hard (if not impossible) for individual boroughs to strike such deals on behalf of all the others.

As a result, any higher service costs associated with the Olympics and Paralympics will be borne by London boroughs (and other public services) outside the 'normal' run of events. These costs are the subject of much of the report that follows. However, it is also important to explain why the boroughs and Greater London Authority will not benefit from any additional tax yield generated by the Games.

Tax yield and economic growth

Britain is recognised for having a highly-centralised system of public finance. Some 95 per cent of all taxation and other public receipts are determined and collected by central government. The Chancellor of the Exchequer sets all tax rates except those set by local authorities in determining their council tax. However, in recent years, the government has threatened authorities with capping if they increase their council tax rate by more than a percentage in 'low single figures'. Consequently, Britain is now in the highly unusual position of, in effect, having 100 per cent of tax rates and yields determined by central government. No other major country has such a system.

English local government operates within a long-developed and complex system designed to equalise for differences in expenditure need and tax capacity (commonly known as 'needs' and 'resources'). A Formula Grant, funded partly from Whitehall resources and largely from the national non-domestic rate, is paid to each council every year. This grant is based on two separate calculations. The first, based on a measure of assessed spending need, equalises between authorities for differences in their need to spend. Statistical indicators such as numbers of children, numbers of old people and miles of road are multiplied by research-derived cash amounts to produce an assessed need figure. Resulting totals also take account of needs factors such as deprivation and the higher costs of operating in some areas. Consequently, a relatively deprived council will, other things being equal, receive a larger grant allocation than a less deprived one. The methods used to assess expenditure needs are revised from time to time, though in recent years ministers have been less willing than previously to undertake major revisions.

The second element of the Formula Grant takes account of the tax capacity of each council. The main source of local government revenues is the council tax. Local government raises council tax from its residents based on eight bands of dwelling capital value. Authorities with large numbers of high-value homes will, therefore, raise more money per capita than those with low-value homes. Within London, Barnet and Kensington & Chelsea would fall into the former category while Newham and Barking & Dagenham would have disproportionately more lower-value domestic properties.

Because of changes to needs assessment, data or the numbers and value of properties within an authority, grant can move up or down from year to year. To smooth the

impact of such changes, the government has, over the years, used self-financing 'floors' and 'ceilings' to restrict the impact of grant movements. Thus, a grant 'floor' will limit the extent to which a council can lose grant in any one year. Ceilings have now been abandoned, but floors remain. Most London boroughs are, over time, moving towards relatively lower allocations and are, consequently, on the grant floor. In 2010-11, this will produce a grant increase of 1.5 per cent in cash. Police authorities are virtually all on the grant floor, implying a near-flat rate of grant increase.

Significantly, grant is calculated just before the start of the year on the assumption that each council will spend at its assessed need figure. The result is sometimes described as 'point' equalisation. Authorities that spend above or below their assessed need total are not given more or less grant; the total allocated is generally only adjusted to correct errors.

In theory, an authority that has increasing expenditure demands associated with higher population and/or economic activity would find its grant increased as a result of the 'expenditure needs' part of the Formula Grant. The grant system should recognise the increase in relative need to spend and consequently compensate for higher service demands.

In practice, the data used as the basis for grant calculations tend to lag actual changes by a number of years. Additionally some statistics, notably those relating to population, are disputed because they are judged to fail to measure change with sufficient precision. Most importantly, even if the formulae and data used within the local government grant system were to be 100 per cent effective in measuring changes in need to spend, 'floors' in the funding system would slow down any grant increases due. Moreover, many London boroughs are already on the grant floor and so cannot gain grant even if their needs are, according to the grant system, increasing.

The 2012 Games will increase borough costs, as is explored below. Yet because 95 per cent of all UK taxes are attributable to central government while the other five per cent (council tax) cannot reflect any short or longer term growth in economic activity because of the operation of the local government grant system, there is no way most boroughs can benefit from any tax increases resulting from the Games.

Put simply, additional costs fall on the boroughs while additional tax benefits are enjoyed by the Exchequer.

5. Legal framework: Obligations under Host City Contract

Shortly after the Games were awarded to London in 2005, the Mayor of London and the chair of the British Olympic Association signed a contract with the International Olympic Committee setting out what precisely London will provide as host of the Games (IOC et al, 2005). This document is known as the Host City Contract (HCC). The HCC incorporates the commitments made in London's 2004 bid to stage the Games (London 2012 Candidate File, 2004). The requirements of the contract are reflected in the

London Olympic Games and Paralympic Games Act 2006, which provides the legal authorisation for public bodies to carry out the necessary preparations for the Games.

Although the HCC was signed by London's representative, it is recognised that staging the Olympic and Paralympic Games is a task of such scale that in practice no city can manage alone—it is always a national undertaking. Central government has therefore been heavily involved in the project since the early stages, when the bid was first being discussed, and is funding most of the investment required. The Olympic Minister, Tessa Jowell, is in charge of central government's input.

Boris Johnson is London's mayor, but his authority over the boroughs is in fact strictly circumscribed and he has little power to compel them to act. However, the bid document stated that 'each of the London boroughs hosting events...have guaranteed their full support for the Games. They will be bound by the Host City Contract.' (London 2012 Candidate File 2004, p.37) Although those boroughs not hosting events are not similarly bound, they all strongly support London 2012; in the words of the bid, 'The UK Government, the Mayor of London, the GLA and the boroughs across London and beyond are fully united in their support for the Olympic and Paralympic Games in London in 2012.' (*ibid* p.31) All of London's local authorities—not just the host boroughs--have voluntarily committed an increasing amount of time and resources to 2012 Games preparations and planning.

Under the terms of the HCC and/or the legislation, the Games organisers are required to:

- Form an Olympic Games Organising Committee (now LOCOG)
- Provide free transport within the host city to athletes and other Games participants
- Create a uniform branding, or 'Look of the Games'
- Provide security and medical services and media facilities
- Build an Olympic Village and ensure appropriate accommodation for other participants
- Organise the competition
- Organise cultural programmes and ceremonies
- Legally protect the Olympic symbol
- Ensure no advertisements from non-sponsors can be seen from the venues
- 'Take all possible steps' to prevent betting on Olympic events

There are some provisions of the legislation that explicitly involve the London boroughs—for example, the Act provides that the Olympic Delivery Authority can arrange for boroughs to clean and light their streets to a certain standard during the Olympic period. There is also some provision for costs to be reimbursed—as in the case of street cleaning and lighting, above, or in the case of protection of the Olympic symbol trademark, where the Act contains provisions allowing LOCOG to 'make payments to a local weights and measures authority in respect of expenses incurred' in

enforcing this protection (London Olympic Games and Paralympic Games Act 2006 Section 3, 12(2)(b)).

The IOC's detailed requirements with regard to the operation of the Games are set out in a series of technical manuals, which are also formally part of the Host City Contract. These cover such topics as organising meetings, protocol and design standards for competition venues. The technical manuals are not public documents, and in response to a 2008 Freedom of Information request, the Department of Culture, Media and Sport (DCMS) said it was 'unable to provide…the information…as its disclosure would constitute a breach of confidence actionable by (the IOC).' LOCOG has these manuals but their contents have not been shared with those borough officers to whom we spoke. It was considered unlikely, however, that they contain material that would oblige the boroughs to provide particular services.

6. The 2012 Games budget and LOCOG

There is no single 'Olympic budget'; rather, each of the several organisations tasked with delivering specific elements of the Games has its own budget. Most of the cost of the 2012 Games is being met by central government, which has committed very large sums to providing the necessary infrastructure. The overall Public Sector Funding Package stood at £9.325bn in November 2009 (DCMS 2009). The largest chunk of this money will be spent by the Olympic Delivery Authority (ODA) in delivering venues and infrastructure. Its overall budget was £8.1bn in June 2009 (Berman 2009), but its anticipated final expenditure was £7.24bn as of November 2009 (DCMS 2009). Apart from funding the ODA, much of the rest of the public sector funding package will be spent on security.

Separate from and additional to this is the operational budget of the London Organising Committee of the Olympic Games (LOCOG), the organisation in charge of 'staging and hosting' the games.

LOCOG's budget is about £2bn in 2012 prices (Berman 2009), almost all of which is meant to be raised from the private sector. LOCOG is constituted as a private company; its 'stakeholders' are DCMS, the GLA, and the British Olympic Association. Because it is a private company, details of its finances are commercially confidential. The only public information about how much it will spend in staging the 2012 Games, and what it will spend it on, is contained in the bid document – see Table 3.

Table 3: Detailed Olympic Games operating budget (LOCOG), £000

Sports venues	260,625
Olympic village and alternative accommodation	136,250
International Broadcast Centre/Main Press Centre	28,750
Games workforce	116,875
Information systems	204,375
Telecommunications and other technologies	63,125
Internet	12,500
Ceremonies and culture	
Opening ceremony	18,750
Closing ceremony	12,500
Medal award ceremonies	1,250
Cultural programme	18,750
Torch relay	3,125
Other programmes	3,125
Medical services	11,875
Catering	13,125
Transport	123,750
Security	23,125
Paralympic games	90,000
Advertising and promotion	57,500
Administration	159,375
Pre-Olympic events and coordination	12,500
Other – miscellaneous	101,875
Other – contingency	65,625
Total	**1,538,750**

Source: Table 6.6.1, London 2012 Candidate file

LOCOG will run the sporting events and operate the venues during the Games. It will contract with some outside providers, hiring those venues (such as Earl's Court and Wembley) that the ODA does not own. It will provide services within venue perimeters, but not outside them. Crucially, the exact locations of these venue perimeters are still the subject of negotiations between LOCOG and the boroughs. The final placement of the perimeters will affect local-authority service provision, particularly in the case of waste management. The more broadly drawn the perimeters are, the less responsibility local authorities will have for collection of waste created by spectators.

7. Existing information about likely costs

Because the 2012 games are a one-off event in London, the boroughs face the task of making preparations for something that has no precise parallel. The 1948 games in London were different in so many ways that they provide no help or guidance in relation to the costs of operating them. Moreover, the Olympics have changed massively since 1948, as have public expectations and external security threats in relation to major international events. Existing multi-day London events, such as the annual lawn tennis championships at Wimbledon, five-day test cricket matches at Lords or the Oval and

exhibitions at Earl's Court or the Excel centre, offer some evidence about possible costs but are much smaller than the 2012 Games.

Nor do the examples of other Olympic Games provide much comparative information about the indirect costs to local governments. There are several reasons for this. First, Olympic host cities have in most cases contributed significantly to the Games budgets from their own coffers, and could thus be assumed to have implicitly accepted the inevitable indirect costs of hosting the Games. Host cities had an obvious interest in not being seen to suffer financial loss because of the Olympic Games, particularly after the Montreal Olympics in 1976, the debt for which took 20 years to clear. As one expert points out, 'To present Olympic expenditure in the best possible light, host cities often hide certain items or shift them to other budgets... Presumably there is a fear that disclosure of the full costs of staging an Olympic Games might diminish the degree of public support for this event' (Cashman 2002, p. 7). The main reason a host city might quantify its indirect extra costs would be the prospect of getting someone else to pay them—unlikely if the host city itself was financing the Games.

Secondly, most previous host cities operate under finance regimes that permitted them to raise their own tax revenue and make decisions about its expenditure. They therefore benefitted financially from higher tax take during the games (see below), which could more than compensate for any additional expenditure on ancillary services. Finally, it should be recognised that the amounts with which this report is concerned are relatively small in comparison to overall Olympic budgets; most of the literature on Olympic finance deals with the costs of providing new infrastructure, which is reckoned in the billions of pounds.

This section sets out the evidence available about the kinds of local-authority services required at major events, and the cost of providing them. In London we carried out case studies of how two London boroughs, Brent and Merton, deal with major sporting events, and asked how Westminster Council deals with the many major events that take place in central London. We studied how Manchester dealt with the 2002 Commonwealth Games, and examined the experience of recent Olympic Games.

Brent: Events at Wembley Stadium
Merton: Wimbledon

Wembley Stadium, in the London Borough of Brent, has a capacity of 90,000 people and hosts approximately 30 major events each year, with crowds ranging from 25,000 to 90,000 people. Under the terms of its planning permission the stadium, which was rebuilt in 2007, must pay the council for most of the extra services provided on event days. These include parking control, traffic management and cleansing. The most expensive element is cleansing: the council deploys teams of contracted cleaners, who clean the area outside the stadium after an event starts and then again after it finishes and the crowd has dispersed.

There are special parking arrangements around Wembley on event days, when a special controlled parking zone (CPZ) comes into operation from 10:00 a.m. to midnight. This extends for a radius of about 1.5 miles around the stadium. Council employees go out early in the morning to change the parking-control signs, which are hinged, to show the parking restrictions; they change them back again after midnight. Brent has a contracted-out parking service. Depending on the size and nature of the event at Wembley they may deploy more parking wardens and more towing capacity. They find that there are few parking infringements on event days, as people are aware of the restrictions that apply.

Some events require road closures; there is also a reversible-flow lane on the main access road from the North Circular. Highways personnel are required to move the cones, set up bollards etc., then restore the arrangements to normal at the end of the event. In addition the council deploys additional inspectors to deal with illegal street trading around the stadium.

Under the Section 106 agreement that formed part of its planning permission, Wembley Stadium reimburses Brent Council for the majority of extra costs associated with major events there.

The All-England Lawn Tennis Club, located in the London Borough of Merton, hosts the world's most prestigious tennis tournament over two weeks every summer. Wimbledon is the venue for 13 days of play, with 150,000 to 160,000 spectators attending over the period. The borough provides various services in connection with the tournament, including cleansing, officer time on health and safety, trading standards and environmental health (for example, enforcement against ticket touts and unlicensed vendors selling souvenirs). Like Wembley Stadium, the All-England club reimburses the borough for the bulk of its expenditure on services connection with Wimbledon.

The extra costs incurred by the Merton due to the Wimbledon tournament, and by Brent due to Wembley events, are under £1 million per annum in each borough. The exact nature and amounts of the financial transactions between Merton and the AELTC, and between Brent and Wembley Stadium, are commercially confidential, but in both cases most of the boroughs' costs are charged to the event. The boroughs did share enough

information with us to allow us to carry out some sensitivity checks on our cost calculations.

Westminster: Major events

Westminster Council often deals with major events in central London, and has a dedicated team of officers to handle them. In general, event organisers are presented with a list of requirements; the council will approve the event only when they and other relevant agencies (police, fire, Royal Parks etc.) are satisfied with the arrangements. Depending on the nature of the event, organisers might need to arrange for temporary traffic orders, traffic management plans (including cones, signage, barriers and stewarding), an event plan (health & safety, event stewarding, event liaison, radio communications), cleansing (Westminster council's contractor invoices the organiser directly), first aid, community liaison (letters to residents and residents' forums), parking suspensions and dispensations, temporary structures licensing, streetscape alterations (e.g. removal of traffic islands for the Notting Hill Carnival parade), getting trading licenses and temporary events notices, toilets if necessary, and lost children's points. All these matters are the financial responsibility of the event organiser.

Manchester: Commonwealth Games 2002

The 2002 Commonwealth Games in Manchester brought over one million visitors to the city over 10 days. The main report on the games, a study by Faber Maunsell and Roger Tym for the North West Development Agency (NWDA, 2004) made no mention of the local public service costs associated with the events; indeed, few studies have researched such costs in any detail.

We carried out a case study of the effect of the Commonwealth Games on Manchester and surrounding local authorities, which is reported in detail in Annex B. This research confirms that important costs were incurred in areas identified by the London boroughs in this study, including street cleaning and lighting and highway schemes. Manchester City Council alone spent £11.5 million in all, of which £4.8 million went towards services such as highway schemes, parks and visitor telephone services, beautifying or 'dressing' the city under the 'Look of the Games' scheme, street cleaning and lighting, and public conveniences. In addition, there were important staff costs—particularly on the dedicated Commonwealth Games unit, on 'backfill' for staff seconded to the organising committee, and on central administration. Neighbouring local authorities with venues also incurred additional costs.

Previous Olympic Games

We looked at literature on recent Olympic Games to try to determine their effects on local-government services in the host cities. There was some limited evidence about extra municipal costs. For the Los Angeles Games in 1984, a contract was signed between the organising committee and the city, under which 'the city agreed to provide its basic level of community services, while the LAOOC was expected to pay for the

additional police, fire, street cleaning, rubbish collection, transportation planning, and other services needed for the smooth running of the Games...The total cost of city services for the Games is estimated to have been approximately $26 million, with $23 million of that amount used to provide police protection services' (Lawson 1985, p. 130). For the Barcelona Olympics in 1992, the City of Barcelona was estimated to have spent 4.036m pesetas (approximately £22m at the time) on 'exceptional municipal services' (Brunet 1995); however, the source does not specify the nature of these costs.

The most complete information available concerns the Sydney Olympics of 2000. These Games were underwritten by the Government of New South Wales, which took a stringent approach to the Games budget. In 1997, it defined costs to host the Games as 'expenditures directly related to or incurred in meeting the obligations/conditions of the Host City Contract' (NSW Audit Office 1999). Specifically excluded was 'the augmentation of normal services where those services are not required under the Host City Contract' (ibid). Nevertheless, it did recognise that local authorities would be faced with additional costs, particularly in the area around venues:

> 'During the Games there will be a demand upon councils, including those adjacent to venues, precincts and corridors, to provide services such as portable toilets, garbage collection and traffic management services. Sydney City Council, for example, will expend at least $17m to service the CBD' (NSW Audit Office 1999, Section 8.3).

Some provision was made for reimbursement of these costs:

> 'Both SOCOG (Sydney Olympic Games Organising Committee) and OCA recognise and are planning for the impact of the Games on the Urban Domain, that is the area outside the immediate vicinity of the venues for the Games. Although these costs are not, according to the Government's definition, direct costs of the Games, a provisional amount of $20m has been provided in OCA's budget for temporary service facilities for city precincts. These temporary services and facilities are likely to include the supplementation of sanitation, waste disposal and crowd and traffic control. ... Recent negotiations suggest that some of this money allocated to OCA may be used to reimburse agencies for the additional expense in meeting expected levels of service in the environment of the Games' (NSW Audit Office 1999, Section 5.8).

Apart from these 'urban domain' costs, there was a significant opportunity cost in terms of manpower, for which employing agencies were not compensated. A post-games analysis stated that 'The contribution by NSW Government to the Games specifically excludes the cost of other full time permanent public servants allocated to the Games and paid through the State Budget process by way of non-Olympic agencies. Reallocated public servants include police officers, train drivers, train guards, as well as other public servants allocated to duties. The value of these full time permanent public servants reallocated to Games duties is estimated at $101.8 million' (Olympic Coordination Authority 2002, p.24).

Extra tax revenues

There have been several attempts to quantify the extra tax revenue received by host cities because of the Olympic Games. During the 1984 Games in Los Angeles, the city instituted special taxes on Olympic tickets and hotel rooms, which produced approximately $20m in revenue; this was in addition to an extra $68.8 million in other state and local revenues directly attributable to the Olympics in 1984-1985. The extra costs to the City of Los Angeles were just over $26 million (Lawson 1985).

The Government of New South Wales expected to benefit financially from the Sydney Olympics in 2002:

> 'The NSW Treasury has estimated that extra economic activity associated with the Olympic Games will generate additional tax revenue of $653 million for the period 1994 to 2002. These estimates arise from various economic models; however specific measurement of these estimates against revenues actually received is not possible. This additional revenue will arise as a result of higher levels of economic activity such as employment (payroll tax), increased numbers of financial and business transactions (debit tax) and increased accommodation arrangements (hotel bed tax) arising from Sydney hosting the Olympic and Paralympic Games' (Olympic Coordination Authority 2002, p. 21).

In the UK context, boroughs cannot benefit from extra tax revenues in this way.

It is worth noting that the Greater London Authority and the Metropolitan Police are already incurring substantial expenditure as they prepare for the 2012 games. According to the Mayor's *Final Draft Consolidated Budget* for 2010-11, the police will spend £34.5 million in 2010-11, £47.9 million in 2011-12 and £153.6 million in 2012-13. The fire authority will spend up to £2.6 million in the period 2008-09 to 2010-11. The GLA is to spend £0.8 million per year on a London 2012 Olympics Unit.

Security and policing costs make up a very large proportion of projected expenditure on the Olympics. These are budgeted for quite separately and the boroughs have no direct responsibilities in this area. However, evidence from regular national and international events staged in London shows that covering these events usually involves transferring large numbers of officers from their normal duties. This affects the quality of services available across the capital, and the reallocation can impact directly on borough employees such as neighbourhood wardens and other support staff, as well as on residents' experience.

A rather different issue is that the Metropolitan Police Authority receives an additional funding element from central government which goes towards the costs of policing these national and international public events, as well as the responsibilities of policing a capital city. For other types of event - such as the London Marathon, regular sporting events such as football matches, etc., the MPA is reimbursed by the event organisers. These examples demonstrate that government recognises that there are extra costs

associated with such duties and events, and that not all public-sector organisations are expected to cover such costs out of their normal budgets.

No such estimate of the additional costs of providing services during the Olympics has hitherto been made for or by the boroughs. Indeed, our research has shown that LOCOG believes the boroughs will be able to provide any additional public services at little or no extra cost.

8. The boroughs and the games

The Olympic and Paralympic games will inevitably create unavoidable costs for the London boroughs, which have responsibilities for a range of 'clean and safe' services that will be of enormous importance to ensuring the Games are a success. The large crowds that will visit events in Newham, the other host boroughs and in central London will generate costs for services such as street cleaning, waste removal and street management. As explained elsewhere, whatever the wider economic benefits of the Games to London, the local government finance system operates in such a way that boroughs will not be able to benefit from any higher tax take in the capital. All additional tax will be paid to the national Exchequer. But costs will fall on the boroughs.

In any rational world, borough residents would not be expected to pick up these additional costs – or to suffer reduced service levels to compensate for the costs of extra provision. As it happens, the host boroughs (Newham, Tower Hamlets, Hackney, Greenwich and Waltham Forest) include some of the most deprived neighbourhoods in the United Kingdom. If the boroughs were to find themselves with significantly higher costs, even for a relatively short period, there is a risk that poor communities would see their provision cut back in order to pay for 2012 Games-related services. No one in central government or at City Hall can have intended for such an outcome to occur.

Thus, it is necessary to estimate the likely additional cost burden that will fall on the 33 London local authorities as a result of the preparation for and delivery of local public services that will be needed during and around the Olympic and Paralympic period. The full period of the two sets of games will be seven weeks, though the Olympic Route Network will function for around eleven weeks. It would appear reasonable to envisage higher costs directly applying for this eleven-week period, though there will inevitably be officer costs (or, if officers are diverted from other duties, so-called 'opportunity costs') for a longer period. Boroughs visited as a part of this research project are already devoting some officer time to 2012 Games preparations.

The object of this report is to consider only unavoidable costs associated with the Olympic and Paralympic games. That is, what is the extra provision that London boroughs and the City will have to provide during the Olympics and Paralympics so as to ensure their areas are serviced to an acceptable (and, in some cases, legally required) level? Clean streets and enforcement of road closures will be unavoidable. On the other hand, an Olympic-related cultural event or new urban design in public

areas, even if desirable, would not be essential. Thus, we have considered only a narrow definition of 'unavoidable' spending.

Even within this narrow view of provision lie borderline cases. For example, boroughs that are hosting events and the central London authorities will almost certainly be expected to put up banners and other Olympic-related welcoming material. There is expected to be a 'branding exercise' that such boroughs (possibly all) will come under pressure to join.

In taking this narrow focus we do not mean to disregard those tasks and responsibilities which are likely to fall to local government because of the need to deliver an exciting, inspirational Games. Such responsibilities include dressing the city through the "Look of London" programme or providing inspiring experiences through watching events of one of the planned Live Sites or providing exceptional visitor services for example through the Host City Volunteer programme and borough volunteer programmes. The expectations likely to be placed on boroughs and the aspirations of boroughs themselves are likely to be high as will be the costs associated with these expectations

It is also important to note that the games will fall in mid 2012-13, the second year during which local government is, by universal account, expected to be the object of very sharp grant and expenditure reductions. The Institute for Fiscal Studies has produced a number of analyses of UK public finance suggesting local government is likely to suffer real-terms spending reductions of 15 per cent or more over the three years 2011-12 to 2013-14. Because of the likely need to shield provision such as children's services and care for the elderly, it is possible local environmental and transport services will face cuts greater than 15 per cent.

If public expenditure reductions are, as appears inevitable, particularly severe within local government and, within councils, further concentrated on a sub-set of environmental and transport provision, the need to fund additional Olympic and Paralympic services could well meet powerful challenges. Put directly, it is hard to imagine boroughs making deeper reductions to already-cut neighbourhood services just to ensure the games look good. No one could have guessed when London won the games in 2005, that they would take place during a period that will see the deepest public expenditure reductions for a generation.

This point needs to be stressed. The construction phase of the 2012 Games has taken place during the 'fiscal boost' phase of the recession. The infrastructure put in place for the games has been viewed as a Keynesian counter-cyclical project to boost demand during a deep recession. However, the games themselves will take place during a period of radical public spending restraint. As they say in football, this is very much a 'game of two halves'.

Thus, even modest additional spending on street cleaning, waste collection, public safety, asylum seekers, emergency planning and other provision will compete, at the margin, with service spending that is being frozen or cut. The very services needed to

make the Olympic and Paralympic games look good within their city context are the ones councils will face pressure to cut.

8.1 Why will borough services be affected?

It might be argued that boroughs do not *need* to increase or alter their service provision for events like the Olympics—that they could choose to operate a normal service despite the Games. But local authorities have statutory duties to provide some services (waste collection, for example), and must meet certain standards in their provision—and if the number of people present in the borough is much higher than the norm, and/or they move through different areas, service provision will have to change to accommodate this. Similarly, local authorities are required to decide applications for licenses and permits for street trading within a certain time period. If there is a major 2012 Games-related spike in such applications (as happened, for example, before the Millennium) boroughs may be required to bring in extra staff to deal with them, in order to meet the time limits.

The GLA and boroughs have for some time been working together to identify additional service needs and coordinate their delivery. This exercise is taking place in the City Operations Group, which has several workstreams and includes representatives from many of the boroughs and all the main service areas.

Clearly there is always some flexibility in local authority budgets and in the manner in which services are provided, and small or short-term changes in demand can be accommodated in the normal course of operations. However at some point the local authority faces a choice: if it is to meet urgent 2012 Games-connected demand, it must divert resources away from normal service provision.

It could be argued that the boroughs signed up to the bid, and thereby committed themselves to absorbing the associated costs. In fact, only the host and venue boroughs were formally part of the bid. Even they did not, in 2004, have enough understanding of the service requirements to be able to cost their commitment accurately, nor could they have predicted the global economic crisis and likely subsequent period of real-terms spending reductions in which to they would have to deliver additional services for the 2012 Games.

Extra burdens on local authorities will come principally from the following factors:

Different distribution of people

While the number of visitors to greater London may be no more than during a normal summer tourist season the distribution of those visitors will be very different. At borough level the change could be huge—and unprecedented. And the number of people served is a key driver of costs in many areas—as recognized in the formulae for determining revenue support grant, all of which include elements for permanent and/or daytime population. .

The games are expected to attract millions of spectators. Current plans assume that about 33% of the tickets will be bought by Londoners, 42% by people from the rest of the UK, and 25% by visitors from abroad (ODA 2009, p. 44). It cannot, however, necessarily be assumed that all those visitors from outside London will be *in addition to* the normal number of London summer tourists[3]. Unlike recent Games host cities such as Sydney and Athens, London has an enormous stock of hotel rooms and can accommodate both games visitors and non-games tourists. London's high season for tourists normally lasts from May until about the end of July; the games come neatly at the end of this period and could be expected to extend it. But the experience of other Olympics has been that non-games travelers avoid the host cities during the Olympic period, expecting that they will be overcrowded and/or too expensive. So even though London could accommodate both games visitors and tourists, it seems likely that the former will predominate—it may well be that the total number of visitors in the city does not exceed that ordinarily experienced during peak summer weeks.

What will be different is where they go. The Olympic Games will reflect an 'abnormal' flow of visitors. It will also see visitors in areas of London which are not usual visitor destinations. London's tourist attractions, accommodation and restaurants are heavily concentrated in the central boroughs, particularly Westminster and Camden. These boroughs (which are also major employment centres and commuter destinations) are thus set up to cope with large numbers of non-residents, whose movements and timings are relatively predictable. The focus for Olympic and Paralympic spectators and participants, on the other hand, will be the five east and south east host boroughs, and to a lesser extent the other venues. Of the host boroughs, only Greenwich is already an established tourist destination.

In addition visitor numbers are currently taken into account when calculating the formula grant. However, the Government have repeatedly stressed their intention to remove one measure of visitor numbers from the formulae from the financial year 2011/12 onwards. This is because this measure is based on data over ten years old. The remaining indicators, for overnight visitors, are currently based on data at least four years old, averaged over three years. This means that it is likely to be many years after the Olympics that the resulting overnight stays feed into formula grant, if at all.

In terms of services, more people generate more litter which needs to be collected and disposed of and more opportunities for pickpockets and petty criminals who need to be deterred. Because the people will be concentrated in particular places, particularly around the venues and along pedestrian routes to and from public transport, these locations will be attractive to street traders—and local-authority licensing and enforcement officers will need to be active.

[3] There is no agreement among the interested parties as to whether the Olympic visitors will be in addition to, or instead of, the normal tourist flow. The Government Olympic Executive is in discussion with the Office of National Statistics about doing some research into this issue.

Restrictions on traffic and parking

Parking enforcement costs are likely to be significant in many boroughs. It would be a relatively straightforward task to estimate them if all the parameters were known, but decisions have yet to be taken about what parking restrictions will apply on the Olympic Route Network. Similarly, traffic management will be required not only in the immediate vicinity of venues, but probably across the whole of Greater London in order to deter or prevent non-essential traffic from entering central London. Plans have recently been agreed to institute a 'movement management' programme to deter non-essential motor traffic from entering central London during the Games period. What this will mean in practice is still being worked out.

Enforcement along the streets covered by the Olympic Route Network (ORN) is a LOCOG responsibility, but the boroughs will enforce parking restrictions on neighbouring streets. The costs of changing parking arrangements on these streets (including notification and consultation of residence) will start to be incurred well before the games.

The need to change normal work schedules

The schedules for normal council services may have to be changed to accommodate events or the requirements of the ORN—for example, bin collections may be re-timed to accommodate 2012 Games traffic. Some officers will have to work longer hours than usual, and some boroughs may discourage/cancel leave for the period, leading to personnel shortages when employees instead take leave before and after the games. In addition, the expected re-assignment of police officers from outlying boroughs to central and 5 host boroughs will mean that local authority officers will have to fill in for the police in many situations.

Unexpected cost drivers

Several interviewees expressed concern that boroughs would be issued late in the day with diktats that would affect all of their 2012 Games preparations, and occasion unavoidable costs. The most likely source would be security requirements—for example, if all Territorial Army members were called up then local authorities would lose staff. There could also be last-minute alterations to the ORN or its enforcement provisions.

8.2 Categorisation of boroughs

For the purpose of our analysis we have categorized the boroughs into several groups, according to the likely pattern of demand for local-authority services. Service demands, and associated costs, will differ across boroughs according to various factors, including the location of venues, transport hubs, accommodation, etc. The costs this report is concerned with are not limited to the areas adjacent to venues—and in any case most

of the non-Olympic Park venues are places which often accommodate large sports events. Costs will be seen around:

- Pedestrian routes to/from venues – these should be familiar and established for most of the non-Olympic Park venues but for the host boroughs in particular there will be costs.

- Transport hubs. The Javelin high-speed train will operate a seven-minute shuttle service from Kings Cross to Stratford. This will be the quickest way from central London to the Olympic Park, so congestion can be expected around King Cross Station; many visitors from north of London are expected to come into Kings Cross and go straight to Stratford. The Central and Jubilee lines also serve the Olympic Park, so stations on those lines will experience greater-than-normal traffic.

- Concentrations of accommodation/entertainment/dining facilities, mainly in central London.

- Live Sites. There will be at least two permanent Live Sites, one in Waltham Forest and one in Woolwich, and five temporary ones. The location of these is yet to be confirmed, but they will probably be in Trafalgar Square, Hyde Park, Regents Park (all within Westminster), on the South Bank (Lambeth) and Victoria Park (Tower Hamlets). They are expected to attract tens of thousands of people for their free broadcasts of Olympic and Paralympic events.

- Events of the Cultural Olympiad. It is a bid commitment to host this, but as yet there is no published schedule of events.

Taking these factors into consideration we have divided the boroughs into five categories. In each category the pattern of extra costs should be broadly similar. The categories are:

1. 5 East and South East Host boroughs

The cost implications of the 2012 Games will be most marked in the 5 host boroughs. The five host boroughs are those that border or contain the Olympic Park (Newham, Hackney, Tower Hamlets and Waltham Forest) plus Greenwich, their neighbor south of the river, which will host several events. Most of the area of the Olympic Park itself is part of the borough of Newham, but that has little relevance for our analysis. More important is the fact that there is access to the Olympic Park through all four north London host boroughs.

2. Central London

Central London boroughs will bear a large proportion of the costs of 2012 Games visitors. Spectators and participants can be expected to congregate in established tourist areas when they are not attending events, and these boroughs contain London's

largest concentration of accommodation and restaurants. In addition, there are several venues in central London, and most of London's Live Sites will be there. Although the numbers of people in these boroughs may be no more than would be there in a normal summer tourist season, the dynamics of their movement will be different. In addition, there may be a different mix visitor types, particularly during the Paralympics.

The concentration of transport hubs, venues and Live Sites in a small area, the expected disruptions to normal traffic movements, and the need to maintain service levels under difficult working conditions over a seven-week period, may require major changes to normal working practices over the Olympic period.

3. Non-host boroughs with venues

--established venues

Many of the venues in the non-host boroughs are places that regularly host large public events. Compared to an FA cup final at Wembley, for example, the football events of the Olympics are likely to impose relatively light burdens on Brent Council. Similarly, the volleyball events to be held at Earls Court could attract a theoretical maximum of 480,000 visitors over 16 days (capacity 15,000, two sessions/day). But Earls Court is an established and well-used centre for all kinds of large gatherings. The use of the venue for the Olympics is not fundamentally different from its use for other major events and should not in principle impose additional costs on the local authority; the borough will simply put into operation its normal plan for dealing with such events. There would, however, be additional costs as compared to non-Olympic events if the venues were used in a significantly different or much more intensive way, or if several events took place simultaneously.

It would obviously be relevant—and inequitable--if the local authority were normally reimbursed for the costs associated with public use of the venue, but were not to be so reimbursed for its use during the Olympics.

The venues that clearly fall into this category are

- Earl's Court (Kensington & Chelsea/Hammersmith & Fulham, volleyball)
- Lord's Cricket Ground (Westminster, archery)
- Wembley Stadium & Arena (Brent, football, badminton & rhythmic gymnastics)

Two others probably on balance fall into this category:

- The All-England Lawn Tennis Club (Merton, tennis)
- Hyde Park (Westminster, triathlon and open-water swim)

The All-England Lawn Tennis Club in Merton hosts the Wimbledon tennis championships every summer; however, this is a once-a-year event, not a regular one such as Earl's Court or Wembley host. Hyde Park is not normally used for large-scale

sporting events but it does often host major public events such as concerts, with audiences in the tens of thousands. Westminster Council is therefore experienced in dealing with the implications in terms of traffic, litter, crowd control etc.

--one-off venue

There will more clearly be costs associated with one-off venues. The creation and operation of these one-off venues will be undertaken by LOCOG, but because these places do not regularly host large sporting events the borough may have to work out plans for community safety, rubbish collection, traffic management etc. from scratch.

The single venue that falls into this category is in Westminster[4]:

- Horse Guards Parade (beach volleyball)

Although Westminster and Kensington & Chelsea both have venues, we have classed them as Central London boroughs for the purpose of our analysis.

Table 4: Categorisation of boroughs by cost impact

1. 5 Host boroughs	***2. Central London***	***3. Non-host boroughs with venues***		***4.Neighbours***	***5. Non-neighbours******
		established venues	***one-off venues***		
Greenwich* Hackney Newham Tower Hamlets Waltham Forest	Camden City of London Islington Kensington & Chelsea Lambeth Southwark Westminster	Merton Brent Hammersmith & Fulham (Kensington & Chelsea)**	(Westminster)**	Barking & Dagenham Bexley Haringey Lewisham Redbridge	Barnet Bromley Croydon Ealing Enfield Harrow Havering Hillingdon Hounslow Kingston Richmond Sutton Wandsworth

*Greenwich also has two one-off venues

**Westminster and Kensington & Chelsea have venues, but for the analysis are considered to be Central London boroughs.

***'Non-neighbours' includes boroughs through which the various road events (cycling, marathon, race walking) pass. The final routes of these races have yet to be determined.

[4] There are also two one-off venues in Greenwich: Greenwich Park (dressage, eventing, jumping, modern pentathlon) and Royal Artillery Barracks (shooting). Because Greenwich is a host borough they are not considered further here.

4. Neighbouring boroughs

These are likely to see more costs as they will serve as transit routes and some of them contain important transport nodes (e.g. Barking station in Barking & Dagenham).

5. Non-neighbours, including boroughs with road race routes

All London boroughs will feel some effects, even those not hosting events. The road race routes, which are likely to pass through boroughs that otherwise have no venues, may not be determined until summer 2012. This includes routes for the marathons, road cycling and race walking.

8.3 Affected services

In approaching the question of the likely additional cost burden created by the Olympics and Paralympics, it is first necessary to identify which parts of borough provision are likely to face extra cost pressures. Services such as the police, fire brigade, the NHS and the Greater London Authority are not covered by this research. On the basis of discussion with officials in London government and consideration of earlier Olympic Games and analogous sporting events, we expect there will be additional demands during the Olympic period for the following services:

- Waste management (collection and disposal)
- Licensing, environmental health and trading standards
- Parking services
- Traffic management
- Street cleansing
- Highway maintenance
- Community safety
- Parks & leisure
- Children and family services – asylum
- Adult care – asylum
- Public health
- Housing
- Emergency planning
- General administration

Taking them in turn:

Waste management

Councils will need to collect and dispose of additional waste, particularly where major events attract large numbers of people. This is likely to require additional refuse collections, possibly out of hours, and higher disposal costs. Normal collection schedules for household and commercial waste may have to be changed to accommodate 2012 Games traffic and road closures. The mix of types of waste may

also differ from the norm. Many boroughs contract with private firms to collect their waste. Any alterations due to the 2012 Games would have to be written into their contracts or negotiated separately, and would entail additional costs.

Licensing, environmental health and trading standards

Boroughs' environmental services are likely to face higher demands (in addition to waste and cleansing) for:

- Licensing, particularly for events and premises connected with the games, or for additional stringency in relation to existing premises. Organisers of one-off events must apply for Temporary Event Notices (TENs) from the council; these are required for events that last less than 96 hours and have fewer than 500 people. By law boroughs have roughly ten days to determine a TEN; they would be overwhelmed in June/July 2012 if everyone applied at the last moment (as happened before the Millennium). If there are more people, or the event goes on for longer, it needs a premises license. Licenses and TENs do bring in revenue, but not much (e.g., £21 for a TEN in Westminster).

- Trading standards, particularly where there are short-term vendors and merchants who set up before and during the games. There may also be enforcement issues in relation to the large number of 'first time' visitors to the city and also relating to the quality of hotels and other short-term residential premises

- The boroughs may be called on to police advertising by non-Olympic sponsors near Olympic venues. The IOC has strict rules to prevent this so-called 'ambush marketing', which form part of the Host City Contract.

- Environmental health departments will monitor restaurants and other food sellers, and in particular prevent unlicensed fast-food sellers ('dodgy burger vans') from operating where crowds gather.

There may well be a shortage of enforcement officers in the most affected boroughs, as coverage will be needed throughout the period events take place—say from 7a.m. until 11 p.m.

Parking

The 2012 Games will create extra demand for parking enforcement, mainly because of the operation of the Olympic Route Network. The ORN will have several knock-on effects on parking. First, it will eliminate or reduce existing parking opportunities on the ORN itself, or even in whole areas of London during certain events. Second, it will require the creation of new areas of parking control on or near the ORN; the extent of these is not yet known. Third, some of the parking that will be eliminated by the ORN will be residents' parking. To permit residents to continue to park near their homes,

some boroughs may change existing bays of paid or free parking into residents' parking for the duration of the games.

All London boroughs receive net revenue from parking—that is, they earn more in parking fines than it costs them to pay for parking enforcement. Local authorities are tightly constrained in how they may spend these revenues; Section 55 of the Road Traffic Regulation 1984 stipulates they must be used for transport projects. But while the Games will create more demand for parking enforcement, they will not necessarily lead to a corresponding increase in parking revenue. Some roads will be closed completely, and there will be no parking on them at all. The ORN will reduce the number of paid parking bays in some areas, and if spectators follow the organisers' exhortations not to drive there may be little increase in revenue from parking fines.

Traffic management

TFL is responsible for the Red Routes, which are 5% of London's roads; the boroughs control the rest. Traffic management legislation gives each borough responsibility for making sure traffic is moving freely. Boroughs need to ensure the free flow of traffic for residents and non-2012 Games road users during the Games, and may need to implement their own measures to deal with the knock-on effects of road closures for road races and for the Olympic Route Network—by introducing new Controlled Parking Zones, for example.

There will be a London-wide operation, known as movement management, to reduce or eliminate non-essential vehicle traffic through central London and the 5 host boroughs during the Games period. The details of the scheme are still being worked out, but the greatest controls would apply around the Olympic Park, in the 'river zone' (Greenwich, Newham and neighbouring boroughs) and in central London. To some degree, however, it would affect all boroughs. The movement management will employ established traffic management plans; these have often been deployed in the past, but never for more than three consecutive days. It may be difficult (and/or unnecessary) to sustain for 20 days. Problems may be worse away from the Olympic Park; an increase in traffic anywhere in London affects the whole network.

Street cleaning and lighting

The Act specifically recognizes that the streets need to be clean and well-lit during the Games, and authorizes the ODA to ensure that they are. The Government Olympic Executive expects, however, that this provision will not impose any duties on boroughs beyond the normal statutory requirements. However, the scale of the task may be much greater than normal, particularly for boroughs that do not normally accommodate large numbers of tourists. There may be additional cleaning required along transport routes and around concentrations of hotels and pubs, as well as possible changes to normal cleaning schedules to accommodate 2012 Games traffic.

Highways, maintenance

No roadworks will be permitted on the Olympic Route Network—which covers many of London's main routes--just before or during the 2012 Games. Boroughs may have to reschedule maintenance work.

Community safety

Community safety has been a service area to which London boroughs, working with the Metropolitan Police, have devoted much attention in recent years. The arrival in London of a global event, with very large numbers of visitors, is likely to create new demands in a number of boroughs for crime prevention and mitigation work. The requirement for the police to provide security for the games venues could reduce policing elsewhere. The high-level debate in the media about the cost of ensuring the games are secure from terrorism and other problems could have knock-on consequences for boroughs at, for example, Underground stations. Community safety and local security is an important issue worthy of wider study.

Parks & leisure

For host and central boroughs in particular, events will take place in parks and squares or, at least, there is likely to be heavier-than-normal use of municipal facilities. For some of these events it is possible there will be re-charging to LOCOG. But if there is not a formal hiring arrangement, there are likely to be higher demands on parks and leisure facilities. It is also possible there will be increased demand for sports facilities as people are encouraged by the games. For some such services charges are made, but for others (such as children's swimming) they are not.

Children & family services – asylum
Adult care –asylum

With very large numbers of contestants, visitors and officials from every country in the world in London, there is a slight risk that people will appeal for asylum status. Although this is not expected to be a significant issue, boroughs may need to prepare in case there is any such demand.

Public health

The arrival of many overseas travelers to London is not new. But many Olympic and Paralympic visitors may not have travelled overseas before – certainly not as much as regular travelers. Additional public health policies and campaigns may be thought necessary. While such efforts are likely to fall most heavily on the NHS, councils may find themselves under pressure to support the health service.

Housing

It is unlikely that boroughs will be called on to house many Games visitors; however, the accommodation pressures caused by the Games may affect their normal procedures for housing homeless households. It may not be possible to house them in local B&Bs or temporary rental accommodation, if these units are occupied by Games visitors. Some housing officers said they expected that landlords would refuse to accept new local-authority tenants before the games, preferring to keep units vacant in the hope of renting them to Olympictenant Games visitors. Boroughs may be forced to find housing further afield, which could increase costs.

Emergency planning

Emergency planners will by the nature of their duties be involved in planning for the 2012 Games, as they are for other major events. It may be that centralised control centres are established--in individual boroughs or London-wide--to pull together all the relevant services; these would probably be headed by emergency planners. However, emergency planning accounts for a very small proportion of borough budgets, so even a big percentage increase is not that significant in terms of cost.

General administration and legal

The boroughs believe that they are likely to face significant 'overhead' costs in terms of their general administration including significant communication costs associated with ensuring residents and businesses are aware of any disruptions to services. Each London borough already has a nominated 2012 officer. While some of these are part-time in that responsibility for the 2012 Games is in addition to a substantive role, many boroughs already have one or more full-time staff working exclusively on the 2012 Games. The 5 host boroughs in particular have dedicated a significant amount of staff time specifically to the 2012 Games ever since the bid was accepted in 2005. Most boroughs expect that their management costs will increase as the Games approach, and many expect to hire take on additional administrative staff specifically to work on the 2012 Games.

The effects go further than cost of dedicated staff. Senior managers, including chief executives, will necessarily spend an increasing amount of time dealing with 2012 Games-related issues, particularly in the 5 host boroughs. Several boroughs said they expect to cancel leave for certain groups of staff during the Olympic period. Because the Games will take place during British school holidays (and the most popular vacation period), cancellation of leave could well have a knock-on effect before and after the Games, as staff members book holidays in early summer or autumn instead. Some central London boroughs may require 24-hour-a-day staffing of certain positions during the Games. They might need to arrange local hotel accommodation for affected workers (which could be difficult or impossible during the Games), or possibly accommodate them within council buildings.

Finally, in previous Olympic Games significant numbers of local-government workers have been diverted to Olympic duties during the course of the Games.

9. Calculation of net costs

In deciding how to calculate the extra costs to boroughs of providing services during the 2012 Games, we considered three possible types of method:

--*bottom-up*: To take the example of rubbish collection, a formula to estimate the extra cost of disposing of rubbish outside the perimeters of one-off venues might look like this:

Weight in grams of rubbish thrown away outside venue by average spectator=R
Venue capacity = V
% of capacity used = P
Number of days of events = N
Number of sessions per day = S
Cost of collection and disposal/ton of rubbish = D

[R*V*P*N*S]/1,000,000 * D = additional cost to borough

In principle such formulae should give the most accurate answers to the question of how borough costs will be affected. However, they require good foreknowledge of the variables (in this case, how much rubbish each spectator will jettison and how full the venue will be); at this point, more than two years before the games, the figures would necessarily be very tentative. In addition, for the purposes of this exercise we would have to prepare individual estimates not just for each local authority department but for each service within departments. This is not feasible within the budget and timescale of this project. It is therefore impractical to use this method in our calculations—although discussion of the method does help clarify which factors are important in determining costs.

--*Informed judgment*, based on professional expertise, past events or experience elsewhere. Looking again at the example above, experience might show for instance that three extra cleaning crews need to be employed during and after major football matches at Wembley; we can use this information to form a judgment about how many might be needed for the Olympics football matches there, taking into account things like the relative sizes of the crowd, etc.; by extension this experience could also inform a view about how many extra crews might be needed at other venues.

Unfortunately, most of the information gleaned through the case studies and review of international experience has not been on this level of detail. It can point us in the direction of which areas are most likely to experience cost pressures, and serves as a useful reality check of our calculations, but does not of itself usually provide a good basis for generating cost estimates.

Similarly, few of the local-authority professionals we interviewed in the course of this research could give us more than ballpark figures for how they expected costs to be affected. For some of them the 2012 Games would represent a unique event in their professional lives, and they felt they had little on which to base a judgment. In other cases the information needed to form a judgment was unavailable (e.g. the parking restrictions that will prevail on the ORN). So the expert opinions of local-authority officers have not been used to generate detailed cost estimates. They have, however, proved very useful in identifying which services are likely to be affected by 2012 Games costs and how this will vary across boroughs, and this information is reflected in our cost calculations.

--*Top-down,* based on CIPFA figures for 2009/10. CIPFA statistics contain information about annual expenditure by boroughs in each individual service area. Because of the problems inherent in carrying out bottom-up calculations or relying on informed judgment so far in advance of the games, we have used top-down estimates to derive the figures that follow.

9.1 Method of calculating costs

The methodology used was as follows:

1. Identify services areas where costs might increase. Based on initial discussions with London Councils, we identified those local-authority service areas most likely to see additional costs.
2. Determine borough groupings. We divided the boroughs into five categories, based on the likely magnitude of the effect of the games on each borough.
3. Estimate the likely range of proportional additional costs for services. To create a methodologically consistent basis for estimating the range of costs, we sent a questionnaire to the chief executives of all 32 London boroughs and the City of London. In it we asked what percentage increase they expected in their borough's expenditure on each of the identified services. The response rate was 64% (21 of 33 boroughs). Within each borough grouping we identified the lowest and highest estimates for each service, and calculated a midpoint between these.
4. Apply these proportions to the latest annual expenditure figures for each category of boroughs. We used CIPFA statistics for 2009/10 to calculate the total annual expenditure on each affected service for each category of boroughs (Table C1). We then applied the expected proportional cost increases to these figures (Tables C2-C6).
5. Identify any additional costs not related to the identified services. These are of two types—overheads or central administration, and reduced quality of services elsewhere.
6. Estimate additional costs for overheads.

The questionnaire was designed to provide a consistent reporting frame, while allowing boroughs to make their own individual inputs into the exercise. Such an approach was intended to allow boroughs in very different positions to address the issue of public service costs.

As explained above, the boroughs have been grouped for purposes of analysis only. The decision about which boroughs fall within each category was made after consultation with London Councils and with the boroughs themselves. There are five groups:

- ***'Host'***: Greenwich, Hackney, Newham, Tower Hamlets, Waltham Forest. The five authorities most directly affected by the games.

- ***'Central'***: Camden, City of London, Islington, Kensington & Chelsea, Lambeth, Southwark, Westminster. The boroughs that constitute central London and which are likely to see higher demands on services as a result of additional visitors and, in the case of Westminster and Kensington & Chelsea, Olympic events.

- '***Other venues'***: Brent, Hammersmith & Fulham, Merton (*Westminster, Kensington & Chelsea*). Those that have Olympic and Paralympic venues but are not host boroughs. We have excluded Westminster and Kensington & Chelsea from this group, as they are considered under central boroughs.

- ***'Neighbours'***: Barking & Dagenham, Bexley, Haringey, Lewisham, Redbridge. Authorities bordering on the host authorities.

- ***'Non-neighbours'***: Barnet, Bromley, Croydon, Ealing, Enfield, Harrow, Havering, Hillingdon, Hounslow, Kingston, Richmond, Sutton, Wandsworth. All other London boroughs.

It is fair to say that it is still relatively early in the thinking of many boroughs that are not among the five host authorities. As a result, it has been necessary to make stylised estimates of the plausible build-up costs.

There are several limitations to this (or any other) approach at this point:

- The 5 host boroughs are well ahead of most others in thinking about these issues, and have already undertaken their own exercise to estimate the possible service costs associated with the games;

- Equally, many other boroughs where there might be significant costs are only in the early stages of predicting the likely costs involved. Some are only just starting to consider the question;

- There are a number of 'hypotheticals' facing the boroughs, either because it is not yet possible to be sure what the precise demands on services will be, or because LOCOG (for events), the Metropolitan Police (for security) and Transport for London (for transport and roads issues) have not yet finally determined how local events and networks will operate.

9.2 Results

Total annual expenditure on the 13 identified areas where increases might be expected will be around £1.1bn in 2009/10 (Table C1). Three broad areas--waste and cleansing, environmental health and associated areas, and roads and traffic--account for about £800m of this total. The expected proportionate increases for services range from 0% for many individual services to as high as 55% for licensing in one of the host boroughs (see Annex C for tables).

The overall total of the lower bound estimates was less than £2m. This is clearly a massive underestimate, and reflects the extent to which officers are still unclear about the costs they might bear. We therefore used the midpoint estimates as a more realistic indicator of minimum expected costs. The results by borough category are summarized in Table 5.

Table 5: Summary of expected service costs by borough category

(£ millions)

	Midpoint between lower and upper bounds	**Maximum**	**% of total expenditure**
Host boroughs	24.0	46.5	63
Central boroughs	7.7	15.5	21
Other venue boroughs	1.9	3.8	5
Neighbours	2.2	4.4	6
Non-neighbours	2.0	3.9	5
TOTAL	**37.8**	**74.0**	**100**

Excludes parking revenue
Source: Calculations based on tables in Annex C.

Many of the officers we interviewed stated that these direct costs do not capture the real costs to their boroughs and residents, as they do not include central administration costs, imputed costs to other services, or emergency planning costs. International experience of other Olympic host cities, and Manchester's experience in 2002, suggests that central administration or overhead costs are indeed significant. Estimates of these costs cannot be made directly, but looking at the cost to boroughs of employing '2012 officers' gives an indication of order of magnitude. (All boroughs have appointed officers to deal specifically with 2012—although some do so only part-time and were already on council staffs.)

Tables 6a and 6b set out one scenario for the employment of borough officials to prepare for the Olympics and Paralympics. The 5 Host Boroughs already have teams working on a number of issues related to the games, and all other boroughs have a named individual responsible for 2012 issues. As 2012 approaches, it is likely that more time will be needed and that even boroughs which are not directly involved will have to dedicate at least some officer time to preparations and handling relations with other institutions. The numbers shown in the table are illustrative only, largely because it is not yet possible to be certain how much resource will be needed. But based on the experience of the host authorities, it is unlikely the actual figures will be below those shown here.

Table 6a: Number of full-time equivalent 2012 Games officers in London boroughs

	2009-10		2010-11		2011-12		2012-13*	
	Per borough	Total	Per borough	Total	Per borough	Total	Per borough	total
Host (5)	5	25	5	25	5	25	5	12.5
Central (7)	0.5	3.5	0.5	3.5	2	14	3	10.5
Other venues (3)	0.5	1.5	0.5	1.5	1	3	2	3
Neighbours (5)	0.5	2.5	0.5	2.5	1	5	2	5
Non-neighbours (13)	0	0	0.25	3.25	0.5	6.5	1	6.5
Total		**32.5**		**35.75**		**53.5**		**37.5**

*: Totals for 2012-13 are half of the annual figure, in recognition of the fact that the games will be completed by the end of September.

Table 6b: Salary cost of full-time equivalent 2012 Games officers in London boroughs

	2009-10	2010-11	2011-12	2012-13*	**Total**
FTE 2012 officers (from Table 6a)	32.5	35.75	53.5	37.5	
Total cost @ £50,000 per person	£1.625 m	£1.787 m	£2.675 m	£1.875m	£8.045 m
FTE 2012 officers if 30% attributable to 'non-voluntary' activities	9.75	10.73	16.05	11.25	
Cost	£487,500	£536,500	£802,500	£562,500	£2.389 m
FTE 2012 officers if 60% attributable to 'non-voluntary'	19.5	21.46	32.1	22.5	

activities					
Cost	£975,000	£1.073m	£1.605m	£1.125m	£4.778m

Median salaries for local government administrators are in the range £30,000 to £35,000. Thus, it is likely that if 'on-costs' are added, the cost per FTE is likely to be around £50,000 per person. Thus, the 32.5 borough 2012 Games posts suggested for 2009-10 would equate to an overall expenditure total of £1.5 million, rising somewhat in 2010-11 and further to a maximum of over £2.5 million in 2011-12. Over the full period in the run-up to the 2012 Games, these illustrative numbers suggest the boroughs might face administrative preparation costs of at least £7.5 million.

These officers will spend much of their time on matters that are, within the context of this report, 'voluntary'—that is, they will work on cultural events, celebrations, regeneration and legacy matters, etc. But some of their time will be spent on ensuring that normal council services can continue throughout the games. We estimate that this will account for between 30 and 60% of their time; this suggests additional overhead costs of the order of £2.4m to £4.8m over the period between now and 2012/13 for dedicated 2012 officers only. Other officers' salary costs (which could be significant) are not included here.

In summary, our calculations indicate that London local authorities can be expected to spend an additional £38m to £74m on providing a normal level of services because of the Olympic and Paralympic Games in 2012. Overheads will add an additional £2.4 to £4.8m, although this is likely to be an underestimate because it includes only costs for officers dealing specifically with 2012 Games matters. In total, then, the identified additional costs can be expected to range from about £40m to £79m. These figures are our best estimates, but it should be stressed that at this stage, more than two years before the games, there are still many uncertainties. It is possible that boroughs will incur further costs in areas that have yet to be identified.

In late 2009 the 5 host boroughs carried out their own exercise to quantify the additional expenditure that would be required for the 2012 Games. They employed a bottom-up methodology, identifying at a granular level the additional resources that would be required to meet service demands. A report of their findings appears as Annex D. It shows that expected additional expenditure in the 5 host boroughs alone is expected to be around £46.5 million. The 5 host borough figures provide a useful standard against which to judge our calculations since, in principle, the two methods should yield similar results if the assumptions and inputs are correct. Table 7 compares the results. The LSE figures are taken from Tables 5 and 6b. From Table 5, the 5 host boroughs account for about 63% of expected additional expenditure on services. We applied the same percentage to staffing costs (table 6b) to estimate the amount that will be spent in the 5 host boroughs. The figures produced by the two methodologies are very close: the LSE methodology produces a range of £25.5 to £49.5 million for the 5 host boroughs, while the 5 host boroughs' own work gives a figure of £46.5 million. This

gives additional confidence in the reliability of our estimates, and suggests that the actual costs may lie towards the higher end of our range particularly as the period that the 5 host borough counted is shorter (15 July – 16 Sept 2012)

Table 7: Comparison of LSE and 5 host borough calculations
Additional costs for 5 host boroughs only

£ millions

	Services	***Staffing***	***Total***
Results of LSE calculations			
Minimum	**£24.0** (from Table 5)	63% (from Table 5) of £2.389m (from Table 6b) = ***£1.5m***	***£25.5***
Maximum	**£46.5** (from Table 5)	63% (from Table 5) of £4.778m (from Table 6b) = ***£3m***	***£49.5***
Results of 5 host boroughs' calculation (from Annex D)			***£46.5***

Since the overall top-down analysis was undertaken Westminster City Council has undertaken its own more detailed work. They submitted this on the 31 March 2010. This work was submitted too late to conduct a detailed comparison with our findings in the same way as we have done with the 5 host borough work above. These costs however are included in Annex E.

Table 8 gives an indication of the scale of additional borough expenditure compared to overall public-sector spending on the Games.

Table 8: Comparative public expenditure on 2012 Olympic and Paralympic Games (£mn)

As of February 2010

	Subtotals	***Totals***
Use of funds		
Olympic Delivery Authority		8,099
Of which base costs including VAT	6,127	
Contingency	1,972	
Non-ODA		1,226
Security and security contingency	838	
Other (community sports, Paralympics, Look of London)	388	
TOTAL		**9,325**
Source of funds		
Central government		5,975
National Lottery		2,175
Greater London Authority (£625mn through the London Council Tax precept)		925
London Development Agency		250
TOTAL		**9,325**

Maximum estimated additional costs for London councils		79

Source: DCMS 2010; own calculations

10. Possible cost mitigation measures

The most promising area for cost mitigation seems to lie in the sharing of resources—particularly those resources that will be in short supply in the most affected boroughs (principally the 5 host boroughs) during the course of the games. The most obvious example is enforcement manpower; it would seem sensible to regard the whole of London as a pool from which enforcement officers could be sent to the areas of most pressure during this limited period. We understand that discussions are already underway in the relevant forums to set up procedures to allow this. This would echo the approach of the Metropolitan Police, who are expected to draw police officers from less-affected boroughs into the host and central borough areas during the course of the games. This resource-sharing should not be limited to manpower; other resources, such as storage space for confiscated goods, could also be shared on a London-wide basis.

Another way of mitigating increased cost pressures would be to increase revenues. As discussed above, councils' ability to raise funds is strictly limited in the UK context. They are unable to affect their own tax revenue, but they do receive income from some fees and charges, particularly parking charges and fines and licensing fees.

License fees are low, and while boroughs may receive some increased income from an upsurge in licensing applications this will probably be more than offset by the costs of processing. Parking does bring in large sums for some boroughs, although the law limits the use of these funds. There may be opportunities for individual boroughs to increase parking revenues during the Olympic period. In particular, some outer London boroughs which are well-located for Olympic transport might be able to set up paid parking lots on council-owned land. However, it is not clear that parking revenues in general will rise over the Olympic period. The operation of the Olympic Route Network will increase the call on parking enforcement, but may not necessarily affect revenues. It will eliminate some paid parking bays, while paid bays on neighbouring streets may be given over to residents' parking during the Olympic period. The London-wide movement management programme, whose goal is to limit unnecessary vehicular traffic during the games, should cut down on the number of cars coming into central London in particular. It is therefore far from obvious that overall parking revenues will increase—although the cost of parking enforcement will.

11. Conclusions

The 2012 Olympic and Paralympic Games, which will take place in and around London over a seven-week period in summer 2012, will force the London boroughs to incur additional unavoidable costs in a number of service areas. Because of the structure of local-government finance in the UK, the boroughs will not receive any extra revenue, despite the economic benefit that the Games will bring to London.

Extra costs will come mainly from two sources: first, services will have to be provided for the visitors to the Games; while the number of such visitors may not exceed the

number of tourists who are normally in London in the summer, their patterns of movement and destinations will be very different. Second, the operational requirements of the Games, particularly in terms of the control of traffic around and between the venues, will require additional enforcement; it may also change the timing of services such as rubbish collections during the Games period. In addition to the demands on specific services, borough officers will spend an increasing amount of time dealing with Games-related issues as the Olympic period approaches.

The additional cost to London boroughs of providing these necessary extra services is estimated at between £40 and £79 million. While sizeable in terms of borough budgets, this represents less than 1% of the total projected public expenditure on the Games of over £9.3 billion. Most of the extra cost (about 63%) will be incurred by the 5 host boroughs, but all London boroughs will be affected to some degree, even those without any venues. Boroughs can work together to try to mitigate these costs, particularly by sharing personnel. However, there is little potential for extra revenue: licensing fees are small, and while parking income may increase in some of the outer boroughs it is likely to fall—perhaps drastically—in central London and around the Olympic Park.

Annex A: List of organisations contacted

Big Opportunity
Greater London Authority
Government Olympic Executive
London Organising Committee of the Olympic Games (LOCOG)
London Councils
5 Host Boroughs Unit
British Hospitality Association
Chief Executives of London Councils (CELC)
Society of London Treasurers
London Technical Advisers Group 2 (LOTAG 2)
Traffic Managers' Forum
Local Authorities Coordinators of Regulatory Services (LACORS)
London Licensing Managers Forum
Association of London Cleansing Officers
London Trading Standards Association
London Street Trading Benchmarking Group
London and Local Authority Emergency Planning Group (LLAEPG)
Anti-Social Behaviour Officers Network
Highways Licensing Forum
Capital Standards
Safer Communities Forum
Housing Needs and Homelessness Forum
Housing Directors Group
Association of Directors of Adult Social Services

London boroughs of
- Greenwich
- Newham
- Westminster
- Merton
- Brent
- Hackney
- Tower Hamlets

All other London boroughs through written questionnaires sent to Chief Executives
Manchester City Council
Salford City Council

Annex B: Manchester and the 2002 Commonwealth Games: A case study

1.1: INTRODCTION

To obtain insight into the possible service and cost-related impact on Boroughs during the Olympics, the 2002 XVII Commonwealth Games held in Manchester were chosen as the most comparable major sport initiative in the UK for the purposes of this case study. While the scale, type, funding levels, and geographical location of the 2002 Games differ from the London 2012 Games, their organizational operations and funding structures share significant commonalities. Data were collected through interviews, archival, and web-based research in both London and Manchester.

Held from July 25th – August 4th 2002, the 2002 Commonwealth Games were the largest multi-sport 'world-class' event to be hosted in the UK up to that time, with a total of 3,679 athletes. There were had nine main sport venues in the city centre and another six outlying venues in boroughs of greater Manchester (mainly Salford and Bolton). Its events also included the 'Queen's Jubilee Baton Relay' and a year-long 'Spirit of Friendship' Festival. Funding for all of these came from a tri-partite structure that included Sport England, the National Department for Culture, Media and Sport, and Manchester City Council (MCC).

Research undertaken by UK Sport on the economic impact of 16 major sports events in the UK from 1997-2003 found that a 'major' economic event does not necessarily equate with a major economic impact, nor does it correlate necessarily with the significance of the sporting outcome. In the case of the 2002 Manchester Games, careful planning and a diverse program of local economic regeneration did mean it could be considered an economic 'success'. Nevertheless, there were also significant costs incurred by MCC and other local authorities in delivering the games.

Post-games studies have argued that the potential 'hidden' costs of staging an international multi-sport event will affect many parties, and that funding is required to bridge the difference between the commercial costs and income. The costs absorbed by the public sector and stakeholder organizations can be categorized in two ways:

- By type of cost: extra police costs (not charged); fire service costs; health service costs; transport authority costs; other public service costs.
- By what organization bore the cost: local authority; central government, Sport England; other parties (e.g. British Triathlon Association, North West Regional Development Agency, etc).

1.2: LOCAL AUTHORITIES, PARTNERS AND SERVICES

The 2002 Games provides a good example of engagement between key authorities, business and community partners before, during and after the Games. Local authorities were expected to organise pre-games activities including the Queen's Jubilee Baton

Relay and activities to raise public awareness of the games, and post-games activities to maximize their legacy.

A 'Regulatory, Enforcement and Powers' Group was established to facilitate coordination between different agencies, local authorities and the police. It included representatives from various council departments, including legal services, planning, highways, building control, licensing and trading standards. The addressed issues including:

- access, parking and transport;
- highway schemes and footpaths;
- licensing;
- communications with businesses and residents;
- environmental health;
- security issues and emergency plans;
- cleaning and waste management;
- 'dressing' of roads and streets; and
- games information services.

Manchester City Council worked with the Greater Manchester Passenger Transport Executive (GMPTE) to deliver services for the games. Service provision was organized as follows:

- *MCC Operational Services* was in charge of street cleansing, while Greater Manchester Waste provided waste removal/processing; bins; waste containers and transport. A project manager worked with the organizing committee, known as M2002, for a year leading up to the games to assess the necessary level of service at each venue.

- *Emergency services* relied on good signage, rehearsed scenarios, multi-agency cooperation and a supportive public. MCC's Emergency Planning Section took responsibility for coordinating all the planning for local authorities with Greater Manchester. On-site and off-site plans were established through a multi-agency working group that included the police, fire safety, emergency services, British Transport Police, M2002, the NHS, GMPTE, local councils, ambulance services, voluntary agencies and public utilities companies.

- A *Health and Safety Programme* was delivered through a Chief Operating Officer, a safety committee and a multi-disciplinary risk-management team. Partners included local authority enforcement officers from departments of building control and environmental health. The team developed and delivered training packages for the workforce, and established best practice across the games.

- GMPTE was responsible for providing parking and public transport, including dedicated services for the games. It also worked with MCC on a major communication programme.

- Local authority licensing and trading standards personnel worked with police to deal with unlawful street trading outside venues, ticket touting, and brand protection issues.

1.5: IMPACT

The final price tag for the games was four times the original bid estimate. The escalation of the costs was due to:

- an unforeseen need for larger security operations following 9/11;
- the success of the 1998 games in Kuala Lumpur having raised expectations to a level above which Manchester had anticipated during the bidding phase;
- not budgeting for many costs; and
- the general inexperience of the organizing committee.

Beyond the growth in the scale and security requirements of the event, Manchester's Games committee overestimated private revenue streams from TV rights, sponsorships, ticketing, licensing, concessions and accommodations. Following the 'Carter Review' of Spring 2001, which favored "a realistic approach to quality", the Home Office agreed to contribute an additional £3 million to the original £7.88 million budget in order to strengthen management, improve oversight, and support the games performance through financing. The main funders (MCC, M2002 and DCMS) set up a £25 million contingency fund for emergencies, which helped to cover the unexpected failure of Atlantic Telecom, one of the Game's principal sponsors and also key telecoms infrastructure and service provider.

Some evidence indicates that in the area of broadcasting, Restricted Service Licenses Scheme (RSLs) brought some additional revenue. Nevertheless, revenues from other areas (such as parking or licensing) were considered negligible.

Manchester City Council spent £11.5 million in all, of which £4.8 million went towards the services described earlier. Our research indicates that the most costly service areas were: highway schemes; parks and visitor telephone services; beautifying or 'dressing' the city under the 'Look of the Games' scheme; street cleaning and lighting; public conveniences; and health services and staffing.

Staffing costs were significantly higher than expected, according to the city's treasurer. Manchester seconded a number of officers to the organizing committee and continued to pay their salaries, in addition to incurring 'backfill costs' of over £1mn for staffing their posts while they were away. In addition, there were costs of £281,000 for staffing the councils' Commonwealth Games unit (analogous to many boroughs' 2012 units) and over £500,000 in salary costs for general administration.

The ‘Look of the City’ programme was particularly costly. It involved physical works (in and around Manchester city centre), educational activities and campaigns, and maintenance regimes and games-time operations. Activities included:

- removal of graffiti, fly-posting, fly-tipping and a street-washing programme that ran 24/7 along key routes and in the city centre for 14 days. The initiative was funded by MCC budgets that gave small grants; by advertising revenues; by contributions from businesses, individuals and organizations; and by New East Manchester Ltd. Funds;
- production and installation of banners on key routes and locations;
- design and production of signs for all sports and non-sports venues; and
- live entertainment and screens showing the daily sporting action live in four different locations were also part of animating the city centre. ‘Live sites’ (video walls) were also set up in places like Salford and Bolton.

Some of the MCC contingency fund covered the cost of way-finding signs, which was not included in the budget. The city council also helped by providing persons with expertise in banner fixings and installation. M2002 provided the temporary signage, except for car parks in outer boroughs. It was also responsible for covering the costs of most of the ‘dressing’ in and around event locations, as well as most of those associated to temporary video screens. In Salford, the local shopping precinct contributed to the giant TV screen and associated arts programmes. Businesses were meant to seek permission to erect banners on their own walls so that they did not conflict with sponsors’ own advertising; however the experience of Salford was that this was difficult to enforce.

Salford hosted three events. They expected to spend about £300,000 pounds but ended up spending about £500,000. The biggest items of expenditure were the reconstruction of a ‘Gateway’ (physical underpass) which was deteriorating, and environmental services, including ‘adding color to the city’, litter bins and additional daily cleansing services. They had an overall shortfall of £9,200 which was addressed through sponsorship. Because Salford Quays was the visual ‘backdrop’ to BBC evening broadcasts, they organized nightly events which took them over budget but, more importantly, required many more human resources than expected. It was difficult for them to calculate what they gained from broadcasting but they believed it was worth the investment.

In Bury, there was a programme of activities and a total budget of £50,000, but the games had little economic effect on the area. Bury trading standards officers had been led to expect an influx of sellers of fake souvenir and other materials, but in fact trade in this and other areas seemed unaffected. Cafes and pubs did not experience increased trade; essentially visitors arrived at the venue, ate there, and left for home. The trading standards department requested reimbursement of their extra enforcement costs, but none was forthcoming from M2002 or the council. The Community Safety wardens also requested reimbursement of their extra costs, especially overtime to cover the event.

The local authorities found that some of these costs could be mitigated through the use of partnerships and liaisons, if not found within existing budget somehow.

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Annex C: Calculation of costs

Table C1: Annual expenditure on affected services by borough category, 2009/10

£ millions

	5 Host boroughs	Central	Other venues	Neighbours	Non-neighbours	Total
Waste	78.5	112.7	42.0	71.4	202.2	506.9
Street cleansing	39.6	67.7	21.6	27.0	67.5	223.4
Licensing*	1.7	7.0	0.5	1.9	2.1	13.2
Trading standards*	4.2	6.8	2.0	4.5	9.9	27.5
Highways, maintenance	12.9	29.7	10.9	11.2	34.5	99.1
Traffic management & road safety	8.0	9.2	2.8	6.4	9.6	36.1
Parking	(11.6)	(103.4)	(25.6)	(10.6)	(59.7)	(210.9)
Parks & leisure	23.1	26.8	9.3	20.6	49.7	129.5
Children & family services - asylum	6.3	12.2	5.8	5.1	28.8	58.2
Public health*	5.6	1.8	2.1	0.6	6.1	16.2
Adult care - asylum	1.7	7.8	1.1	1.1	5.8	17.6
Housing	(6.6)	28.7	14.9	11.3	20.1	68.4
Community safety	24.0	38.6	6.4	15.0	28.2	112.2
Total	**187.3**	**245.7**	**93.9**	**165.7**	**404.9**	**1097.6**

Source: Calculations based on CIPFA statistics
Totals may not add due to rounding
*Relevant sub-heads of environmental health

Table C2: Cost of 2012 Games Services: 5 Host boroughs (£ millions)

Newham, Hackney, Greenwich, Waltham Forest, Tower Hamlets

	Total annual spend (fm Table B1)	Min predicted increase	Max predicted increase	Lower bound expected costs	Upper bound expected costs
Waste	78.5	1%	25%	0.8	19.6
Street cleansing	39.6	1%	25%	0.4	9.9
Licensing*	1.7	0	55%	0	0.9
Trading standards*	4.2	0	43%	0	1.8
Highways, maintenance	12.9	0	14.6%	0	1.9
Traffic mgt, road safety	8.0	0	50%	0	3.9
Parking	(11.6)	0	33%	0	(3.8)
Parks & leisure	23.1	0	25%	0	5.8
Children & family services-asylum	6.3	0	5%	0	0.3
Public health*	5.6	0	0	0	0
Adult care - asylum	1.7	0	0	0	0
Housing	(6.6)	0	5%	0	(0.3)**
Community safety	24.0	1%	11%	0.2	2.6
Total	**188.67**			**1.4**	**42.7**
Total without parking revenue				**1.4**	**46.5**

Source: Calculations based on chief executive questionnaires

*Relevant sub-heads of environmental health

**Net revenue for housing reflects CIPFA statistics but is anomalous.

Totals may not add due to rounding

Table C3: Extra cost of 2012 Games Services: Central boroughs (£ millions)

Westminster, Camden, City of London, Kensington & Chelsea, Islington, Lambeth, Southwark

	Total annual spend (fm Table B1)	Min predicted increase	Max predicted increase	Lower bound expected costs	Upper bound expected costs
Waste	112.7	0	5%	0	5.6
Street cleansing	67.7	0	5%	0	3.4
Licensing*	7.0	0	1%	0	0.1
Trading standards*	6.8	0	5%	0	0.3
Highways, maintenance	29.7	0	5%	0	1.5
Traffic mgt, road safety	9.2	0	5%	0	0.5
Parking	(103.4)	0	5%	0	(5.2)
Parks & leisure	26.8	0	5%	0	1.3
Children & family services-asylum	12.2	0	1%	0	0.1
Public health*	1.8	0	0	0	0
Adult care - asylum	7.8	0	1%	0	0.1
Housing	28.7	0	1%	0	0.3
Community safety	38.6	0	6%	0	2.3
Total				**0**	**10.3**
Total without parking revenue				**0**	**15.5**

Source: Calculations based on chief executive questionnaires

*Relevant sub-heads of environmental health

Totals may not add due to rounding

Table C4: Extra cost of 2012 Games Services: Other venue boroughs (£ millions)

Merton, Brent, Hammersmith & Fulham

	Total annual spend (fm Table B1)	Min predicted increase	Max predicted increase	Lower bound expected costs	Upper bound expected costs
Waste	42.0	0	5%	0	2.1
Street cleansing	21.6	0	1%	0	0.2
Licensing*	0.5	0	5%	0	0
Trading standards*	2.0	0	5%	0	0.1
Highways, maintenance	10.9	0	0	0	0
Traffic mgt, road safety	2.8	0	1%	0	0
Parking	(25.6)	0	1%	0	(0.3)
Parks & leisure	9.3	0	1%	0	0.1
Children & family services-asylum	5.8	0	5%	0	0.3
Public health*	2.1	0	5%	0	0.1
Adult care - asylum	1.1	0	1%	0	0
Housing	14.9	0	5%	0	0.7
Community safety	6.4	0	1%	0	0.1
Total	**93.9**			**0**	**3.5**
Total without parking revenue				**0**	**3.8**

Source: Calculations based on chief executive questionnaires

*Relevant sub-heads of environmental health

Totals may not add due to rounding

Table C5: Extra cost of 2012 Games Services: Neighbour boroughs (£ millions)

Barking & Dagenham, Bexley, Haringey, Redbridge, Lewisham

	Total annual spend (fm Table B1)	Min predicted increase	Max predicted increase	Lower bound expected costs	Upper bound expected costs
Waste	71.4	0	1%	0	0.7
Street cleansing	27.0	0	5%	0	1.3
Licensing*	1.9	0	5%	0	0.1
Trading standards*	4.5	0	5%	0	0.2
Highways, maintenance	11.2	0	5%	0	0.6
Traffic mgt, road safety	6.4	0	5%	0	0.3
Parking	(10.6)	0	5%	0	(0.5)
Parks & leisure	20.6	0	1%	0	0.2
Children & family services-asylum	5.1	0	0	0	0
Public health*	0.6	0	5%	0	0
Adult care - asylum	1.1	0	0	0	0
Housing	11.3	0	1%	0	0.1
Community safety	15.0	0	5%	0	0.7
Total	**165.5**			**0**	**3.8**
Total without parking revenue				**0**	**4.4**

Source: Calculations based on chief executive questionnaires

*Relevant sub-heads of environmental health

Totals may not add due to rounding

Table C6: Extra cost of 2012 Games Services: Non-neighbour boroughs (£ millions)

Barking & Dagenham, Bexley, Haringey, Redbridge, Lewisham

	Total annual spend (fm Table B1)	Min predicted increase	Max predicted increase	Lower bound expected costs	Upper bound expected costs
Waste	202.2	0	0	0	0
Street cleansing	67.5	0	1%	0	0.7
Licensing*	2.1	0	1%	0	0
Trading standards*	9.9	0	0	0	0
Highways, maintenance	34.5	0	5%	0	1.7
Traffic mgt, road safety	9.6	0	5%	0	0.5
Parking	(59.7)	0	5%	0	-3.0
Parks & leisure	49.7	0	1%	0	0.5
Children & family services-asylum	28.8	0	0	0	0
Public health*	6.1	0	0	0	0
Adult care - asylum	5.8	0	0	0	0
Housing	20.1	0	1%	0	0.2
Community safety	28.2	0	1%	0	0.3
Total	**404.9**			**0**	**0.9**
Total without parking revenue					**3.9**

Source: Calculations based on chief executive questionnaires

*Relevant sub-heads of environmental health

Totals may not add due to rounding

Annex D: 5 Host boroughs' bottom-up calculation of costs

The following analysis was prepared in December 2009 by the 2012 officers of the 5 host boroughs for those boroughs' own use. It gives details of their bottom-up calculations of the extra costs associated with the 2012 Games.

Cost burdens of 2012 Games

1. Introduction

This paper outlines the work undertaken within the 5 Host Boroughs to plan for Games-time and to deliver services to residents and visitors successfully.

It also makes an estimate of the likely resources required, based on the best available evidence and information about the impact of the Games.

2. Background and methodology

Throughout the autumn each of the Host Boroughs has been engaged in assessing the impact of the 2012 Games on the borough. The purpose was to start the planning of service delivery Games-time, both for residents and for the additional visitors, and to make a robust assessment of the costs and resources needed to deliver them.

Though there were variations in the processes, essentially the key steps followed were as set out below.

a. Stage One – individual borough scenario test

In stage one, each borough outlined a Games-time impact scenario to relevant service departments to consider how this would affect services. These scenarios considered impacts such as crowd movements, road impacts (ORN etc.) and the operational boundaries for the Games. The services used these scenarios to plan their response and to consider the cost implications. These costs were inserted into a common template.

b. Stage Two – internal challenge

Stage two was to challenge these propositions internally to ensure that they are robust, sensible and consistent, and that the rationale was clear. At this stage we attempted to establish clearly, based on the most up-to-date knowledge, what are completely unavoidable costs and what are 'nice to haves' (which are not counted).

Precise methodology for this varied between authorities, but this has involved Finance Directors, Service Directors and the Heads of 2012 Units within each Council. The challenge helped to:

a. Test some of the assumptions underlying the proposed actions
b. Eliminate duplication. For example, several services within Newham, including the cleansing, regulatory services and the community safety team were considering 'spotters' of differing types. We explored joining this role up Games-time.

c. Explore the methodologies used – are they reasonable, are the costs reasonable, are there alternatives?
d. Ensure consistency and clarify assumptions
e. Assess whether they costs were genuinely imposed by the Games
f. Distinguish the more marginal 'nice to haves' from the unavoidables.
g. Consider any joint action that might provide economies or savings.

c. Stage Three – external challenge

The final stage was a comparison of these plans and costings in order to ensure that the scenarios were consistent and to identify any areas where joint action might provide economies or savings. On this last point, only very ballpark estimates have been made.

The final results of this work are summarised in section 4.

3. Assumptions and unknowns

We met with City Operations Group coordinator, Zyg Rakowicz on 21 October to discuss our methodology. We agreed that the exercise would best be done on the basis of some shared assumptions and on the best possible estimates given there are a great many variables and unknowns. We have shared these assumptions with Zyg and the City Operations team and they have now been confirmed and circulated to the City Operations Group.

These assumptions will undoubtedly change as planning for the Games advances, but they represent the best available knowledge at the current time. This gives us confidence that the boroughs have conducted their exercises on what are the best possible assumptions.

The key assumptions include:

- Time period. Our scenarios principally concern the period between 15 July and 16 September, the dates during which the athlete's village is operational. It also included costs accruing during the Olympic Torch Relay period where appropriate and any costs which would be incurred in order to prepare. For example, if additional street cleaning staff need to be appointed and trained prior to the Games, these costs are included.
- Boundaries. The whole geographical area of each borough is within the scope, but the Olympic Park itself and the venues themselves - ExCeL, O2, Greenwich Park and the Woolwich Barracks - which will be under the operational jurisdiction of LOCOG are excluded. Discussions with LOCOG will establish the exact boundaries, where these are critical.
- Visitor numbers. Our calculations have been based on the spectator numbers and flows resulting from the provisional daily schedule of events, and also the numbers of volunteers and staff Games-time. These suggest that on peak days, there will be more than a half a million additional visitors to the 5 Host Boroughs.
- Income. All figures are net of any income.
- Coordination. No allowance has been made for costs or responsibilities arising from the need to synchronise with the command and coordination structures for the Games north of the River, since there is little clarity about the implications of this as yet.
- Celebrations and festivals. Each of the Host Boroughs aspires to engage residents and encourage visitors to return. All expenditure in this category, with the exception of for permanent Live Sites, is deemed to be in the 'nice-to-have' rather than essential and is not included.

- Games-time 'look and feel' - we have excluded any expenditure on this as it is to be funded by LOCOG, and anything above this will strictly speaking be optional
- ORN – this is the most uncertain of all areas of expenditure. Though most expenditure on CPZs is excluded (we have assumed that predominantly they will be self-financing) the recent introduction of the concept of ORN 'sensitive routes' has placed our initial assumption that there will be no costs in doubt. Alternative parking provision, for example, and enforcement on these sensitive routes is likely to have high costs. Only one borough has, to date, done any work on this. Should the assumption on these 'sensitive' routes prove correct the other boroughs will also incur costs under this heading.
- Test events. Since the extent, timing and scale of this is as yet unknown, we have excluded costs arising during test events at this stage.

There were also a range of additional assumptions varying from those concerning waste and cleansing operations to assumptions about specific road closures and area-based impacts.

4. Headline figures

The major areas of unavoidable expenditure therefore fall within three main categories. Initial headlines figures are as follows:

Service	Total 5 HB expenditure	Rounded average
Community Safety	£6.4m	£1.3m
Cleansing and waste	£14.9m	£3m
Enforcement	£7.3m	£1.5m
Total	£28.6m	£5.7m

Aside from these areas, there are clearly a number of lesser, but nevertheless significant areas of expenditure likely under the following headings:

- Communications – especially to residents (i.e. how will my services be changed, how can I get around the borough, parking queries etc)
- Community information – evidence of big events within the 5 host boroughs suggest that the introduction of additional parking measures, and disruption to transport will inevitably lead to an increase in the number of callers to the Council and our front offices and libraries. We've assumed a 4% uplift.
- Volunteering – the scope of the Host City Volunteer programme is yet to be revealed but it is likely that there will be costs associated with providing volunteers *if* our volunteers are not recruited
- Costs arising from diversion attributable to the Olympic Route Network and essential highways work – for example, school or day care bus diversions.

Where we can we have made individual estimates of the costs of these items, but without exception they remain very difficult to establish.

Initial overall ball park figures for each borough are currently estimated to be:

Authority	Total estimated 5 HB expenditure
Greenwich	£8.4m
Hackney	£9.0m
Newham	£11.7m
Tower Hamlets	£6.1m
Waltham Forest	£7.0m
	£42.3m
Contingency @10%	£46.5m

Though there are substantial variations in these figures this reflects the fact that the impacts vary considerably between the boroughs. For example, though 87% of the visitors to the Olympic Park will arrive through Newham, the road events will primarily affect Tower Hamlets. Greenwich has three dispersed venues across the borough, whereas the impact for Hackney and Waltham Forest will be focused on specific areas, such as Hackney Wick and Eton Manor respectively. Though all are affected by the ORN, there are significant variations in the measures proposed, the extent and, of course, the level of existing road use. Only the Newham figure has been included, and this with the qualifications outlined above.

5. Conclusion

The work conducted within each of the 5 host boroughs has been a very useful preparatory exercise. It is clear that there are substantial costs associated with hosting the 2012 Games for which the boroughs will have to make provision. Residents of the 5 host boroughs are already paying for the Games through national and regional taxation. If they are to be spared paying a third time we must seek additional sources of funding.

City Ops workstreams

All amounts in £000s

	Greenwich	Hackney	Newham	Tower Hamlets	Waltham Forest	Total	Assumptions and comments
The London Experience							
Visitor Experience	492	0	0	0	0	492	Arrangements for impact of Games on existing Visitor attractions etc.
Welcome to London	357	100	100	100	55	707	Dependent on the plans and extent of the Host City Volunteer Force. Some potential to join up here not yet explored
Look of London	0	0	0	0	0	0	Part of the feel of the Games - costs to be met by LOCOG. Additional expenditure is optional
London Live Sites	1310	0	0	0	605	1915	Unavoidable costs for permanent sites. Temp sites not included
Non Accredited Media Services	50	0	0	0	0	50	Impact south of the River
City Ceremonies	0	0	0	0	0	0	Optional expenditure only
Torch Relay	10	10	10	10	10	50	Will affect all boroughs but route not defined. Mainly cleansing, Comms community safety & enforcement
Road Events	0	0	0	100	0	100	Mainly a LBTH affect, with small

							impact on Newham
London Cultural Programme	0	0	0	50	0	50	LBTH Victoria Park costs
London Events Coordination	0	0	0	0	0	0	May have an impact if existing events have to be rescheduled
Hospitality Brokerage	0	0	0	0	0	0	
Protocol and Unaccredited Dignitaries	0	0	0	0	0	0	None
			0				
Public Services			0				
Local Authority Public Services	3962	7220	7122	5,400	6015	29,719	Chiefly cleansing, community safety, and enforcement
Anti-Counterfeiting			0				Covered within enforcement above
Wayfinding and signage	574	600	411	225	95	1910	Capital funding – design work now commissioned thru public realm bid
Games-time Operations							
C3 City Ops	778	0	0	0	0	778	Costs associated with additional arrangements south of the River
City Ops Accreditation	0	0	0	0	0	0	Minimal
Movement Management Areas	tbc	tbc	3765	tbc	tbc	3765	CPZs to be self-financing but management of ORN sensitive

							routes still to be defined
Cross City Ops							
Data and Planning Assumptions	0	0	0	0	0	0	Assumption that City Ops will share this information
City Ops Testing	0	960	0	0	0	960	Mainly costs for updgrading and integrating CCTV in LBH
Resilience and Contingency Planning	0	0	0	0	0	0	There will be costs here esp. Officer time - tbc
Internal Comms and Change Management	0	0	0	0	0	0	Officer time
Public Info, External Comms and Media Relations	860	195	265	214	240	1774	Likely to be significant but plans very underdeveloped
Accessibility for Visitors	0	0	0	0	0	0	Likely to be capital costs within LIP and MAA
Sponsorship	0	0	0	0	0	0	Optional expenditure only
Total	**8393**	**9085**	**11673**	**4610**	**7020**	**42,270**	

Submitted on Request

through the

City Operations Group

for the

2012 London Olympic and Paralympic Games

Enclosed within these pages are our estimated order of costs at the date of the document and using information that remains to be agreed and in many cases very uncertain.

This is very challenging to estimate at this point in time and we can only present an order of cost in a range.

We have categories within the breakdown that cover the majority of our services affected, but not the extent - which will only become apparent as the detail unfolds and to some extent after the Games period.

The figures have a base from previous events and we are fortunate in some respects to have had such experience, but this set of continuous pressures on us over an extended number of days on a 24 hour response basis is unprecedented.

The estimates and comments within present our best guidance to you.

issued by

City of Westminster

Central Zone

Westminster City Council Estimated Range of Costs issued March 30th 2010

Background

All parties agree that this period will be 'Business Interrupted', or “Business as Un-usual”.

We have been asked to estimate our possible costs for operational planning and enforcement, including associated re-alignment of services before, during and after the Olympic and Paralympic Games.

During our conversations it has become clear that until road events and movement management areas in the 'Central Zone' are confirmed, this can only be noted as a range of cost at this point in time.

We have noted that the 'five boroughs' in the east have been working on detailed cost analysis for around three years or so and have many factors fixed already to enable a tighter range of costs than we are able to provide. We acknowledge that they too will be also affected by movement management area proposals and this may also result in a range of costs.

Estimated Order of Cost Range

The actual costs are dependent on much promised, but not yet agreed, parameters from a wide variety of public and private agency partners.

We have assessed our costs on a 'must have' basis, which is aimed at maintaining a basic service during the period of the Olympic and Paralympic Games.

We currently estimate that costs could be in the order of :

£**10**m - **15**m for the four year budgetary period 2009 – 2013.

issued by

City of Westminster

Central Zone

Westminster City Council Estimated Range of Costs issued March 30th 2010

Basis of Our Estimated Order of Cost Range

Operational Planning

Staff accommodation and support costs to :

- lead the 'Central Zone' planning and agree a multi - agency collaborative operational plan;
- provide expert advice and guidance to City Operations and others across the Olympic and Paralympic programmes;
- lead or provide expert advice and guidance to individual event planning forums, Licensing, Operational and Safety Planning Groups or local Safety Advisory Groups where additional event activities or requirements are necessary for the safe and successful completion of those events;
- participate, design and arrange a local testing programme where additional event activities or requirements are necessary for the safe and successful completion of those events;
- participate in a national testing programme;
- participation in Vancouver Observation Programme, other such learning opportunities and the official de-brief processes for Olympic and Paralympic Games;
- temporary reinforcement of staff resources during this the period 2009 - 2013;
- specific accommodation and secretariat for 'Central Zone' meetings and sub-group meetings; and,
- staff resource of fifteen FTE across the City Council to help assure a safe and successful overall plan for London.

Unique Service Arrangements : Negotiation

- lead a multi – agency, multi-borough collaborative operational plan;

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- provide expert advice and guidance to City Operations and others across the Olympic and Paralympic programmes;
- lead or provide expert advice and guidance to individual workstream and planning forums, where additional event activities or requirements are necessary for the safe and successful completion of the Olympic and Paralympic programmes;
- levels of change and contractual amendment to services : notably cleansing, waste disposal, recycling, response times for reinstatement : notably highway repairs, street lighting;
- use of assets where no charge is permitted as a consequence of an obligation of a Games contract signed by 'London' : notably upkeep of our parks and gardens and use of our sports facilities;
- alterations to the physical street scape to accommodate the needs of public health, safety and as yet unannounced security matters; and,
- use of staff expertise or corporate knowledge in additional to the demands in the categories above.

Enforcement and Management 'Games Time'

Staffing and resources to :

- reinforce patrols and enforcement around the periphery of the Games activity. This includes : on street enforcement of litter, street trading activities, removals of obstructions (vehicles, temporary structures, skips and the like), advertising infringement and other specific safety matters as a consequence of the Games Time plans;

- manning the Borough Emergency Control Room to match the 24 hour unique response expectation. Staffing for this extended period of days requires 5 persons per post;
- ensuring the capacity across all services to execute the agreed response plans at all levels;
- reinforcing technical teams - specialist IT, lift and other vital equipment - so that the additional demand for 'immediate' response can be met;
- reinforcing highways and other response teams capacities to ensure 'immediate' response;
- reinforcing cleansing and other services such as plumbing, drainage and others who are normally on an 'eight hour' response;

Post Games

- providing secretariat, expert reports and presentations as part of the Games and local de-brief programmes;
- providing finance and budgetary assessments to accountable bodies.

Basis for Estimate

One, Two, Four and Ten day event activity periods such as Jubilee, Sultan's Elephant, Royal Funerals, Notting Hill Carnival Bank Holiday Weekend and the regular multi - event weekends during the year.

All these programmes have required individual dedicated resources for a minimum of 18 months planning time and relied upon our agency colleagues to be able to reciprocate that dedicated staff and budget to support the planning and 'real time' management.

That there are three times the number of days of the maximum extent of our joint agency experience and several consecutive activity days stretching 24 hours, means that on average five people are required to cover one post for a 24 hour rota management. This concurs with both Sydney and other recent Games' cities operational management regimes and experiences.

'Business As Interrupted'

The nature of our normal services is 'Business as Usual'. We do not run 24 hours, or more than 18 hour days, except for two or three senior managers who remain on site on call on a 24 hour basis, limited to cleansing, occasional special enforcement operations and as emergency response management.

Our estimated range allows for the mechanism of response to matters such as water and gas leaks, fires involving gas cylinders and major incident planning are factored in

with the ability to respond, but whose true cost is contingent on the extent and response required and remains uncosted.

All the above are based on the unique demands of the Games and a service level to match the anticipated 'must have' services and planning levels with no enhancements.

Most especially we have excluded live sites and as yet unannounced - but anticipated - other third party activities.

We have included the costs for planning, liaison and the presentations and joint co-operative and collaborative working alongside both City Operations and Central Government programmes that are the key to a safe and successful Games.

Tim Owen MVO FRSA
Events, Filming + Contingency Planning
City of Westminster

Inc on following pages : outline breakdown of estimated range of costs

Olympic Games – Estimated Range of Costs

Planning Costs

Costs incurred in preparing for Games from 2009 up to financial year end 2013 :

		Estimate Range £	
		Low	**High**
Special Events	Four FTE posts allocated for one year	100,000	100,000
	Two FTE posts allocated for two years	300,000	300,000
	Six FTE posts allocated for six months	50,000	50,000
Contingency Planning	Two FTE posts allocated for one year	150,000	150,000
	Half FTE allocated to testing and C3 programme	75,000	75,000
	One FTE Senior Management lead allocated for two years	250,000	250,000
Policy and Partnerships	Two FTE posts allocated for two years	300,000	300,000
	One FTE posts allocated for one year for volunteer programme workstream	75,000	75,000
ICT	Additional technical equipment (mobile devices for volunteers, additional wifi bandwidth)	200,000	350,000
Communications	Local Campaigns to be run prior to the Games - salaries	100,000	100,000
	Local Campaigns to be run prior to the Games - printing leaflets	100,000	200,000
		1,700,000	**1,950,000**

Intense Activity : Business Interrupted Costs

Over period from week before Games up to and including Paralympics:

		Low	High
Customer Facing Services	Additional contacts arising from increased visitor activity during Games:		
	Telephony / Email	50,000	100,000
	Face to face / Reception / Planning Desk	85,000	100,000
Property	Delivering building materials outside normal working hours	100,000	200,000
• Adults' Services	Redeployment of staff, service contract negotiation, re-locate service and management bases north and south of the city, special service provision to vulnerable people and ensuring provision of statutory duty access	1,000,000	1,500,000
• Children's' Services		250,000	500,000
• Housing		250,000	500,000
Leisure	Additional staffing / security at leisure centres	100,000	200,000
Libraries	Additional staffing / security and increase in contacts/visits	100,000	100,000
Parking	Income shortfall through not issuing fines and tickets (PCN's) and contractual commitments	3,000,000	4,000,000
	Redeployment and contracting additional staff : contract negotiation	100,000	200,000
Street Management	Redeployment of staff, service contract negotiation, re-locate service and management bases north and south of the city	500,000	750,000
Premises Management	Pre-checks, Enforcement and public communications. Redeployment of staff, service	400,000	600,000

	contract negotiation, re-locate service and management bases north and south of the city		
Planning	Additional surveyors and planners (6 -12 months) where costs cannot be reclaimed	250,000	500,000
Cleansing	Additional collections and night time BAU activities : contract negotiations	1,500,000	2,000,000
		7,685,000	11,250,000
	Estimated Cost Range	9,385,000	13,200,000
	Order of Cost Range	**10,000,000**	**15,000,000**

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