



## FOOLS GOLD

How the 2012 Olympics is selling East London short,  
and a 10 point plan for a more positive local legacy

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Cover design inspired by the work of Richard Bambrook

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*'Legacy is absolutely epicentral to the plans for 2012. Legacy is probably nine-tenths of what this process is about, not just 16 days of Olympic sport.'*

**Lord Sebastian Coe  
May 2006**

*'There are no substantive impediments to the transfer of public assets to communities. It can be done; indeed it has been done legitimately and successfully in very many places.'*

**Making Assets Work: The Quirk Review of  
community management and ownership of public assets  
May 2007**

*'LDA is currently leading detailed work to make a thorough assessment of the potential end values of land in the Olympic park and we await the outcome of that work. At this point—over five years before the games—it is difficult to predict this with certainty. However, land disposal plans will aim to maximise land revenues.'*

**Tessa Jowell, House of Commons  
24 May 2007**

*'Please resist creating your own schemes named or labelled as "2012" or "Olympic" as these could potentially undermine the exclusivity and value that can be offered to London 2012 sponsors... charities should not use the Games as a way of promoting their causes without LOCOG's approval.'*

**Brand Protection guidelines for non-commercial organisations,  
London 2012**

# Foreword

Of all the many challenges of London 2012, none are likely to prove tougher than the challenge of achieving a high-impact regeneration legacy.

The commitment is certainly there, it has been from the outset, and indeed was enshrined in the winning bid. Nor is there any lack of people with the drive and the skills to make it happen. But the problem of how remains, and what we most need now are practical solutions.

This report provides this. First, a great deal can be accomplished through a more determined approach to procurement, generating and meeting demand for small businesses, social enterprises and the voluntary sector. Secondly, even more can be achieved in the long term through the transfer of assets to community ownership, thereby endowing the next generation of multi-purpose 'community anchors', drawing on the spirit of community self-help and community enterprise, and creating a truly lasting legacy.

These are not new ideas. There is plenty of practice and evidence to show that these approaches do indeed work.

We have, in short, an opportunity to create the very first 'Triple Bottom Line' games. All of us will need to raise our game to achieve this, but if these solutions are adopted it is certainly within our capability to win gold medals for economic, social and environmental impacts – and to set a standard which, in years to come, other nations will follow.

**Steve Wyler**  
**Director**  
**Development Trusts Association**

# Executive summary

This report examines how to ensure the 2012 Olympics leaves a positive local legacy for the poorest residents of East London. The 2012 London Olympics have been presented by the Government and the Olympic delivery bodies as a once-in-a-lifetime opportunity to help regenerate one of the UK's most economically disadvantaged areas, the Lower Lea Valley. Nine thousand new homes and 11,000 new and sustainable jobs have been promised on the site of the Olympic Park itself.

The regeneration legacy was not just an enlightened addition to the Games's plan which would be good to achieve if possible. It was central to London's original Olympics bid. Promises and undertakings were made in the bid on behalf of the city and the nation; these must be achieved if we are all to keep faith with the assurances made to the world on our behalf.

But previous Olympics and other 'flagship' UK regeneration projects, whilst boosting international tourism, transport, leisure and telecommunications infrastructure, have failed to improve the lives of the poorest people in host cities.

The problem lies in the 'trickle down' economics that underlies this approach to regeneration. This model assumes that the public and private financial investment flowing into deprived areas will stay put. In practice, it actually leaks out to consultants, developers and large companies which are best able to exploit new commercial opportunities. Those who actually benefit are the existing asset-holders and the affluent middle classes. In practice, local political and community structures are diluted in order to leverage in private capital quickly and in large quantities. Small local enterprises are unable to compete and local people who don't own their own homes are priced out of the housing market because gentrification inflates the cost of living well above their income levels.

**There are clear warning signs that London 2012 may be going in the same direction as previous Games in its failure to live up to regeneration promises:**

- **Many procurement contracts for the Games are so large that they are impossible for local small and medium-sized enterprises (SMEs) or social enterprises to compete for against national or multinational firms.** They are left simply with the hope of subcontracts. At the time of writing, of the approximately 500 contracts already awarded, worth £1 billion, only 11 per cent had gone to companies based within the five Olympic boroughs.<sup>1</sup>
- **Strict branding rules prevent local community organisations leveraging value from association with the Games.** Most of the major sponsorship contracts have already been secured by familiar multinational firms. These firms are under no obligation to subcontract with locally based businesses or to employ local people.
- **It remains unclear how local people will benefit from the assets that are left behind after the Games.** The enormous debts built up by Olympic delivery will have to be repaid, and the easiest way to do this will be to sell off Olympic assets to the highest bidder. Serious doubt has already been cast on the projections used by the Government to calculate the £1.8 billion which

could be raised by land sales after the Games to repay public and National Lottery money used to buy land for the Olympic site. Given the current slowdown in the housing market, there will be even more pressure on the London Development Agency (LDA) to maximise revenues. In January 2008, the office of the London Mayor revealed that it had already reneged on its promise that 50 per cent of homes on the Olympic Park would be affordable.

- The Section 106 agreement<sup>3</sup> negotiated by Newham Council for the site which will now be developed as the Athletes' Village for the 2012 Olympics was secured before the games were awarded to London. Because the negotiation was based on incomplete information, the scale of assets which will be made available to the community is in no way commensurate with the size and profile of the Olympics and does not fulfil the opportunity to create a durable and significant legacy for the community of Newham and the surrounding area.

Despite the rhetoric of the winning bid, the emerging reality of Olympic delivery is a depressing scenario of a massive public investment resulting in largely private commercial benefit. The major beneficiaries are set to be national and multinational companies large enough to win contracts and gain sponsorship rights, and the developers who will help to meet the Government's debt by maximising land revenues through the creation of expensive apartments, which local people will not be able to afford.

### **Towards an alternative**

The message of this report is that an alternative is still possible if action is taken now, an alternative which can avoid the mistakes of similar investment projects in the past. There are many UK examples of how community benefits can be built into major procurement projects, building links between local businesses to ensure spending and re-spending in the local economy rather than immediately leaking out. The key lesson for the Games' organisers is that sustainable procurement – procurement that has a beneficial impact on the local economy and on the environment – should be harnessed to maximise public benefit from the Games.

Once the Games are over, there are other ways to make sure the wealth created by major investments is retained by local communities. East London certainly includes some of the most deprived areas of the country; it is also home to many enterprising small businesses, social enterprises and community anchor organisations, as well as vibrant communities who have come to the UK to make a better life for their families. If the wealth creation the Games will deliver can leverage this enterprise and energy, rather than displace it, then the regeneration aims that were so integral to the 2012 bid might still be achieved.

Less than one-third of the total regeneration spend – about £500 million – could endow 500 locally controlled community development trusts with £1 million each. This would provide them with a long-term income of £60,000 per year to underpin their activities as community anchor organisations investing in solutions which meet locally identified needs. If the financial returns of the Olympics assets are used in this way, it could have an enormous impact. This would lock in the value of investment for local communities, ensuring that it was be safeguarded for the communities of East London for generations to come.

The Games's infrastructure planners have set out a radical plan to make London 2012 the first 'public transport' Games, with no-one permitted to enter the Olympic Park by car. This report sets out how London 2012 could go much further, and fulfil the promises made in the Olympic bid to become the first 'public benefit' Games – one which genuinely benefits the local community in terms of skills, development, employment and enterprise opportunities leaving a lasting legacy of thriving, sustainable communities in East London. The report sets out a ten-point rescue plan, through changes to procurement and asset management policy, which, if acted on now, could help to ensure that East London isn't trampled in the Olympic gold rush:

## Procurement

### Recommendation 1:

**Make community benefit a key criterion for all new contracts:** The Olympic Delivery Authority (ODA), and other Olympic bodies should incorporate community benefit and the regeneration objectives of the local authority as part of existing 'Balanced Scorecard' criteria in awarding all contracts. Olympic authorities should make sure that a core purpose of their contracts is the stimulation of SMEs, the voluntary sector or social enterprises, as a step towards their stated inclusion policy.

### Recommendation 2:

**Make contracts accessible to local SMEs and social enterprises:** The ODA and other Olympic authorities – as well as the main contractors – should break down the size of future contracts so that local SMEs and social enterprises have a realistic opportunity to compete. Where this is not possible, the reason should be made explicit and be scrutinised by the Commission for a Sustainable London 2012. Second-tier contractors should also be asked to demonstrate how they work with SMEs.

### Recommendation 3:

**Establish and monitor targets for the proportion of locally based SMEs and social enterprises employed, and the number of local people employed, under all Olympic contracts.** Potential suppliers should be asked to show how their organisation will create positive local economic impact and social and environmental outcomes in the delivery of their contracts.

### Recommendation 4:

**Set new private sector standards for incorporating community benefit into procurement contracts.** As a private company not subject to European or UK Value for Money (VfM) requirements, The London Organising Committee of the Olympic Games (LOCOG) should set new standards for the commercial sector in terms of incorporating community benefit into its procurement criteria. LOCOG's procurement policy should incorporate measurable social impact clauses, specified throughout the commissioning process, so that it can measure the ability of bidding organisations to meet these criteria objectively.

## Assets

### Recommendation 5:

**Appoint a new Board position on the Olympic and Lower Lea Valley planning boards for the local voluntary and community sector.** This would give a genuine voice in the Olympic Legacy Planning Master Framework to disadvantaged local residents.

### Recommendation 6:

**Establish an asset-holding organisation for the Olympic legacy.** The Olympic bodies should establish an asset-holding organisation for the Olympic legacy, which has presence and credibility in the area. It should have the capacity to play a transitional 'caretaking' role to ensure ownership of assets devolves to the local community. This organisation should be guided by a cohort of community-led organisations and develop plans for long-term community ownership.

### Recommendation 7:

**Establish a community development trust to design and oversee the community facilities in the Athletes' Village.** A shadow board of representatives from the community should be established to oversee the community facility which will form part of the Athletes' Village, and a community development trust created to help co-design, and then run the community facilities.

### Recommendation 8:

**Establish a community reinvestment fund to ensure ongoing community benefit from privately owned facilities on the site.** Investment should be made on behalf of the community in any future privately owned facilities – including housing – that are developed from the assets on the Olympics site. This

would mean a future revenue stream for the local community from the new developments in its midst.

**Recommendation 9:**

**Build the foundations of future community sustainability by building into the development community-owned retail and work space, and land for growing food.** Community ownership and management of assets should not be restricted to the community facility in the Athletes' Village, and the Olympic authorities should aim to develop a wide range of community-owned or managed facilities for the Athletes' Village zone of the Stratford City development, to include retail, workspace and land for growing food which would support an ongoing stream of benefits to the community.

**Recommendation 10:**

**Ensure that community facilities are transferred directly to the community development trust.** The Olympic authorities must negotiate with the developer to ensure that the proposed community development trust<sup>4</sup> becomes the long-term owner of the community facility, so that it can be used as collateral in future community developments.

# Introduction

*'By staging the Games in this part of the city, the most enduring legacy of the Olympics will be the regeneration of an entire community for the direct benefit of everyone who lives there.'*

**London Olympics Candidature File, Volume 1, page 19**

This purpose of this report is to examine how to ensure the 2012 Olympics leaves a positive local legacy for the residents of East London. The remit of the work was to reopen and reframe the debate around the Olympic legacy and suggest new approaches for maximising the public and community benefit – social, economic and environmental – created by the Games.

The report is aimed at a wide range of stakeholders involved in the Games, including the Olympic Board, local authorities and regeneration agencies, community and voluntary groups, housing associations and the many business, small and large, involved in the delivery of the Games.

The report was based on secondary research, interviews with key stakeholders, including ODA, LOCOG, the LDA and a range of community and voluntary sector groups across London (listed in Appendix 4) and on three workshops held with local residents, businesses and third sector and business representatives in Newham, East London in late 2007.

The 2012 London Olympics have been presented by the Government and the Olympic delivery bodies as a 'once-in-a-lifetime' opportunity to help regenerate one of the UK's most economically disadvantaged areas, the Lower Lea Valley. Few would question that the bid's greatest strength was the social, economic and environmental legacy that it proposed to create for this area and its positioning of the Games as complementing the broader economic development of the Lower Lea Valley, Europe's largest regeneration project. No previous Games has made regeneration so central to its vision.

The Olympic and Paralympic Games will be held over the summer 2012, at the Olympic Park created on former industrial land around the River Lee. It is intended that this should leave a legacy which has been defined as: new sports facilities, housing, increased employment and a more skilled population, as well as industrial, technical and transport infrastructure that will further help regenerate the area. Significant supply-side interventions – including huge training and brokerage programmes – are taking place to get the local population and businesses ready to take advantage of the opportunities created by the Games.

Local expectations are high. There is no doubt that the Olympics will bring about a permanent change to the economy of East London, The question is what kind of change, and who will benefit.

Here lies the challenge. The problem is that previous Olympics have failed to help the most economically disadvantaged groups living in the areas where the Games have taken place. In the UK, flagship regeneration projects in East London and elsewhere have also failed to improve the well-being of local residents. The Docklands development is the most glaring example.

What tends to happen instead is that regeneration leads to gentrification. Assets of the local communities get transferred out of the local area, because local people

who don't own local homes or business are priced out of the area. High land values, fragmented ownership patterns and poor engagement of the community in planning decisions and local stewardship all go together to undermine the development of sustainable communities. Local retail, services, and local enterprises struggle to survive in the face of rising commercial rents and competition from larger companies.

Yet it is the general public that pays for the Olympics and arguably the poorest residents of the area supposed to be regenerated who pay the highest costs, certainly in terms of disruption and dislocation.

The various delivery bodies involved in the Games have promised new jobs, new businesses, new green areas and new homes. But big questions remain about precisely how local people and local businesses will benefit from the preparation, delivery or legacy of the Games. It is already clear that smaller, local firms are struggling to compete for a part of the huge Olympic construction, service and sponsorship contracts, many of the latter already allocated to multinational firms with no obligation to make sure that investment benefits the local community. At the time of writing, of the approximately 500 contracts already awarded, worth £1 billion, only 11 per cent had gone to companies based within the five Olympic boroughs.<sup>5</sup>

There is still little clarity about who will own, manage and fund, particularly revenue funding, the Olympic legacy. The initial legacy plans for the Olympic physical assets seem to have little connection to the needs of local residents. There have been only tokenistic attempts by the organising Olympic authorities, ODA and LOCOG, to give local people and organisations an active role in the legacy planning process. There was a commitment to 'sustainable regeneration' in the 2007 Olympic and Paralympic planning applications, but it is still not clear what mechanisms and organisational infrastructure are in place to capture and safeguard the benefits of investment in the area for the benefit of the people who live there.

In the broader scheme of regeneration projects in the Lower Lea Valley, the Olympics pale in comparison in size and value with Stratford City, Crossrail and a number of other large regeneration programmes (Appendix 1). Yet because of the intense media attention and the Games ideals – peace, common humanity and dignity – they have enormous symbolic value. Promises around local regeneration and legacy thus have enormous importance in terms of setting a standard for other developments.

This report sets out a vision for the creation of real community assets for the Lower Lea Valley that could prevent it being trampled in the Olympic gold rush. It comes at a key time. The Olympic Board published its Sustainability Plan in December 2007 and the Commission for a Sustainable London 2012 has issued its first report, casting some doubts on the ability of the Olympic authorities to deliver on their sustainability objectives.

While much of the planning and procurement for the Games has already been completed, most of the Tier Two supplier decisions will be made in 2008.<sup>6</sup> LOCOG will shortly be publishing its own procurement policy which could still provide an opportunity to harness the potential for community benefit.

On the legacy front, the Olympic Board is currently in the process of completing the *Olympic Legacy Masterplan Framework* (OLMF) for the Olympic Park after the end of the Games. The masterplan will form the basis of an outline planning application in 2009 which will provide the context for the development of the Olympic Park after 2012.<sup>7</sup> On the Olympic site itself, ODA has developed a preferred consortium of developers to take on the legacy planning for the 15,000 square metre Olympic Village, which will include 4,000 homes, 30 per cent of which are intended to be 'affordable'. The consortium is currently developing its plans which will include a Section 106 agreement leading to the creation of a community development trust. The London Thames Gateway Development Corporation is also consulting on a comprehensive Section 106 strategy for the wider Lower Lea Valley development programme.

How can London 2012 create a meaningful legacy? Around the UK there are many

examples of how community benefits can be built into major procurement projects. There are other examples of how the wealth created by major investments can stay circulating in local communities. East London includes some of the most deprived areas of the country, but it is also home to many enterprising small businesses and communities, many of whom have come to the UK to make a better life for their families. If the wealth creation the Games will deliver can leverage this enterprise and energy, rather than displace it, then the regeneration aims that were so integral to the 2012 bid might still be achieved.

In Section 2 of this report, we set the context for the Games's regeneration promises, summarising the challenges faced by East London by focusing on the London Borough of Newham, where we carried out three workshops with local residents and businesses to collect their views on the Olympic legacy. These discussions revealed high expectations over what the Olympics could deliver locally but also fears about the disruption and social and economic polarisation the Games could create. We also review the Games's cost and funding, and consider how previous Games failed to help the poorest local communities.

Sections 3 and 4 of this report focus on these two areas – alternative approaches to procurement and asset management.

By viewing all public procurement as an opportunity to meet the regeneration goals of the Games, the Olympics organisers can help build the economic links needed to stimulate local businesses and create new employment in fast-growing sustainable industries such as green energy. By adopting alternative asset management and ownership policies for the new buildings and physical spaces, the 2012 Games could still be saved from following the depressing pattern of flagship regeneration programmes and sports investment in the UK which have seen massive transfers of wealth from the general public to the private sector.

The Games's infrastructure planners have set out a radical plan to make London 2012 the first 'public transport' Games with no-one permitted to enter the Olympic Park by car. This report sets out how London 2012 could still be a 'public benefit' Games, one which genuinely benefits the local community by leaving a lasting legacy of sustainable and thriving communities in East London.

## Promises, realities and costs

*'A key legacy will be the enabling of economically excluded local people to compete successfully for work opportunities that are forecast to arise in the Thames Gateway (some 160,000) and London as a whole.'*

**London Employment and Skills Taskforce for 2012, LDA & LSC, p. 17**

*'All too often history shows that when pressure mounts on budgets it is the small but essential items which make the difference to local people that are the first to be cut. This must not be allowed to happen.'*

**Department of Culture, Media and Sport Select Committee Report on the Olympic Games funding and legacy. Five Boroughs Written Evidence No. 84, January 2007**

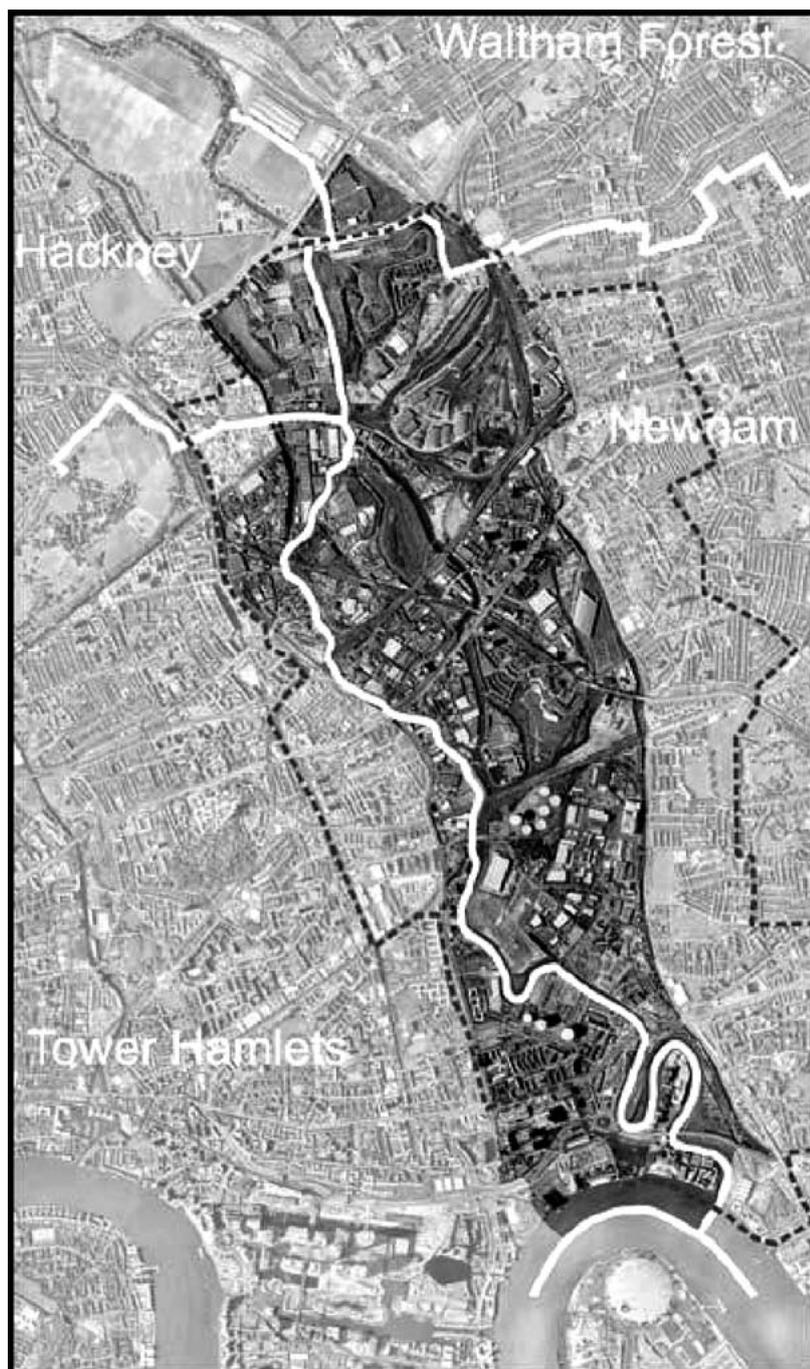
The promise of social, economic and environmental renewal of the Lower Lea Valley lies at the heart of the London 2012 vision. The Valley covers an area of 1,500 acres, running north-south from Stratford to Canary Wharf and is three miles from Central London. It takes in parts of the London boroughs of Hackney, Tower Hamlets, Newham and Waltham Forest. It is characterised by the LDA as 'a large area of derelict industrial land as well as poor housing... with much of the land is fragmented and divided by waterways, overhead pylons, roads, the London Underground Network and heavy rail lines.'<sup>8,9</sup>

The Lower Lea Valley is home to one of the most deprived communities in the UK, with one of the worst public health records in the country. Unemployment is high, running at 35 per cent on some estates, and skills levels are low. The area also has one of the highest levels of Black, Asian and minority ethnic populations in the capital and many first- and second-generation immigrants. Three of the Olympic boroughs contain the third-, fourth- and eleventh-most deprived wards in the country.<sup>10</sup> This is despite rising property prices, huge regeneration programmes and the availability of Brownfield land, which has begun to make the East End a desirable place for business.

Regeneration of the area is crucially important in tackling poverty, unemployment, the lack of basic skills, and poor health.<sup>11</sup>

The 2012 Olympics will help 'transform' the Lower Lea Valley according to the Games's organisers, accelerating the other regeneration projects taking place in the area (Appendix 2). The Games will also encourage London's expansion eastwards to accommodate the expected population growth in the capital over the coming decades – a key priority for the government, the Mayor of London and the LDA.

Figure 1: The Olympic Park site



The Olympic promises are around new jobs, homes, transport and service infrastructure and environment:

#### 1. Jobs and skills

The LDA has promised 'up to 50,000 new jobs' in the Lower Lea Valley area from the Olympics. According to the LDA, 'permanent jobs will be created in diverse sectors such as tourism and hospitality; food and media – and the construction industry' and between '10,000 and 12,000 of these will be sustainable jobs on the Olympic Park site itself'.<sup>12</sup>

A report by Experien suggests that, on top of volunteering opportunities, there will be approximately 45,000 person years of construction in the run-up to the Games. This includes 30,000 jobs involved in staging the Games and 6,700 jobs in the wider visitor economy.<sup>13</sup> Volunteering opportunities will help to develop skills for Londoners. The LDA suggests that 70,000 volunteers will be needed to deliver the Games in London.

## Case study 1: Newham: a microcosm of East London

Newham is the London borough that will be most significantly affected by the Games, housing over 60 per cent of the Olympic site. Over 8,000 new homes will be built in the borough as a result of the Games. It is a useful microcosm to illustrate some of the regeneration challenges that exist within East London:<sup>15</sup>

- Newham is the eleventh-most deprived borough in England and Wales and fourth in London.
- Fifty-five per cent of local children live in poverty.
- Nine thousand local people cannot afford to heat their homes adequately.
- Debt, low income and poor housing continue to be issues that place enormous pressure on already disadvantaged families.
- Looking to the future, Newham has the UK's largest population of under-25s – over 40 per cent of the total population.
- Unemployment rates are double the national average
- Almost a quarter of the population has no qualifications and many have low skills.
- Crime rates are a third higher than the London average.
- Newham is one of the most ethnically diverse areas in the UK. Less than half of the population is 'white British' and some 100 different languages are spoken locally.

The LDA and the Learning and Skills Council (LSC), through the London Employment and Skills Taskforce (LEST), have concentrated their Olympic employment strategy around supply-side interventions and brokerage, including the Local Labour Business Schemes and the Local Employment and Training Framework (LETF). This work includes the development of three business parks in Beckton, Leyton and Enfield for businesses relocating from the Olympics site, along with skills projects such as the Opportunities Fund, Pre-Volunteer Programme and the launch of the London 2012 Business Network in January 2008, a new online network that should allow small companies to search for business opportunities more easily.

In June 2007, Mayor Ken Livingstone announced an £11 million package to fund skills training, employment advice and work placements with organisations such as Centrepoint and the Prince's Trust. New coaches, cooks and builders needed for the Games are also expected to be trained through these projects.

### 2. Homes

The London 2012 bid promised that the Games would be a 'catalyst for delivering sustainable communities and affordable homes to transform East London'. ODA and the LDA have set out a plan for the sustainable regeneration of the Lower Lea Valley area after the Games.<sup>14</sup> The bid itself promised that designs for the Olympic buildings would simultaneously take into account their legacy potential. Specifically, the Games will create 9,000 new homes in the Olympic Park alone of which 4,000 would be affordable.

### 3. Environment and sporting facilities

The Olympic and Paralympic Games will leave behind new sporting facilities, including swimming pools, cycling facilities and new tennis courts. The Games will create the largest new park in London since Victorian times.

Taken together, the promise of the 2012 legacy is immense and ambitious and the organisers should be congratulated on putting regeneration at the heart of the Olympic programme. Yet there are warning signs that many of these promises may not be fulfilled.

## The reality of the legacy of previous Games

The Olympics have increasingly become an event designed to raise the profile and image of cities marketing themselves to a global audience. As manufacturing has declined in Western countries, in the face of global competition and a decline in state subsidies – with the accompanying decay of urban infrastructure – governments have turned to ‘mega-events’ like the Olympics as a way of ‘re-imagining’ these cities as centres for consumption-based industries like tourism, hospitality, entertainment, media, and conferencing.<sup>16,17,18</sup>

This mega-event strategy may be successful in leveraging private investment and boosting the image of the city. It often leads to improvements in tourism and infrastructure. But the strategy has consistently failed to improve the lives of residents of the areas where the events are held. Detailed research into the economic legacies of the Los Angeles, Atlanta and Salt Lake City Olympics concluded that:

‘In assessing the impact of hosting an Olympic mega-event, the overarching theme is how few of the benefits of a being a world class city impact the everyday lives of the city’s residents’ and that ‘despite the public claims by local boosters, hosting an Olympic mega-event did not lead to urban regeneration or revitalisation.’<sup>19</sup>

Because the Olympics represent an unmoveable deadline, positive social and environmental commitments are easily neglected by organisers in the face of budget over-runs or construction delays. The clear beneficiaries of mega-events are sponsorship organisations, ‘growth coalitions’ and developers rather than the wider population.<sup>20</sup> A review by the University of East London of the economic impact of previous games found that the Olympics create significant disruption in the local area. Perceived benefits from major new infrastructure and inward investment can soon be outweighed by increasing social divisions:

‘There is typically some initial disruption locally, and related concerns about the long- and short-term impact of such development on various costs, especially on the inflationary impact on rents and prices, not only in the short-term period of the Games, when congested transport systems and the prospect of inflated restaurant prices can jar with local communities, but in the medium and longer term, where infrastructure investment, especially improved transport links (as well as reputational benefits for the city) can drive up property and rental prices either city wide or, as is more significant, in certain privileged areas.’<sup>21</sup>

## Jobs and the informal economy

There is no doubt that the Olympics will create new jobs. The question is whether these jobs will go to local people and businesses. ODA and LOCOG have made no commitments about what proportion of their contracts – be they for building, services, food, transport or tourism – will go to local companies for the Games themselves, something the London Assembly called for.<sup>22</sup>

Research into the legacies of the Barcelona and Athens Olympics suggests that job creation tends to be temporary, often filled by migrant and transient workers, with little or no change in overall employment rates.<sup>23,24</sup>

Academic research into the impact of new sports facilities also suggests negligible if not negative impacts on overall economic impact and employment. Noll and Zimbalist, who studied the economic role of sports stadiums in the USA, found that sports facilities tend to attract neither tourists nor new industry. They found that substituting spending on sports for other recreational spending concentrates income, reduces the total numbers of jobs and replaces full-time jobs with low-wage, part-time jobs. The subsidies paid by governments to create or renovate stadiums do little to benefit the host communities economically.<sup>25</sup>

## The informal economy

One finding from our workshops with residents and businesses in Newham was that benefits dependency and the informal economy might be key barriers to engaging local people in Games jobs. The cash-in-hand or informal economy is

a complex and integral part of the socio-economic fabric of some communities in deprived areas, including East London.<sup>26</sup> For the Games to succeed in leaving behind a regeneration legacy – let alone engage with what local people actually need – they will have to recognise and understand these 'informal' activities which are there in any local economy.

Yet government and statutory agencies take no account of the significant numbers of 'uncounted' people operating outside the system, working informally, and for that reason alone tend to fail when it comes to helping people out of poverty and into the mainstream.

One measurement of local informal economies suggests that hundreds of thousands of people in London are involved in informal paid work.<sup>27</sup> In the light of the Olympics, communities, government officials and politicians must pay attention and start to harness the informal economy. They must change the delivery of services and policies to lift more people out of relative poverty, otherwise people will continue trapped in informal low-paid, low-skilled work.

*'My informal work was basically sort of a coping mechanism. I needed some extra cash, I went out when I could, I earned it; I did not steal the money, that's how many people feel when they are working in this way. If the Government could solve the problem around childcare, many parents in my situation would be working.'*

**Sarah, aged 46<sup>28</sup>**

The question of how to deal with the informal economy is not included in any of the Olympic strategies or in any of the employment or regeneration strategies of East London boroughs. It needs to be addressed – not just for the Olympics – but also for the success of Stratford City and the regeneration of the Thames Gateway. New infrastructure, new businesses and thousands of new homes have already begun to transform the landscape. But this may not necessarily change the circumstances of local residents engaged in low-paid informal work, although it may generate more informal work.

Local boroughs, regional government – the LDA and the Greater London Authority (GLA) – and the Olympic bodies all need to develop co-ordinated economic development strategies (including and addressing employment and skills, regeneration, business start-ups and growth) which explicitly set out to support people (employees and customers) and micro and SME businesses to make the transition to the formal economy.

## Homes

Meanwhile house prices and the cost of living can rise dramatically with negative consequences in particular for the most vulnerable residents in the areas, who are often ethnic minority groups or those living in low-quality housing.<sup>29</sup> Each of four previous host cities (Barcelona, Atlanta, Sydney, Athens) have seen house prices rise by more than the national average over the five-year period in the run-up to the Olympic Games, the main period of Olympic-related development activity. These host cities averaged house-price increases of 66 per cent over five years against an average rise in host-nation house prices of 47 per cent.<sup>30</sup>

The Barcelona Games in 1992 are celebrated as the catalyst for one of Europe's most successful regenerations. Yet for local people who did not own property in the area, it was disastrous. New house prices in Barcelona rose by 250 per cent between the Olympic announcement in 1986 and the actual event in 1992, a spectacular rise by domestic standards.<sup>31</sup>

Property prices in three East London postal districts close to the Olympic site have risen by more than the London average of 15 per cent since the city was unveiled as the successful contender. All areas close to the Games's site have seen at least a £15,000 rise in their average house price in the 15 months since the bid win.<sup>32</sup> In the face of the widely predicted flattening of the housing market, Halifax has predicted that Hackney is likely to be 'one of the top house-price performers in 2008 as regeneration ahead of the 2008 Olympics attracts buyers.'<sup>33</sup>

Participants in our workshops also felt that there was a strong link between the cost of rent and employment. With rent increasing above inflation, the marginal cost of moving off housing benefit and into work becomes higher, creating strong disincentives to find work, or pushing people further towards informal work.

Given that it is the poorest areas of East London, such as Newham, that have the highest levels of rented housing, with many properties having been bought to let, there is a clear danger of pricing locals out of the area. In 2000, Sydney saw rents increase and landlords evict tenants in the lead-up to the Olympics, while the investment money flowing into housing exacerbated the crisis in rental accommodation.<sup>34</sup>

Fear over rises in rental costs was a particular concern for residents in our focus groups. Comments included:

*'A lot of people round here are living in council houses – they will get pushed away with the new development.'*

*'We need more social housing with the rents regulated by the council so they are actually affordable.'*

*'More and more properties are being bought to let. People are being jammed in to them – the quality will go down. New houses are very expensive.'*<sup>35</sup>

In January 2008, the office of the London Mayor revealed that ODA had already reneged on its promise to guarantee that 50 per cent of homes on the Olympic Park would be affordable.<sup>36</sup> In response, the five boroughs raised concern that the need to generate revenues after 2012 would lead to 'inappropriate' high-density development.<sup>37</sup>

Whatever the percentage of 'affordable' homes built, the definition remains ambiguous. Within 'affordable', the guidance is that 70 per cent should be social housing and 30 per cent 'intermediate' housing. In practice, social housing rents are actually increasing faster than incomes across London. Evidence in the Elephant and Castle area shows that 96.2 per cent of housing needs could now only be met through social housing. So who, in those circumstances, is the housing intended for?<sup>38</sup>

Rising land value has implications beyond affordability for domestic tenants. Voluntary and community groups may also find it difficult to find affordable office space for their activities. Hackney Community Transport, for example, which is providing community buses for routes that the privatised bus companies regard as unprofitable, has been unable to extend its scheme to Newham because it can't afford the rental costs of garage space for its buses.<sup>39</sup>

### **Flagship regeneration and the trickle down myth**

In the UK, flagship regeneration projects in East London and elsewhere have nearly all failed to improve the well-being of local residents. Docklands is the most glaring example. Similar promises were made about Canary Wharf, about the Millennium Dome and the ExCel Centre in Canning Town and all have proved to be false dawns in terms of their beneficial impact on the existing local population.

The lesson of these projects is that massive inward investments in physical assets rarely result in better livelihoods or higher well-being for local people. For economic regeneration to be effective, years of painful urban experience show that it has to be both rooted in, and grow out of, the local community. The danger with the Olympics is that the regeneration drivers are to do with tourism and 'place marketing' rather than local needs. In this case, the regeneration of the area 'is staged not for those who inhabit these places, but for those who consume them as visitors'.<sup>40</sup>

### **The role of the local community in Games's regeneration**

This consumption-based model of economic development is focused on global capital and jobs, and involves the dilution and reorganisation of local political structures, often removing what accountability there is to local people. This is

## Box 1. Who's Who? The Games: delivery and funding

The 2012 Olympics are being delivered by two key agencies – one private (the London Organising Committee for the Olympic Games (LOCOG)), one public (the Olympic Development Authority (ODA)).

**LOCOG** is responsible for staging and hosting the 2012 Olympic and Paralympic Games. It has a £2 billion budget, with almost all of it to be raised from the private sector. This commercial revenue will come from several sources, the majority from a domestic sponsorship programme as well as from the International Olympic Committee (IOC). It will also generate its own income from sales of tickets and merchandise.

**ODA** is the public sector body responsible for the delivery of the new venues and infrastructure required for the 2012 Games, 'with a view to maximising the benefit after the Games of things done in preparation for them' (LDA, ODA Code of Consultation, Draft for Review December 2007). Its budget is drawn entirely from the public sector, specifically the Department for Culture, Media and Sport, the GLA, the LDA and the Olympic Lottery Distributor. This funding is contributing to the construction of the venues and infrastructure in the Olympic Park, the facilities at Weymouth and Portland, Broxbourne and Eton Dorney and the legacy that will follow the Games.

**National Lottery** funds, to the tune of £2.17 billion, are part-funding the facilities – venues and infrastructure – to host the Games. The Lottery will share in the profits made from land and property sales in the future but there is no guarantee of a return.

**The Department for Culture, Media and Sport** (DCMS) leads for the Government on delivery of the London 2012 Olympic and Paralympic Games. It reports to Tessa Jowell, Minister for the Olympics (based in the Cabinet Office). DCMS is responsible for managing central government funding for the Games and wider regeneration costs.

**The Greater London Authority** (GLA) is working to deliver the Mayor's objectives for the London 2012 Games, to make sure that hosting the Games brings the 'best possible benefits for Londoners'. It is contributing £925 million to the Olympic Delivery Authority. This money will be spent on regeneration, infrastructure and facilities.

**The London Development Agency** (LDA) is the Mayor's agency responsible for London's economic growth and its role is to ensure that 'London and Londoners maximise the long-term benefits that hosting the Games will bring'. In July 2007, the LDA delivered control of the land for the construction of the Olympic Park and for the long-term regeneration of the Lower Lea Valley to the ODA. Working in partnership with the ODA the LDA is continuing with its planning for the legacy development of the Olympic Park. The LDA is also spearheading a wide range of business support programmes and skills initiatives. It is also providing £250 million towards the costs of the infrastructure and venues for the Games and is investing £220 million in the clean-up of the Park, which the ODA is managing on the LDA's behalf.

necessary to accommodate the role of 'special purpose quasi-governmental agencies' – in London's case ODA and LOCOG – that enable the public-private partnerships that make up the financial framework for the Games.<sup>41</sup> These bodies have always lacked local public accountability or engagement, because they are primarily controlled by private interests who tend to regard local government and communities as little more than 'community venues'.<sup>42</sup>

London 2012 promises to be different, of course, putting regeneration at the heart of its plans. But the planning for the Olympics so far has allowed little engagement with the residents of East London who will be most affected. There have only been tokenistic attempts by the organising Olympic authorities to give local residents an active role in the legacy-planning process. Residents were given just six weeks to respond to changes in the OLMF for the area, a document that contained 10,000 pages of new applications.<sup>43</sup> Local authorities, and other partners such as the Lee Valley Regional Park Authority, will be consulted in the development of the detailed OLMF, but ODA and the LDA remain the 'lead clients' who will choose consultancy teams to do the detailed legacy design work.<sup>44</sup>

It is always difficult to define the community around a major event such as the Games. Yet some organisations are clearly in a stronger position than others when it comes to speaking for these communities – in particular smaller community and voluntary groups or 'community anchor' organisations. What is the role of these organisations in terms of Olympic planning and procurement? At the moment, it seems, very little. There is no community or voluntary sector representation on the Olympic Board, which is made up of the Mayor, the LDA, ODA, LOCOG and the five local authorities.

## Olympic branding

Charitable organisations also face draconian rules about associating their work with the Games and 'associated terms'. No person or organisation who is not an official sponsor of the Games is allowed to associate their activity with the event:

'Unless you are working with LOCOG on an official London 2012 programme or have received official endorsement, please resist creating your own schemes named or labelled as "2012" or "Olympic" as these could potentially undermine the exclusivity and value that can be offered to London 2012 sponsors.'<sup>45</sup>

Charities should 'think of creative ways to capture the philosophy and values of the Games but without creating an association with them' and 'should not use the Games as a way of promoting their causes without LOCOG's approval.'<sup>46</sup>

For the Manchester Commonwealth Games in 2002, grassroots and community organisations also faced problems in attracting funding for initiatives because the event branding was so exclusive. We need to find new ways of allowing grassroots organisations to raise their own revenue for events officially linked to a major games without being punished by those who are policing the brand. One respondent who works for a community organisation in our focus group spelled out her position:

'Are we (third sector organisations) going to get back some of the money we are putting in to this? Every penny from the sale of the Olympic buildings should go back in to the community. There should be payback from the big lottery fund losses.'

The approach of **nef** and Community Links is to put local people at the heart of any regeneration effort, viewing them as assets and looking for ways of building on their creativity and passion, rather than viewing them as problems for which external solutions should be imposed.<sup>47</sup> Real regeneration involves building on existing networks of trust and social capital as well as investments in construction.

## The costs of 2012: public investment on a massive scale

If the Games fail to create positive impacts for the local people of East London, they might have a case for asking for their money back. The Games are largely funded by the UK taxpayer and lottery ticket buyers, with Londoners paying an additional council tax supplement, but East Londoners are bearing the brunt of the disruption, which is likely to be considerable.

By summer 2007, the Olympic budget had mushroomed from £3 billion to £9.3 billion, a lack of foresight described by a Labour MP on the DCMS select committee investigating the Games's Budget as 'the most catastrophic piece of financial mismanagement in the history of the world'.<sup>48</sup> How the original budget was calculated raises some very serious questions, which have still not been satisfactorily answered.

A sum of £2.7 billion was originally laid aside for contingency, but at the same select committee hearing, the Government admitted that this would almost certainly be needed to fulfil the legacy commitments of the games.<sup>50</sup> All of this suggests, as many other commentators and MPs have alleged, that the full cost of the Games has yet to be calculated. Many commentators have pinpointed the security costs, currently budgeted at £6 million, which will almost inevitably rise.

**Table 1. The costs for the Games, confirmed in a statement by Tessa Jowell in December 2007.**<sup>49</sup>

Description	Cost
Site construction	£3.08 billion
Contingency	£2.75 billion
Regeneration and infrastructure	£1.67 billion
Tax bill (VAT)	£836 million
Extra security	£600 million
Other costs	£388 million
<b>TOTAL</b>	<b>£9.32 billion</b>

The experience of previous Games does not offer encouragement. Sydney's costs doubled, to £2 billion between making its bid and 2000, while those of Athens leapt five-fold to £5 billion, mainly due to security costs. If previous Games offer any insight, it is likely to make a significant contribution to the UK's already gaping budget deficit and public debt. Montreal (1976) lost around £600 million and the local population picked up the loss through higher local taxation for several years after the event. The Barcelona Games created a loss of £12 million. The Athens Games in 2004 cost about £7 billion and added 1.2 per cent to the national budget deficit. The Sydney Games incurred a £1.2 billion loss and leading sports venues have remained under-used since the Games ended.<sup>51</sup>

### Who is paying for what

**Table 2: Funding for Games's budget, according to the latest government figures.**

Funding source	Amount
Central Government funding	£5.975 billion
National Lottery funding	£2.175 billion
London council tax	£1.75 billion

This equates to 64 per cent from the general taxpayer, 23 per cent from the Lottery and 13 per cent from London council tax payers:

**The Olympic Tax:** From 2006/07 to 2014/15, London council tax payers will contribute a specific GLA 'precept' – popularly known as the 'Olympics Tax' – to the public sector funding package for the Games. This contribution towards a total of up to £625 million to be raised from the council tax, equates to an extra £20 a year for those in council tax Band D (38p a week) and an extra £40 for those in council tax Band H (77p a week).<sup>52</sup>

Council tax is, of course, regressive. The 'effective tax rate' – the proportion of the individual's total income that is spent on the tax – falls as the income rises of those who are paying it, because council tax liability is decided by property value, rather than by income. Council tax is particularly unfair to those people who rent homes they do not own or those who live in part-owned social housing – the very people the Games's regeneration plans aim to benefit – because they are paying tax according to the value of a property that they may not have been able to afford if they bought it now.

**The Community Sports Tax:** One of every five pounds spent on good causes by the Lottery will now go to the Olympics, following the Government's March announcement that an additional £675 million of lottery funds would be needed to help fund the increase in costs of the Games.<sup>53</sup>

Of this, local sports bodies will have to contribute £70 million towards the Olympics, the equivalent of one multipurpose floodlit games area or one 100m grass pitch in each parliamentary constituency.<sup>54</sup> In her March announcement, Tessa Jowell announced that no funding would be removed from UK Sport, the body responsible for preparing elite athletes for forthcoming Games. No such assurance was given to Sport England, the body responsible for Community Sport, which faces an 8 per cent budget cut.

As a result, the agency predicts that 186,000 fewer people will have the opportunity to participate in sport.<sup>55</sup> Sport England, which promotes sport in each of the country's nine regions, is to contribute £56 million towards meeting the overspend. It has already called raids on the lottery as a 'cut too far' and said this 'seriously endangers' the creation of a sporting legacy from the 2012 Games.<sup>56</sup>

### Danger of house price decline

Even if the Olympic budget remains stable, the downturn in the UK housing market may well leave a legacy of enormous debt. The problem is that the Government plans to recoup a significant proportion of the Games's cost, and reimburse the LDA land purchase and the National Lottery's £675 million, through the sale of the

Olympic land after the Games. The Mayor of London and the Olympics minister agreed last year that at least £1.8 billion would be raised in land sales after the Games for this purpose. This was based on an assumption of 16 per cent per annum increase in land prices in Stratford over the next 15 to 20 years.

Unfortunately for these plans, another LDA report suggested that this was highly optimistic and that growth of 6 per cent was more realistic. That would raise just £800 million, leaving a £1 billion shortfall and barely enough to pay off the £625 million it cost the LDA to buy the land in the first place.<sup>57</sup> Shortly afterwards, the Mayor's Office announced it had abandoned its plan to ensure that 50 per cent of homes on the Olympic Park site would be affordable.

### The private sector opts out

As well as the massive increase in public sector budget for the Games, organisers have also had to admit a huge *decrease* in the predicted private sector contribution. The Government originally predicted a £738 million private sector investment but this has now been reduced to £165 million.<sup>58</sup> Despite this, the main beneficiaries of the Games will undoubtedly be large companies, including CLM, ODA's Tier One contractor. CLM's contract for project managing the construction of the Games is in the region of £2 billion; remarkably, it is also being paid an additional £400 million just for 'keeping down costs'.<sup>59</sup>

### Other negative impacts of the Olympics on East London

For the residents of East London, the costs are much more than just additional tax demands.

### Relocation of residents and businesses

When the LDA took control of the Olympic site – an area the size of Hyde Park – as many as 208 local businesses were forced to move. Another 425 residents from the Clay Lane Estate (Box 2), 35 traveller families and 64 allotment holders have also been forced to find new homes and premises. There are concerns that many of these residents are now paying double the rent for their new homes.

The Manor Garden Allotments in Hackney Wick was a highly effective community-based vehicle with a huge contribution to the social, economic and environmental well-being of East London. The plots, created in 1900 for the local poor, provided food for over 150 families of Turks, Cypriots, Greeks, Jamaicans, Africans and British people, and were moved last year. It is difficult to think of a more sustainable use of land.<sup>60</sup>

### Closing of sports facilities

Local facilities are closing or will be closed, including Hackney Marsh football pitches – which will be replaced with an Olympic coach park for the duration of the Games – Waltham Forest swimming pool and the Eastway Cycle Circuit. It is still not clear whether the Olympic facilities will be available for use by local communities after the Games.

### Conclusion

The bulk of the funding for the construction, transport, regeneration and legacy work for the Games is coming from National Lottery money, which would otherwise have gone to third sector and community and voluntary groups – and from Londoners' council tax. It is hard to imagine a less progressive means of funding the Games. The people of East London have already faced significant upheaval and disruption, with at least eight more years to come. And any further overspend will also be footed by the taxpayer.

The danger is that the value created by this huge public investment will benefit neither the general public, nor the most disadvantaged people of East London, but an elite of large commercial organisations and existing asset holders.

In a statement to the House of Commons, Tessa Jowell said that disposal of publicly acquired land after the Olympics '*will aim to maximise land revenues*' [emphasis added]. This statement seems a long way from the Government's stated desire to create sustainable communities and long-standing regeneration in the area. Despite the enormous weight put on the legacy in the bid, the fact

## Box 2. Clays Lane Housing Co-operative

Clays Lane Housing Co-operative was a fully mutual housing co-operative, established to address the lack of housing for vulnerable single people in East London. It was initially funded by organisations including Newham Council and the University of East London. There were up to 450 contractual tenants, who had to be single people aged between 18 and 59. Tenants were required to purchase a £1 share in order to become a member of the co-operative, which entitled them to attend and vote in the annual general meeting, stand for or elect a member of the management committee, participate in the Co-operative's affairs and receive its services.

The Co-operative was designed to engender a strong local community, and was frequently used to help people to re-enter social life. Its motto was 'A community – not just a housing estate'. The housing was arranged in ten courtyards, each of which held a monthly meeting to discuss issues that may have arisen, hear back from committee representatives – each courtyard elected a member to the management committee – find out the latest news and generally catch up with each other. The Co-operative also had its own sports teams and programme of activities and training

All 430 residents of the Co-operative were issued with orders to leave by July 2007. The site has now been demolished.

([http://en.wikipedia.org/wiki/Clays\\_Lane\\_Estate](http://en.wikipedia.org/wiki/Clays_Lane_Estate))

remains – as representatives of the London Borough of Tower Hamlets pointed out – that 'nowhere in the institutional framework [for delivering the Games] is an agency charged with sole responsibility for delivering the regeneration legacy for East and South East London'.<sup>61</sup>

Our focus groups in Newham revealed genuine misgivings about the impact the Games might have on the social and economic fabric of locally based communities. One girl, about to take her A-levels, feared that 'the younger generation would not be able to afford to move out of their homes' with the increase in property and rental prices. Another resident suggested in stark terms that:

*'[The Olympics] is going to polarise people – the low class and the high class... The people that really need help are the low class.'*<sup>62</sup>

This is a bleak outlook. Yet many of the contracts for the Games have still not been defined, and legacy plans are still being developed, so it is not too late to change gear. The question is: what can be done to make sure there is a more even distribution of Olympic wealth?

# Alternatives I: Buying public benefit

*'The opportunities and threats presented by the commercial activities related to this project are unprecedented. The opportunity is to procure and engage commercial partners in a manner that... maximises opportunity for local economic benefit....The challenge is in the size, scale, timing and "one off" nature of the project. Repeat business is not available as an incentive, time constraints are unlikely to accommodate switching of contract partners and there is no opportunity to 'get it right' next time.'*<sup>63</sup>

**Commission for a Sustainable London 2012**

For many years, regeneration was about simply attracting more money into an area, whether it was in the form of massive infrastructure and building development, tourism, agriculture, corporate relocations, or other forms of inward investment. This was sometimes successful at changing the physical infrastructure of an area, but often it was at the expense of the people who were supposed to benefit. We have seen how this 'trickle down' consumption model of economic development failed to meet the needs of deprived communities in previous Olympics Games across the globe and in East London over the past 20 years. Yet the Games's organisers for 2012 have yet to learn these lessons.

In many areas, East London included, the issue is not that too little money comes in, but that most of the money *flows out again* in the form of spending on, and contracts to, non-local businesses and labour. Research by the Countryside Agency has shown that an average of over 40 per cent of business turnover 'leaks' outside the local economy. By finding ways to plug those leaks, by creating economic linkages between local businesses, labour and public bodies, poorer communities can build a healthy local economy that can support communities long after regeneration funding dries up.<sup>64</sup>

That is why Olympic procurement – a good chunk of the £9.3 billion total cost – needs to be regarded also as a strategic lever for achieving sustainable regeneration. If it is spent in the right way, it can build those crucial links between businesses and other local organisations in the most deprived areas of East London, like Canning Town. Every pound spent by the Olympic authorities can create a possible regeneration impact. It can increase the flows of resources, skills and money inside these deprived areas. But it can only do so if the Olympic authorities understand the potential and act on it.

Every pound spent could contribute to the '2012 Vision' objective to *'maximise the economic, social, health and environmental benefits of the Games for the UK, particularly through regeneration and sustainable development in East London'*.<sup>65</sup> But to do so, every contract needs to be written in such a way that the spending will work also to achieve this. To make this work, the Olympic authorities need to:

- Build sustainable regeneration into the commissioning and procurement of contracts and make that part of any VfM criteria.
- Make sure the size of the contracts can attract local SMEs.

- Measure regeneration outcomes in the evaluation of contracts.
- Set standards for other companies involved in the Games.
- Engage the local community and stakeholders in the early stages of contract design.

**1. Build sustainable regeneration into the commissioning and procurement of contracts and make that part of any VfM criteria**

ODA is subject to the UK's VfM requirements on procurement which says that the criteria must be a 'combination of whole life costs and quality to meet the service user's requirement'. The point here is that service users do not just include the athletes and spectators who will use the infrastructure for 16 days. They also include the local community who will, hopefully, be able to use them for generations to come. Whole life costs are more than just the unit cost or price of the contract. They include the environmental, social and local economic benefits that a contract ought to bring to local people.

ODA took some first steps down this road with the 'balanced scorecard' approach outlined in its Procurement Policy in March 2007. This considers contractors performance on health and safety, security, environmental sustainability and equality and diversity. Equality and diversity covers gender and ethnic minority employment. Yet there is *no mention* in the balanced scorecard of regeneration benefits for local communities. This seems strange given that elsewhere in the policy, ODA suggests that a lasting legacy should reflect 'regeneration and development, benefiting the local communities and the wider Thames Gateway'.<sup>66</sup> There are legal implications to this which are discussed in Appendix 2.

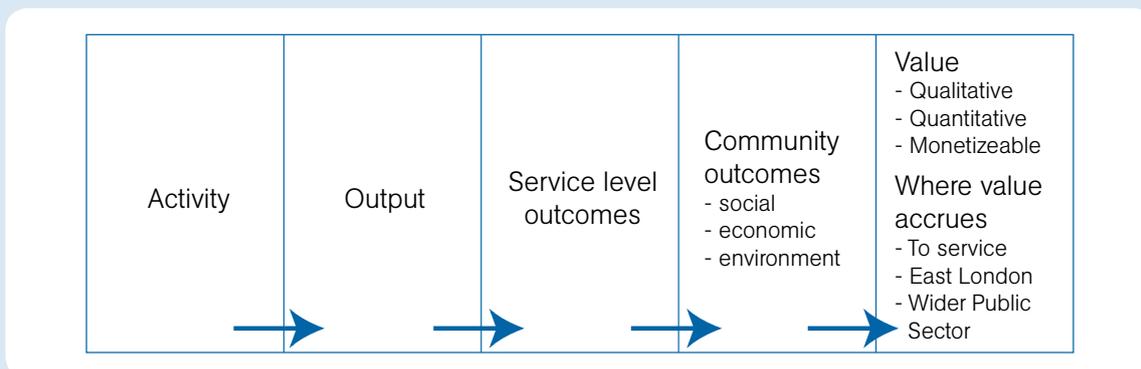
**Recommendation 1:** ODA incorporates community benefit or sustainable regeneration as part of its balanced scorecard criteria.

nef has successfully piloted this model with a mental health service. The winning tender was a consortium of three small-to-medium local providers. The consortium was not the cheapest in price, but the tender's inclusion of social, economic and environmental objectives for Camden greatly added to the quality weighting awarded to the tender. For example:

**Case study 2: The sustainable commissioning model**

Embedding sustainable procurement criteria throughout a commissioning process is possible as demonstrated by nef's work with the London Borough of Camden to develop a 'public benefit' commissioning and procurement model which the Olympic authorities could adapt as a template for tenders.<sup>67</sup> It builds criteria into the bid evaluation about the wider social, economic and environmental outcomes that contractors must create in delivering the specified service. It involves potential suppliers specifying the activities and outputs they could deliver which directly contribute to achieving service level and wider community outcomes. During the course of the contract, Camden will monitor the impact of these outcomes in terms of both financial and qualitative value and also track where this value accrues (Figure 2).

**Figure 2: The sustainable commissioning model**



- Commitments to involve the wider community through the use of volunteers in the provision of day care.
- Service users actively involved in the design, delivery and evaluation of services.
- Catering supplies locally sourced, making sure more of the money spent stays local for longer.
- Engagement in recycling and cycling initiatives with service users and staff, contributing to Camden's environmental objectives.

This approach to outcomes-based procurement would encourage potential contractors to innovate around the key sustainability priorities set out in the 2012 Sustainability Plan. By explicitly weighting these criteria in the tendering process, the Olympic authorities will be effectively 'levelling the playing field' for different kinds of organisations, including those with a local social mission. This is not just added value to the contract; it is central to the achieving the kind of legacy regeneration that has been promised.

Procurement can be used, not just to help local innovation to create a genuine economic legacy, but it can also stimulate the sectors which can meet the 2012 Sustainability Plan's commitments.<sup>68</sup> These include:

- Low carbon technology in housing and transport facilities.
- New locally based waste processing infrastructure.
- New local renewable energy plants, including combined cooling heating and power (CCHP) plants to meet the 2012 target of 20 per cent renewable energy.
- Developing capacity in local food supply chains to make sure we get low-carbon, healthy food.

Stimulating these new sectors in East London could act as a catalyst for thriving sectors which would support the Government's wider objectives to substantially reduce UK emissions. It would also mean that those who are employed on contracts before Games will find thriving industries afterwards which can keep them employed locally after the Games are over.

## 2. Make sure the size of the contracts can attract local SMEs

The evidence of local businesses benefiting from Olympic contracts so far is not promising. One major problem is the large contracts being tendered by ODA. ODA describes itself as a 'thin' client, directly buying and managing a relatively small number of agreements with large Tier One suppliers or contractors who are often called 'main contractors'. Many of these major contracts have already been appointed and, within a year, most will be completed.

Last autumn, ODA appointed the CLM consortium (CMH2, Laing and Mace) as the key Tier One contractor with a budget estimated to be around £100 million in fees.<sup>69</sup> Australian property group Lendlease has already been declared the preferred bidder for the Olympic Village. Even large private sector firms have shown themselves reluctant to bid for the largest contracts. Neither the Olympic Stadium nor the Aquatic Centre has any more than one bidder, a lack of competition that was raised as a concern in select committee hearings on the Olympic budget.<sup>70</sup>

One resident of Newham from our workshop blamed globalisation:

*'Globalisation is happening. Many big companies are going to win contracts – they don't need local people. It's capitalism.'*<sup>71</sup>

The Olympic organisers may now be regretting their decision to create such enormous contracts. But it isn't too late. There are still opportunities for local business in the subcontracting of goods and services to the winners of these major contracts, in particular construction contracts.

Smaller companies and social enterprise may have to form consortia to have any chance of getting involved even for Tier Two or Tier Three contracts. In a study by Social Enterprise London, 80 per cent of respondents from social enterprises said they would be happy to join a consortium bid with other enterprises to provide goods and services for larger contracts that they might not otherwise be able to bid for.<sup>72</sup>

Yet even here, ODA's requirements for consortia seem to favour larger organisations. ODA's bus service contract, to transport of staff between venues at the Games, stipulates that any organisation involved in any consortium bidding for the contract must have an annual turnover of *at least £5 million*. Only two of London's 22 community transport groups – Hackney Community Transport and Ealing Community transport – would qualify. Ealing Community Transport Chief Executive Steve Sears described the £5 million figure as 'arbitrary'.<sup>73</sup>

The Business Manager of Newco Products, a social enterprise based in Stratford that manufactures doors and windows and employs half their workforce of people with disabilities (Case study 3), did not believe that the major Tier One contractors would be interested in sub-contracting to his firm. Nor was he convinced that his firm could afford the time or money to get involved in complex consortia relationships:

'In the construction industry, there are very well established supply chains. People go back to the same trusted large suppliers every time. It is very difficult to break in to this if you're not well known. An Australian company has won the contract to provide Stratford City for example – they are not going to know any local firms... There is a real issue with scale and volume. I've been along to these Building East seminars on creating consortiums – they link together small businesses but it's very expensive. There are due diligence mechanisms we need to research.'<sup>74</sup>

**Recommendation 2:** *ODA and other Olympic authorities should break down future contracts into sizes that allow local SMEs and social enterprises to compete for them. Where this is not possible, the reason should be made explicit and scrutinised by the Commission for a Sustainable London 2012. Where large contracts really are the only option, Olympic authorities should make the stimulation of local SMEs, the voluntary sector and social enterprises a core purpose of each contract. That means Tier One contractors can be asked to demonstrate their track record of working with SMEs, as part of the evaluation of their bid for each contract.*

### 3. Measure regeneration outcomes in the evaluation of contracts

Olympic procurement bodies and companies need to find ways of measuring progress towards sustainable regeneration over the course of each contract.

Only then can the Olympic authorities and main contractors be held to account for their legacy promises. The new Commission for a Sustainable London 2012 may help create greater accountability, but the procurement bodies themselves need to be building these objectives into the way they spend their investment from the very start. We welcome the Commission for a Sustainable London 2012's initial report on the governance and assurance of the Games which also raises this issue as an area of concern.<sup>75</sup> Below are some ways forward for the Olympic bodies:

#### Using LM3 as an indicator of local economic impact

Local Multiplier 3 (LM3) is a tool for measuring the local economic impact of spending. The multiplier is an economic tool, usually applied at the national or regional level, to measure how income circulates around a given area, and hence *multiplies* its effects, within the economy. LM3 enables organisations to measure the impact they have locally by tracking where the money they get is spent and re-spent. By analysing three rounds of spending, LM3 identifies opportunities to get more money circulating locally, to plug some of the economic leaks, and to build more local economic links between local businesses, for example, that are so vital to sustainable regeneration.

# Possible scenarios

The table below sets out a series of different scenarios that are still possible for the Games if it is going to improve the lives and well-

## Community benefit framework: Principles for a Games that creates sustainable regeneration

Benefit to local people	The promise
<b>Service benefit</b>	
<i>Housing</i>	Creating a new community in which to live and work. There will be 9,000 new homes in the Olympic Park area after the 2012 Games, 'many of which - 50% according to the Mayor' - will be available to key workers like nurses or teachers'.
<i>Public/community services</i>	New homes, new hospitals, new schools, family health services and other community facilities.
<i>Sporting facilities</i>	An unrivalled collection of sporting and leisure facilities preserving the memory of the 2012 Games, and boosting sporting participation and healthy living across London.
<i>Opportunities for existing local small businesses</i>	Supply-side activity including London 2012 Business Network helps small business compete successfully for Olympics contracts
<i>Jobs for local people and opportunities for informal economy to legitimise</i>	<ul style="list-style-type: none"> <li>● Maximising the job and opportunities from the Games for local people.</li> <li>● Major supply-side programmes and local labour schemes will help those with low skills or poor English find jobs.</li> <li>● Volunteering will boost confidence.</li> </ul>
<b>Livelihoods</b>	
<i>Affordability of living in area for local residents</i>	<ul style="list-style-type: none"> <li>● Fifty per cent 'affordable' housing, 30 per cent in Stratford City</li> </ul>
<i>Affordability for local businesses</i>	No promises made.

being of the residents of the Lower Lea Valley.

Current scenario	Alternative scenario
<p>Social housing and rental costs rise faster than incomes and inflation, pricing out many of East London's poorer citizens. 'Affordable' means for lower middle class citizens only. Cost over-runs create additional pressure on maximising returns on enormous debt created by Games and the 50 per cent target is abandoned. Intermediate housing and key worker and shared ownership schemes in London remain outside the reach of many public sector workers.</p>	<p>Community Development Trust developed in Olympic Village to ensure affordability through pooling of Section 106 agreements. Value is locked in to the local community and local people invest time and resource in improving the area.</p> <p>New housing focussed on needs of local families. Mixed use developments; significant new social housing to ensure affordability for local people. New housing built to one-planet criteria (BREEAM and EcoHomes Excellent ratings).</p>
<p>Funding for promised schools and hospitals is limited by cost over-runs to the flagship Olympic Village. High costs of living near the Olympic Village mean public sector jobs go predominantly to people outside the deprived areas of Lower Lea Valley.</p>	<p>New housing accompanied by new local amenities – investment in local GP surgeries, schools, youth clubs within easy access.</p>
<p>Will improve but there is a danger that post-Games sporting assets will be either replaced by commercial property or other commercial usage to recoup costs with local public gaining only limited access.</p>	<p>Sporting assets held in trust for local communities to develop for appropriate local needs in partnership with local schools and community centres. Emphasis on longer term value of sporting assets for health and well being of local population – combating obesity, teaching teamwork and discipline to young people in the area. Symbols of pride for East London.</p>
<ul style="list-style-type: none"> <li>● The sheer size of contracts and subcontracts prevents smaller businesses competing for contracts.</li> <li>● Heavy focus on short-term cost saving favours large businesses with lower overheads and unit costs.</li> <li>● Lack of investment in consortia building or legal training.</li> </ul>	<ul style="list-style-type: none"> <li>● Procurement criteria focussed on longer term public benefit and whole life costs of projects rather than price</li> <li>● Stimulation of local enterprise made a core component of major contracts</li> <li>● Contracts broken up in to lots that are friendlier to small businesses.</li> <li>● Social clauses built in to contracts to encourage sub-contracting to locally based suppliers.</li> </ul>
<ul style="list-style-type: none"> <li>● New jobs are created but few go to local people who lack skills, experience, contacts or information.</li> <li>● Some new employment but often low wage and temporary with few opportunities for training.</li> <li>● Little incentive for those working in informal economy to move out, particularly as costs of living rises faster than average wage.</li> <li>● Informal economy ignored by Olympic authorities and local authorities as a challenge.</li> <li>● Continued influx of immigrants and lax regulation pushes down wages, deepening benefits trap.</li> </ul>	<ul style="list-style-type: none"> <li>● Regulation of social housing rents keeps down cost of living, incentivising people to leave informal economy.</li> <li>● 'Amnesty' granted to those working in informal economy.</li> <li>● Local borough, regional government (LDA and GLA) and the Olympic bodies develop co-ordinated economic development strategies which explicitly set out to support people (employees and customers) and micro and SME businesses to make the transition to the formal economy.</li> <li>● Involvement of community groups in Olympic business development opens up employment opportunities for local people.</li> </ul>
<ul style="list-style-type: none"> <li>● 50 per cent affordable housing target abandoned in face of land value slow down.</li> <li>● Gentrification – local people see massive rise in cost of living as rents, transport and price of everyday goods rise.</li> <li>● Non-home-owning residents and public sector and other key workers priced out.</li> <li>● Affluent residents move in.</li> <li>● Local business priced out as commercial rents rise or land is sold off for property development.</li> </ul>	<ul style="list-style-type: none"> <li>● In the Athletes' Village, Community Development Trust model divorces value of land from housing, maintaining affordability and retaining wealth within local community.</li> <li>● Outside the Athletes' Village, community benefit orientated procurement policies help stimulate local enterprise and encourage emergence of green large social housing building programme, strict enforcement of London 'living wage' and wide range of smaller retail stores with locally sourced food.</li> <li>● Smaller contracts ensure local businesses gain foothold in market.</li> <li>● East London becomes hub for construction, catering and cultural excellence.</li> </ul>

LM3 is also a methodology for public procurement recognised by the government in its Sustainable Procurement Task Force Action Plan. It has been used by over 25 local authorities and over 30 not for profit and private organisations across the UK to illustrate the impact of their spending on communities. For example:

- The North East Centre of Excellence used an LM3 evaluation to show what kind of financial impact a local company called Egger UK was making to the local community. This exercise showed that the actual contribution was in the region of £180 million per annum. This was critical to giving planners a way to work out the economic impact of their proposed expansion, which is why they eventually backed a £100 million expansion of a local plant.<sup>76</sup>
- Northumberland County Council used it to measure and improve the local economic impact of its £245 million procurement budget, starting with its food supply contracts. It found that local suppliers re-spent on average 76 per cent of their contracts with local businesses. The Council worked out that, if it shifted ten per cent of its current spending from non-local suppliers to locals, this would generate an extra £34 million for the local economy.

**Recommendation 3:** *The Olympic procuring authorities (ODA/CLM, LOCOG and the LDA) must develop clear guidance on how they and their Tier One contractors will monitor the sustainable regeneration impacts of contracts down the supply chain. Potential suppliers should be asked to give evidence of their potential local economic impact as part of their assessment as possible contractors.*

#### 4. Set standards for other companies involved in the Games

There is a clear opportunity for the organisations involved in procurement for the Olympics to set standards for their contractors to help achieve that promised legacy.

##### Social clauses

Social clauses can be built into the core of contracts without breaking EU rules or criteria on VfM. The Government's Office of the Third Sector is developing a set of model social clause templates that could be built into the service specifications and tender schedules of future contracts.<sup>77</sup>

Putting limits on the distance travelled of raw materials or other products including food, will clearly favour local firms. It will also cut the carbon footprint of construction and other activities.<sup>78</sup>

LOCOG is responsible for procuring all the services required for running the Games themselves.<sup>79</sup> It is a registered company and, as such, is not subject EU rules on competition or discrimination around procurement. Nor is it subject to UK procurement rules about VfM. As a private sector firm, LOCOG is free, in theory, to incorporate any community benefit clauses in its specifications. They can even specify targets for how much local labour is employed by their contractors, and the proportion of local firms that are subcontracted.

LOCOG is a commercial organisation, and its procurement policy will set a standard for the many other large companies involved in delivering services before, during and after the Games.

#### Case Study 4: City Airport Newham

One positive example for LOCOG and its Tier One sponsors is Newham-based City Airport. City Airport made a strong effort to favour local people for jobs at its site, agreeing with the Borough of Newham in 1998 a target of 35 per cent of recruits to be local. In 2005, it hit this target, and in fact 81 per cent of employees live within a five-mile radius in East London.<sup>80</sup>

City Airport's Head of Community Relations says that there are strong business benefits to employing locally, partly because many airport jobs involve early morning starts and shift work.<sup>81</sup>

## Case Study 5: NewCo Products

NewCo Products, based in Stratford in Newham, manufactures products such as wooden doors and windows, kitchen units and PVC-U double glazing. NewCo employs able-bodied and disabled staff on a 50:50 basis. Staff are recruited locally through the Job Centre Plus scheme. They are paid a competitive wage and get training.

'We target and recruit local people as much as we can, which is great for Newham,' says General Manager Ted Fisher. 'That means when people move on to another job, they get a place locally. The local authority here is very supportive and we feel we are very much a part of the services offered to the community.'

Still part of Newham Council, NewCo wants to be fully independent. The Council is NewCo's main client, but the organisation is increasingly dealing with the private sector and housing associations in the area. The organisation is already a member of the Guild of Master Craftsmen.

NewCo has a history of serving the people of Newham. The organisation started its life in 1922 as Newham Municipal Industries, providing jobs for World War I veterans many of whom had lost their sight after mustard gas attacks.

<http://www.newhamsocialenterprise.org.uk/index.asp?page=186>

**Recommendation 4:** *As a private company not subject to European legislation or UK VfM requirements, LOCOG should set new standards for the commercial sector by incorporating community benefit into its procurement criteria. LOCOG's procurement policy should incorporate measurable social impact clauses, specified throughout the bidding process, so that it can measure the ability of bidding organisations to meet these criteria objectively.*

### 5. Engage the local community and stakeholders in the early stages of contract design

We also suggest that LOCOG and the LDA should carry out an extensive consultation to find out about the local supply opportunities for the services they need which would entail mapping the existing capability of East London companies, and SMEs and third sector organisations in particular. They also need to show they have told local organisations about bidding opportunities, and done what they can to build local links.

To do this, LOCOG and other Olympic bodies will have to consult extensively with the representative groups of these organisations, including the Big Opportunity Forum, brought together to represent London third sector organisations and community groups, and the appropriate chambers of commerce, and with Social Enterprise London (SEL).<sup>82</sup> With a strong understanding of the social, economic and environmental impacts that different organisations can bring to delivering services, LOCOG will be in a far better position to write contract specifications that make these impacts core requirements, rather than secondary issues.

With its announcement of its 'no car' policy, the ODA's transport plans show just how much potential the Olympics have to set new standards in sustainability.<sup>83</sup> The Olympic authorities still have the opportunity to put public and community benefits at the heart of its procurement process in the same way. But to do this, says the Commission for a Sustainable London 2012, more work is needed and soon. Procurement remains an easy opportunity for the Games to create the promised sustainable regeneration for the people of East London.

# Alternatives II: Building common wealth – a new community asset-holding approach for post-Games asset management and ownership

*'The Olympic Park will become a hub for East London, bringing communities together and acting as a catalyst for profound social and economic change. It will become a model of social inclusion, opening up opportunities for education, culture and skills development and jobs for people across the UK and London, but especially the Lea Valley and the surrounding areas.'*

**Candidature File 'Benefiting the Community through regeneration'**  
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*'Community ownership can bring people from different backgrounds together. It can foster a sense of belonging. It can play a role in enhancing the local environment, alleviating poverty and raising people's aspirations. Fundamentally, it's about giving people a bigger stake in the future of their area.'*

**Rt Hon Ruth Kelly MP, Secretary of State for Communities and Local Government, introducing the Quirk review of community management and ownership of public assets (2007)**

We saw in Section 2 how previous Olympic Games failed to spread a legacy of regeneration and wealth to the most disadvantaged communities nearby. Building links using better procurement can help to counter this effect, but it will only go so far. To counter the 'pricing out' effect created by gentrification – undermining social networks and community links – we need to look afresh at how the assets created by the Games are going to be owned and managed.

The Olympic board and the LDA are developing the OLMF which will govern the development of the Olympic Park after 2012. This report looks afresh at whether their current plans are likely to fulfil the promises of legacy, and sets out a different vision and set of principles which is more likely to do so.<sup>84</sup> We also consider how these principles might be implemented in the Olympic Village. This is a large mixed-use scheme being developed by a consortium which includes a Section 106 scheme to create a community facility of 1500m<sup>2</sup>.

## **The legacy of physical assets**

The 2012 Games have been described by the Secretary of State for Culture, Media and Sport as the 'largest public building project in Europe'.<sup>85</sup> The Olympic Park will be built on 306 hectares (756 acres) of land in Stratford, forming the largest new park in Europe for 150 years. It will accommodate the Olympic stadium, aquatics centre, the Olympic Village as well as hockey, cycling and tennis facilities, all of which will be used after the Games, 'for both elite athletes and the local community'. The Olympic Park will also house an International Broadcast Centre and main press centre, the fate of which remains in negotiation. The Olympic Village will

be turned into 4,000 'affordable' new homes after the games.

The challenge is to manage an asset endowment in such a way that it can enhance the well-being of local people, catalyse greater levels of local enterprise and create better livelihoods for people in an area of concentrated economic disadvantage. Our workshops with local residents in Newham revealed serious concerns about how this would be achieved. People particularly felt that more could be done with existing planning vehicles, such as Section 106 rules:

*'We need to go back to Section 106 and say that part of any planning application is that they will put money back in to the community.'*

*'We need to stretch the Section 106 rules so that developers have to include community centres.'*

*'There should be long-term leases with sub-leases that can produce profit for the local community.'*

*'The voluntary sector should be put in control of Olympics assets... but they need to be skilled up.'*

Current plans are hazy about how these assets will eventually be owned. Yet there are new ways of effectively handing the ownership over to local people, such as those developed in the Scottish Highlands and Islands. Scotland has a rural history of absentee landlords and consequent neglect, and has therefore led the way towards new kinds of community asset-holding. The 'community right to buy' was enshrined in the Land Reform (Scotland) Act 2003, and the parallel investment through the Scottish Land Fund was made possible in 2000, with initial capitalisation from the UK National Lottery's New Opportunities Fund.

Thanks to those two interventions, a growing number of large estates and islands have been bought by community trusts. By June 2005, 200 communities had been helped and £12 million committed to eligible projects.<sup>86</sup> Under the guidelines for the fund:

*'All funded projects must demonstrate economic, social and environmental benefits. Communities have to have, and typically do establish, a democratic and locally controlled body (commonly a company limited by guarantee or "non-profit") to acquire and manage the land and other assets, as well as the majority support for the acquisition from community residents.'*<sup>87</sup>

### **Transferring assets to the community: the Quirk Review**

In 2006, the Department of Communities and Local Government appointed Barry Quirk, the Chief Executive of Lewisham Council, to lead a review of the potential for transferring physical assets from the public to the community. His report received an immediate and supportive response from government. It says that:

*'The benefits of community management and ownership of public assets can outweigh the risks and often the opportunity costs in appropriate circumstances. And if there is a rational and thorough consideration of these risks and opportunity costs, there are no substantive impediments to the transfer of public assets to communities.'*<sup>88</sup>

There is still some scepticism about this. Assets can just as easily be liabilities, communities do not necessarily have the skills to manage property, and managing property may anyway not be what community organisations are designed to do. But even if the actual ownership remains elsewhere, it is still important that communities have access to the assets.

A legacy of regeneration that changes the lives of local people might reasonably expect them to retain some stake in the new assets near where they live. Either way, and whatever approach is used, this is what the Olympic authorities need to achieve. For a genuine, sustainable legacy, they must:

- Create a sense of agency within a community, reversing the feeling of 'being done to'. They must leave behind neighbourhoods that have a sense of themselves as capable and entrepreneurial, and able to achieve their objectives in their dealings with both public and private sectors.
- Strengthen the capacity to foster and promote enterprise.
- Develop ways to redress the local inequalities in livelihood and wealth.
- Strengthen the community's ability to move towards a low impact and zero carbon economy and community.

Community benefits associated with asset transfer

Using these objectives, the following **community benefits** could – and should – be used to measure and evaluate any asset which could be transferred to community ownership:

- (a) Access to services: will local people have access to facilities within neighbourhood?
- (b) Governance: will they be able to take part in managing and controlling the asset?
- (c) Enterprise: will it underpin new local enterprise?
- (d) Consumer co-operative: will it allow for cheaper goods and services?
- (e) Individual financial stake: will it pay dividends to individuals because they have a stake in it?
- (f) Environmental: will it help lower the area's carbon footprint?

#### What are kinds of assets could be owned?

There are a broad range of types of asset – listed below – which could lend themselves to community ownership. Some of these might be directly related to the Olympic park; others could be developed elsewhere with support from a legacy fund:

1. Land (for food growing)
2. Community buildings
3. Workspace
4. Leisure and sport
5. Housing
6. Energy
7. Retail

For each of these, we have identified precedents for community ownership which provide evidence of a functioning legal model (those highlighted are included as case studies).

**Table 3. Securing local benefit: Alternative ownership models to lock in local legacy**

Use type	Model(s)	Exemplar	Local group	Community benefits (see above)
<b>Land</b>	Community Farm Land Trust	Fordhall Farm	Growing Communities	(b)
<b>Community buildings</b>	Community Development Trust	Aston Mansfield, Coin St Community Builders	Aston Mansfield	(a)
<b>Workspace</b>	Community Development Trust	Westway Development Trust	Hackney Co-operative Development	(a) (c)
<b>Leisure and Sport</b>	Social Enterprise	Greenwich Leisure	Greenwich Leisure Limited	(a) (c) (e)
	Industrial and Provident Society	Bournemouth Football Club Brentford Football Club		(a) (b) (e)
<b>Housing</b>	Community Land Trust	Worth Matravers Carhampton	East London Citizens CLT CDS Co-operatives	(a) (b) (e)
<b>Mixed Use</b>	Community Trust	Scottish Trust		(a) (b) (c) (e)
<b>Energy</b>	Industrial and Provident Society	Baywind Energy		(a) (b) (d) (e)
<b>Retail</b>	Consumer co-operative	Co-operative Retail Society	Community Food Enterprise	(a) (b) (d) (e)

### 1. Land and food

The London 2012 Sustainability Plan gives significant emphasis to food as a cross-cutting issue, and the legacy planning could play a key role increasing what we know about providing access to local food, and making it more available locally.<sup>89</sup> There is no doubt that community involvement in food growing and distribution, even on a limited basis, encourages healthier eating.

Fordhall Farm in Shropshire was the first community-owned farm in Britain. It was bought with the help of 8,000 contributing shareholders, who each purchased non-profit making shares of £50 in the Fordhall Community Land initiative. This meant that the previously tenanted farm could be bought on behalf of the community, rather than sold for development. Now owned by its shareholders, the land and house are leased to the brother and sister team who farm the land, whilst the Fordhall Community Land Initiative uses the same land for community benefit through events, volunteering and educational visits.<sup>90</sup> This Community Farm Land Trust pioneers a mechanism which would allow land to be acquired by the local community in East London.

A precedent in Hackney is provided by Growing Communities, a social enterprise run by a management committee of local people. All households ordering vegetables through the Growing Communities box scheme also have a direct say in the organisation's development:

*'Growing Communities is committed to growing food in the city. We grow organic vegetables on our three small Soil Association certified growing sites as part of our aim of increasing the amount of organic produce grown right here in Hackney. These urban market gardens – like our box scheme and farmers' market – are intended to be real, practical alternatives to the damaging food system that currently exists. By trading the food grown on the sites we are aiming to make the food system more sustainable.'*<sup>91</sup>

## Case study 6: Aston-Mansfield, Newham

Aston-Mansfield in Newham is a community anchor organisation which provides resources and facilities for people in North East London. It has a long history of providing community benefit for East Londoners through innovative use of its asset base, largely inherited – in the past, for example, it has provided a ‘poor man’s lawyer’ (the forerunner of Citizen’s Advice) and a ‘Coal Club’ for low income residents where they could buy coal communally.

The organisation has two major community centres which offer an enormous range of community activities, including dance classes, community development activity supporting small voluntary organisations, an after school club, and English as a Second Language (ESOL) courses. It also offer offices to other voluntary organisations. Because of Aston-Mansfield’s trusted status within the community, certain organisations feel particularly comfortable operating from its office. Victim Support, for example, is based in Aston-Mansfield’s Durning Hall building. Chief Executive, Ian Powell says ‘We will always try to support an organisation providing for an unmet community need. If we can, we will offer accommodation ourselves, as we did recently for an HIV service for Portuguese speakers. If that is not feasible, we will offer advice about other possible locations.’

It also has a small business centre with 18 one-room offices where social enterprises and small businesses are offered premises at slightly below commercial rates and are given business support.

Aston-Mansfield’s asset base generates approximately 25 per cent of its total income. Activities developed within its properties also enable it to attract nearly £1.8 million per annum through grants, donations and contracts for delivery, to develop and carry out its work within the local community.

The skills and experience that the organisation has acquired by managing its asset base have helped it to set up community centres in Forest Gate, Manor Park and Plaistow and an outdoor centre and farm at Lambourne End in Essex. Its services and support are all directed at the needs of the community with the aim of developing the community wealth of East London and promote a diverse and inclusive society.

(Interview with Ian Powell, Chief Executive, Aston Mansfield, 24 September; see also Quirk Review p18).

### 2. Community buildings

Buildings offering space for wide varieties of community activity provide a heart for neighbourhoods. They need to be affordable and accessible. Community-based organisations like development trusts have been very effective at using cross subsidies from more commercial activities in order to meet these needs. But to be able to do this, they need a mixed portfolio of assets or at least a flexible building of some scale.

Aston-Mansfield (Case study 6) has been a ‘community anchor’ organisation in East London for over 120 years, and uses its buildings explicitly for community benefit. Case studies 8 and 9 – Westway Development Trust and Coin Street Community Builders – show two flagship London trusts which put community benefit at the heart of their asset management.

### 3. Workspace

Having adaptable business premises which are the right size in the heart of communities is really essential for local enterprise. That is why so many development trusts offer managed workspace linked to business support services. The need has also been acknowledged in the London 2012 Sustainability Plan, which suggests converting facilities to provide workspace within the Olympic Park.<sup>92</sup>

### 4. Leisure and sport

The largest operator of leisure facilities in London is a social enterprise, Greenwich Leisure Limited.<sup>94</sup> Greenwich Leisure has a mutual legal structure and is the UK’s leading leisure ‘trust’ which reinvests surpluses back into leisure services for the community. Greenwich Leisure’s community development ethos is to ‘build active and sustainable communities based on social justice and mutual respect... [and]... to bring about a change in structures to remove the barriers that prevent people from participating in the issues that affect their lives.’

## Case study 7: Hackney Co-operatives Development

Hackney Co-operatives Development (HCD) first emerged in 1979 in response to a need for people in Hackney housing co-operatives to find ways of setting up co-operative businesses in the borough. Supported by grants from Hackney Council, the Greater London Council (GLC) and the Urban Programme, HCD started to provide suitable premises and business support services for local people – particularly people facing disadvantage in establishing themselves in business: people from minority ethnic communities, women, young people and those without enough capital.

In its early days, HCD mainly supported worker co-operatives but, towards the end of the 1980s, its services were extended to include both voluntary organisations and other types of small businesses of particular benefit to the local economy. This change stemmed from a growing marginalisation of small co-operatives and from a wish to see the underlying principles of co-operation and democracy playing a crucial role in the regeneration of the mainstream local economy.

This strategic shift in the focus of HCD's operations enabled it to become well-established in the local delivery of central government and European Commission regeneration programmes such as the Single Regeneration Budget and the European Regional Development Fund Objective 2 programmes.

Last year, HCD became a community interest company, limited by guarantee. HCD Chief Executive Adam Hart describes how his organisation helped transform the neighbourhood of Dalston:

*'Since 1996, through HCD's work with architects Hawkins/Brown and the London Borough of Hackney, a sense of place has started to emerge in this area, based upon the rehabilitated managed workspace offices and workshops with their first- and second-storey balconies above new market trading units. Besides the successful Jazz Café, among these units are local entrepreneurs including retailers in music, jewellery, crafts and beauty products, plus hair salons, a tailor, an African bookshop, designer-makers, craftspeople, graphic artists, architects, media and IT workers and arts and voluntary sector groups. There is a high level of sustainable black, ethnic minority and female entrepreneurs and community groups. Many of these were assisted through start-up grants, advice from HCD and other agencies on how to move to market sustainability, specialist services, low cost loans and the availability of affordable workspace.'*<sup>93</sup>

HCD is currently working with over 200 SMEs on the LDA-funded 'Dalston 4 London' project to develop and manage a Sustainability Market for Dalston in Gillett Square, the London Mayor's first new urban space, opened in 2006. Its services will extend to other sites in East London. The project aims to maximise interest from the target range of SMEs in regular trading in Gillett Square under the branding themes of low carbon products and information, healthy food consumption, a wide range of specialist musical instruments and related fair trade items for purchase and enjoyment.

As well as providing leisure facilities, it uses any surpluses to:

- Invest in community development officers to work directly in the community.
- Deliver cross-cutting programmes on health, crime diversion, and supporting children and young people strategies.
- Create access-to-work routes and local employment.

The organisation has also set itself the task 'to be a significant player in the delivery of the 2012 Olympic/Paralympic agenda and to be a key 2012 legacy delivery partner, driven by making a difference to the communities of London.'<sup>95</sup>

Westway Development Trust has a very similar ethos and specifically invests surpluses in outreach programmes for disadvantaged children in West London (Case study 8).

## Case study 8: Westway Development Trust

Westway Development Trust was established in 1971 after the A40 Westway flyover had been bulldozed through North Kensington, leaving underneath 23 acres of derelict land within the boundaries of the Borough of Kensington and Chelsea. It was set up as an independent charity by the local council, working in collaboration with local community groups to develop this land for the benefit of the community. It is now one of the largest development trusts in the UK and has successfully developed the land into the trust's major asset.

The majority of land has been developed for community use, including two multi-sports leisure facilities, 25 subsidised premises for voluntary organisations, landscaped gardens and meeting and music venues. Another 20 per cent has been developed commercially to provide a long-term income stream to underpin the costs of running the trust and its commercial activities. The Trust now has 120 commercial tenancies and licenses, yielding £2.2 million annually, including craft workshops, shops, light industrial units, yards, office space and a section of Portobello Market. It employs over 800 people on land that was previously derelict. It also runs a grants scheme for local voluntary and community sector groups, provides development advice and maintains ten acres of public space, three and a half of which are parks or green space.

With a turnover of £5.75 million and assets of £29 million, the Trust is self-sufficient, in that it covers its core costs and is able to support many different projects for local people, and subsidise where there is greatest need. The Trust's membership consists of 78 member organisations. The criteria for joining are simply that the organisation 'must provide public benefit within the Kensington and Chelsea area'. It has a management committee of 15 members; 7 of which are elected annually by the membership and 7 are nominated by the Royal Borough of Kensington and Chelsea and the Chair. Together they appoint an independent chair who must be a resident of the borough.<sup>96</sup>

### 5. Housing

We saw in Section 1 how previous Olympics Games had priced low-income residents out of the areas where they live and work. Given that roughly 60 per cent of the value of homes in London is contained in the value of the land on which they are built, one way of mitigating gentrification is to divorce the value of the land from cost of the homes that are built there.

There is growing interest in, but as yet few examples in the UK, of using *community land trusts* (CLTs) as a mechanism for creating affordable housing. This is a mechanism for the democratic ownership of land by the local community. Land is taken out of the market and separated from its productive use so that, when land values rise, that does not have to undermine long-term affordable and sustainable local development. The value of public investment, philanthropic gifts, charitable endowments, legacies or development gain is thus captured in perpetuity, underpinning the sustainable development of a defined locality or community. Through CLTs, local residents and businesses can also take responsibility for planning and delivering redevelopment schemes.<sup>97</sup>

The handful of examples of community land trusts in the UK – either completed or under way – have been small developments in rural areas. There are already many CLTs working in Boston and other American cities. That is why the benefits of the CLT approach were outlined in a report in 2004 for the Mayor of London, and a commitment has been made for a London pilot project.<sup>98</sup> One of these has already been given the go-ahead in Bow. The Mayor's planning framework for the Lower Lea Valley also says that:

*'Achieving transformational change and ensuring long term market interest and viability for the area will be highly dependent on the quality of physical development and the long term management of its public and private aspects. Models may include the use of endowments, Public Private Partnerships with appropriate bodies, Community Trusts and community ownership of utility assets.'*<sup>99</sup>

### Mixed use

Mixed-use ownership models are best exemplified by the wave of Scottish trusts which have arisen since the enabling legislation and funding for community right to buy were introduced. The Isle of Gigha is now owned by the Isle of Gigha Heritage

## Case study 9: Coin Street Community Builders

Coin Street Community Builders (CSCB) was set up in 1984 to manage 13 acres of land on London's South Bank, an area located between Waterloo and Blackfriars bridges. It was the outcome of a high-profile and ultimately successful community-based campaign against commercial office development proposed for the site. The Coin Street Action Group, made up of local residents, planned to use the site for social housing, open space, managed workshops and leisure activities, in contrast to the commercial plans of developers. The GLC and the London Boroughs of Southwark and Lambeth favoured the Coin Street plans and CSCB was eventually able to buy the site because the GLC created restrictive covenants on the site, curtailing its commercial development value.

In the two decades since 1984, CSCB has successfully adopted a social enterprise model to develop the Coin Street site into a mixture of commercial premises, housing co-operatives and community facilities for local people. By renting restaurant and retail workshop space at Oxo Tower Wharf, for example, CSCB is able to subsidise other activities which are not commercially viable. It began by developing temporary parking contracts to bring in income for the first housing co-operative in 1988, as well as converting Gabriel's Wharf into small workshops, restaurants, cafes and bars. Oxo Tower Wharf opened in 1996 with Harvey Nichols leasing the top floor restaurant, a major breakthrough which helped encourage other businesses to lease space.

CSCB Director Iain Tuckett emphasises the importance of achieving financial independence from the public and private sector and from grant dependency. Oxo Tower Wharf, for example, was a £20 million venture. Initially CSCB considered working in partnership with a commercial developer, but soon realised that this would be a conflict of interest:

*'To put it crudely, the interests of an investor with equity is to carry out the development as cheaply as possible, to let it as quickly as possible and then to sell off the rental stream, and that is clearly a very different approach to ours, where we want to hold the property in perpetuity and to use the lettings to achieve social and community objectives - and commercial objectives.'*

This is vital to allow the organisation to focus on core activities and moving the business forward, rather than bureaucratic grant applications, and that development continues to be led by the community.

Trust. The preparation for this large-scale transfer of ownership included work on the feasibility of the various business aspects that were involved, and training and support for the community.<sup>100</sup>

### 6. Energy

The generation of local decentralised renewable energy is also built into Olympic planning, albeit at the relatively modest level of 20 per cent. Building on this to create a community-owned long-term infrastructure for renewable energy would provide the chance to create local jobs and to tackle local fuel poverty.

An ownership model for wind generation has been pioneered by Baywind, whose community-owned wind farm in Cumbria has six turbines (Case study 8). The concept of community involvement rather than private finance is common in Europe, the largest example being the 40mW offshore wind farm Middlegrund in Denmark that has over 8,000 members-owners. Baywind is now looking for opportunities to organise similar schemes in the UK.<sup>101</sup>

### 7. Retail

Consumer stakeholding in retailing has a long history through the co-operative retail societies and their legacy. More recently, there has been a trend in rural areas for community buy-outs of local shops, often involving post office services or pubs. The Chancellor Alistair Darling acknowledged this in a speech to the House of Commons:

*'There are currently some 150 thriving community owned shops in the UK, many of which already incorporate post offices. And it is clear from the comments received that there is widespread interest in the concept of establishing more.'*<sup>103</sup>

Community Food Enterprise (CFE), recently voted one of the top ten social entrepreneurs by *The Independent*, is another East London example of how a

## Case Study 10: Baywind Energy Co-operative

The Baywind Energy Co-operative was formed in 1996 to offer community ownership of the Harlock Hill wind farm in Cumbria. It was based on renewable energy models successfully pioneered and widely practised throughout Scandinavia. A Swedish company, Vindkompaniet, developed the Harlock Hill site in the mid-1990s and offered ownership to the local community via the newly created Baywind Co-op. Following initial problems with planning, the company abandoned the project but local activities developed the Co-op.

In 1996, it launched the first share offer and raised £1.2 million to buy two wind turbines at Harlock Hill and further £670,000 to buy one wind turbine at the Haverigg II site near Millom. In 2001, Baywind used a loan from the Co-operative Bank to buy the remaining three wind turbines at Harlock Hill from the Swedish owners, and has run the site ever since. Baywind sells the electricity that it generates through an NFFO contract and turnover last year was £475,000.

All profits are distributed to the shareholders after the Co-op has met its operating costs. Since Baywind was set up, the 1,300 members have earned a return of between 5.6 per cent and 6.6 per cent gross. Under the Government's Enterprise Investment Scheme, most members can claim back 20 per cent tax on their initial investment in the Co-op, which increases this return to a competitive 7–8.2 per cent. The Co-op has a minimum shareholding of £300 and a maximum of £20,000 to allow the widest possible ownership and works on the principal of one member one vote. Seven elected shareholders make up the Board.

As well as generating electricity, Baywind also saves it. The Baywind Energy Conservation Trust works to cut energy use. A guaranteed 0.5 per cent of the income from the Harlock Hill wind farm funds the Conservation Trust. The fund has distributed over £10,000 into the local community by providing energy efficiency advice, low-energy light bulbs to homeowners and grants to community organisations. Baywind Administrator Annette Heslop said: 'If the local people are unable to buy shares then the trust fund ensures everybody in the community will benefit.'

Baywind also provides environmental education to local schools and their representatives go to seminars and help other communities and councils with their sustainable energy agendas. Baywind is planning to expand its operations and has recently set up a management arm, Energy4All Ltd, to help local communities invest in renewable energy developments through new co-operatives. Annette Heslop said: 'In establishing new co-ops, preference can be given to local investors, so that the immediate community can share in the economic benefits of their local scheme.'<sup>102</sup>

mutual co-operative can transform an area.<sup>104</sup> CFE grew out of early food co-ops set up by Eric Samuels in Newham who noticed the 'food deserts' of the poorest housing estates in the borough, where people found it hard to find or afford healthy food. CFE provides affordable fruit and vegetables through its outlets and a mobile food store delivers fruit to schools, workplaces and local shops, provides education about food and nutrition, trains and empowers local volunteers and influences local and national food policy.

### *The Athletes' Village*

A Section 106 agreement was made to cover the wider Stratford City development in February 2005, before London was even awarded the 2012 Olympics.<sup>105</sup> This agreement covers the area where the Athletes' Village will be built for the Games. This agreement imposes a number of conditions on the developer relating to social and community facilities on the site.

- A community development trust (CDT) must be set up to take control of a multi-purpose community facility.
- There must be a £1 million endowment whose interest is to be used for the starting the CDT.
- The premises for community use must be 1,500 square metres.
- There will be a peppercorn rental of £25 per annum with no rent review.

This agreement will now be binding on the preferred developer for the Athletes' Village, Lendlease, who will be working in partnership with First Base and East Thames Housing to implement the development. There is a site proposed in the masterplan for the Village for the multipurpose community facility, next to a health centre administered by the local primary care trust. This is opposite the educational

campus which will include both primary and secondary educational facilities.

In the community information booklet setting out the proposal for the Athletes' Village, the plan includes 'locally owned and run community facilities'.<sup>106</sup> In developing this proposal, the consortium is developing a set of principles to underpin the use of the community space and the establishment of the CDT. This is a concrete opportunity to put elements of a community assets strategy into practice, which is why this section of the report recommends other ways in which the development of the Athletes' Village could support the long-term development of an asset base for the communities of Newham and East London.

#### *Community assets and the Athletes' Village*

The proposals included in the Section 106 agreement present a number of problems for the development of a community facility and a community development trust. The first is that the building will have to be designed without a community or a trust to have an input into the design process. The second is that the new community will only take over the site once the Games are over, and the buildings have already been adapted for permanent settlement. So, instead of building a process of development led by an existing and stable community, the reverse is the case – the development of the community facilities will have to part of developing a stable community.

The ownership of the facility stays with the developer under the terms of the Section 106 agreement, so there is a restriction on what the new development trust can do without owning the freehold. This is despite the specific mention of 'community **owned** facilities' in the Community Information Booklet about the Athletes' Village. It is vital, therefore, that the proposed ownership and leasing arrangements must include a long-term goal of freehold ownership by the new development trust.

#### *Shadow board*

Previous experience setting up healthy living centres suggests that those responsible are often new to the business. To avoid that situation, a shadow board should be convened, which includes experienced entrepreneurs in the development of multi-use community assets. That board should guide design and later stages of planning and development of the community development trust. The Development Trust Association or another community network organisation, such as the Big Opportunity Consortium, would be able to mediate the introduction of suitable people.<sup>107</sup>

#### *Permeability*

To make sure the range of community activities are not cut off from the wider neighbourhoods around them, it makes sense to have the facilities controlled by a trust which has other assets spread across the wider area. For example:

- A community-managed shop returning revenue to the trust.
- Community workspace to house enterprises which are active in the neighbourhood (landscaping or decorating businesses, for example).
- Community-owned energy provision for community buildings or part of the housing through an energy supply company.
- Community-owned land available for small-scale local food growing – to replace the Manor Gardens allotments lost to the development.

#### *Holding organisation*

We recognise that the transfer of assets is not something which can happen without significant preparatory work with potential community groups. Releasing access to assets to specific community organisations is therefore something which needs to be done only when the community organisations want them and can manage them. It should not serve the needs or wishes of a public authority when they pass over control of assets.

If community ownership of assets is to be achieved after the Games, there needs to be a *holding organisation* to fulfil a caretaker role in managing them, and then to lead the process of building capacity in the community. Possible candidates from the

third sector which could fulfil this role – those with the capacity and experience of facility management – include local housing associations or registered social landlords.

## Conclusions

What are the common elements of successful community asset development? At their heart, lies a commitment to maintain community ownership of assets 'in perpetuity' – both Westway and CSCB are quite explicit about this – and use the value of these assets to leverage social and community benefit in the long term. This contrasts with the traditional regeneration model, where the object is to bring in 'wealth' to an area as rapidly as possible by selling off assets to the highest bidder and then assuming that this will 'trickle-down' to the benefit of the community.

As we saw in Section 2, this approach has failed to bring benefit to the poorest communities of previous host cities and has failed East London communities over the past 20 years.

Rather than assuming that private sector investment will stimulate enterprise, CSCB and Westway actively try to encourage small-scale enterprise on their retail premises. To do so, they sacrifice potentially higher commercial rental incomes by committing themselves to having smaller light industrial units. In Westway's case, it gives local fashion and clothing designers space in Portobello Market. The cultural impact of these efforts should not be underestimated: both have publicly promoted enterprising activity at the heart of communities which were have been blighted by physical and social deprivation.

In the preceding sections we have:

- Identified the benefits which can come from community management and ownership of assets.
- Identified a range of types of assets where there are examples of community management and ownership.
- Identified certain local organisations whose work covers the use of such assets.

We recommend that these be used as a framework to build an asset-transfer approach into planning for the Olympic legacy. Based on the range of potential types of assets which have been identified, there are likely to be a number of organisations, rather than a single organisation, which could take advantage of this opportunity. We therefore make the following recommendations:

## Recommendations

### Assets

**Recommendation 5: Appoint a new Board position on the Olympic and Lower Lea Valley planning boards for the local voluntary and community sector.** This would give a genuine voice in the Olympic Legacy Planning Master Framework to disadvantaged local residents.

**Recommendation 6: Establish an asset-holding organisation for the Olympic legacy.** The Olympic bodies should establish an asset-holding organisation for the Olympic legacy, which has presence and credibility in the area. It should have the capacity to play a transitional 'caretaking' role to ensure ownership of assets devolves to the local community. This organisation should be guided by a cohort of community-led organisations and develop plans for long-term community ownership.

**Recommendation 7: Establish a community development trust to design and oversee the community facilities in the Athletes' Village.** A shadow board of representatives from the community should be established to oversee the community facility which will form part of the Athletes' Village, and a community development trust created to help co-design, and then run the community facilities.

**Recommendation 8: Establish a community reinvestment fund to ensure ongoing community benefit from privately owned facilities on the site.**

Investment should be made on behalf of the community in any future privately owned facilities – including housing – that are developed from the assets on the Olympics site. This would mean a future revenue stream for the local community from the new developments in its midst.

**Recommendation 9: Build the foundations of future community sustainability by building into the development community-owned retail and work space, and land for growing food.**

Community ownership and management of assets should not be restricted to the community facility in the Athletes' Village, and the Olympic authorities should aim to develop a wide range of community-owned or managed facilities for the Athletes' Village zone of the Stratford City development, to include retail, workspace and land for growing food which would support an ongoing stream of benefits to the community.

**Recommendation 10: Ensure that community facilities are transferred directly to the community development trust.**

The Olympic authorities must negotiate with the developer to ensure that the proposed community development trust becomes the long-term owner of the community facility, so that it can be used as collateral in future community developments.

# Conclusions and recommendations to the Olympic Board

‘The goal of Olympism is to place everywhere sport at the service of the harmonious development of man, with a view to encouraging the establishment of a peaceful society concerned with the preservation of human dignity.’

**International Olympic Committee, Olympic Charter, July 2007, p11**

This report suggests that the London 2012 Olympics and their legacy may be on a trajectory that will fail to meet the goal of Olympism.

Rather than ‘harmonious development and the preservation of human dignity’, we face a scenario of a massive public sector investment, mainly from UK and London taxpayers, resulting chiefly in corporate benefit, gentrification and the potential displacement of the most disadvantaged local residents, as the Government and Olympic bodies scramble to recover the debts created by the Games. Previous Games and major flagship regeneration projects, designed to leverage private sector investment, have all led to this outcome. This suggests that the legacy of the Games will be dependent on the corporate social responsibility programmes of major private sector sponsors and property developers.

This is a serious problem. The idea that the Games will leave behind a substantial legacy of regeneration for the people who live nearby is not just an enlightened addition to the plan which it would be good to achieve if possible. It was central to London’s original Olympic bid. Promises and undertakings were made there, on behalf of the city and the nation, which must be achieved if we are all to keep faith with the assurances made on our behalf to the world. Yet all the evidence suggests that they will not be, because the only measures put in place to achieve them are precisely those which have failed everywhere else.

But this report suggests that it is still not too late to achieve that legacy. Below, we set out a series of specific recommendations to the Olympic board that might help move us from the current scenario to a scenario of genuine public and community benefit where local people are placed at the centre of legacy plans.

## Recommendations

### Procurement

#### Recommendation 1:

**Make community benefit a key criterion for all new contracts:** The Olympic Delivery Authority (ODA), and other Olympic bodies should incorporate community benefit and the regeneration objectives of the local authority as part of existing ‘Balanced Scorecard’ criteria in awarding all contracts. Olympic authorities should make sure that a core purpose of their contracts is the stimulation of SMEs, the voluntary sector or social enterprises, as a step towards their stated inclusion policy.

#### Recommendation 2:

**Make contracts accessible to local SMEs and social enterprises:** The ODA and other Olympic authorities – as well as the main contractors – should break down the size of future contracts so that local SMEs and social enterprises have a realistic opportunity to compete. Where this is not possible, the reason should be made explicit and be scrutinised by the Commission for a Sustainable London 2012. Second-tier contractors should also be asked to demonstrate how they work with SMEs.

### **Recommendation 3:**

**Establish and monitor targets for the proportion of locally based SMEs and social enterprises employed, and the number of local people employed, under all Olympic contracts.** Potential suppliers should be asked to show how their organisation will create positive local economic impact and social and environmental outcomes in the delivery of their contracts.

### **Recommendation 4:**

**Set new private sector standards for incorporating community benefit into procurement contracts.** As a private company not subject to European or UK Value for Money (VfM) requirements, The London Organising Committee of the Olympic Games (LOCOG) should set new standards for the commercial sector in terms of incorporating community benefit into its procurement criteria. LOCOG's procurement policy should incorporate measurable social impact clauses, specified throughout the commissioning process, so that it can measure the ability of bidding organisations to meet these criteria objectively.

### **Assets**

### **Recommendation 5:**

**Appoint a new Board position on the Olympic and Lower Lea Valley planning boards for the local voluntary and community sector.** This would give a genuine voice in the Olympic Legacy Planning Master Framework to disadvantaged local residents.

### **Recommendation 6:**

**Establish an asset-holding organisation for the Olympic legacy.** The Olympic bodies should establish an asset-holding organisation for the Olympic legacy, which has presence and credibility in the area. It should have the capacity to play a transitional 'caretaking' role to ensure ownership of assets devolves to the local community. This organisation should be guided by a cohort of community-led organisations and develop plans for long-term community ownership.

### **Recommendation 7:**

**Establish a community development trust to design and oversee the community facilities in the Athletes' Village.** A shadow board of representatives from the community should be established to oversee the community facility which will form part of the Athletes' Village, and a community development trust created to help co-design, and then run the community facilities.

### **Recommendation 8:**

**Establish a community reinvestment fund to ensure ongoing community benefit from privately owned facilities on the site.** Investment should be made on behalf of the community in any future privately owned facilities – including housing – that are developed from the assets on the Olympics site. This would mean a future revenue stream for the local community from the new developments in its midst.

### **Recommendation 9:**

**Build the foundations of future community sustainability by building into the development community-owned retail and work space, and land for growing food.** Community ownership and management of assets should not be restricted to the community facility in the Athletes' Village, and the Olympic authorities should aim to develop a wide range of community-owned or managed facilities for the Athletes' Village zone of the Stratford City development, to include retail, workspace and land for growing food which would support an ongoing stream of benefits to the community.

### **Recommendation 10:**

**Ensure that community facilities are transferred directly to the community development trust.** The Olympic authorities must negotiate with the developer to ensure that the proposed community development trust<sup>108</sup> becomes the long-term owner of the community facility, so that it can be used as collateral in future community developments.

# Appendix 1: Regeneration and development in East London

East London is currently undergoing a renaissance in regeneration activity. In terms of actual economic impact, the Games are small in comparison with other regeneration activity happening and planned in the Lea Valley area. The London Borough of Newham alone currently has 23 regeneration programmes. Even so, in terms of media and political attention, the Games undoubtedly have the greatest symbolic value. If it succeeds in its regeneration goals, the Games could stand out as a beacon for the other schemes that are taking place in East London. These include:

- **Stratford City:** a £4 billion programme to develop 4,500 homes (30 per cent of which will be affordable housing), 140,000 square metres of retail space (100+ shops) including a cinema complex, arts centre, sports and leisure facilities and 465,000 square metres of office space. It is estimated this will generate 33,000 jobs. The project includes new health facilities together with a new primary and secondary school. Stratford City will house most of the Olympic athletes during the 2012 games. Stratford City was bought forward by three years in order to meet the Games's deadline.
- **Canning Town and Custom House:** a £1.7 billion project to create a mixed income community. The project includes the demolition of 1,700 existing social housing units, building of 8,000 new homes (1,700 of which will be social housing to replace those demolished) and the creation of 500,000 square metres of floor space in a revitalised town centre.
- **Royal Docks** regeneration which includes:
  - Silvertown Quays (£1.5 billion)
  - Royals Business Park (£500 million)
  - Peruvian Wharf (1,500 homes)
  - Barrier Park East (1,000 homes)
  - Royal Albert Basin (2,000 homes)
  - Minoco Wharf (4,000 homes).
- **Thames Gateway:** Thames Gateway is East London, Essex and Kent along the River Thames. Previously called the East Thames Corridor, it extends from Stratford and Greenwich in London to Tilbury in Essex and Sittingbourne and Sheerness in Kent. The development of Thames Gateway over the next decade will provide for a mix of industry, housing, open spaces and local facilities. There will be a minimum of 142,000 additional homes and 255,000 additional jobs by 2016.
- **Crossrail:** This will provide a major new railway for London and the south east from 2017. The route goes from Maidenhead and Heathrow in the west right across the capital into Essex and Kent in the east. It travels underground through the city centre between Paddington and east London. Estimated benefits of Crossrail to the UK economy are approximately £30 billion (Transport for London figures, May 2006), though the costs to build it are currently forecast at £16 billion. A bill is going through Parliament now in order to obtain the authority to build Crossrail.
- **Channel Tunnel Rail Link:** By 2009 a six-mile tunnel from Stratford to St Pancras will further integrate Stratford into the rest of London further boosting the economic regeneration of the East End.

# Appendix 2: Legal considerations about sustainable procurement

ODA must abide by European laws around competition for most of its contracts, because most are above the relevant EU threshold. But there are many examples of how the specification of contracts can create community benefit, without specific commitments to using local labour, which is illegal under European procurement law.

The most important point is that sustainability considerations should be incorporated into the procurement process as *part of the core purpose of the contract*, rather than secondary. For example, in a contract for the construction of a sports hall, a condition requiring that a percentage of long-term unemployed people be engaged by the contractor to construct the sports hall will not achieve VfM in the community centre. The number of unemployed people used on the project has no effect on the quality of the community centre and may in fact increase the cost of construction should those people require training. Yet if the core purpose of the contract is both the construction of a sports hall *and the regeneration and sustainability of the community*, the training of long-term unemployed people would provide VfM as an effective way of meeting the customer's requirements.<sup>109</sup>

ODA should be building into every contract specification words that specify an objective of 'the regeneration and sustainability of the community', if that is truly one of the aims of the Olympic project. Accompanying this should be simple and measurable outcomes, such as 'numbers of new entrants to training and employment.'

Making available to all bidders for contracts the supply-side infrastructure that has been established, without actually infringing limitations against specifying local labour, should stimulate local employment. Harnessing public purchasing power can create jobs and training for those who need it most, according to a report published by the Scottish Government that has endorsed the use of targeted training and recruitment requirements. The *Community Benefits in Procurement* report shows that using social inclusion clauses in contracts in five pilot areas delivered new training, apprenticeships and permanent jobs.<sup>110</sup>

In legal terms, there are two essential steps for all public bodies if they are going to tackle social disadvantage. These are, first, adopting appropriate policies and, secondly, writing requirements that are capable of being verified.<sup>111</sup> The policy goal of regeneration and community benefit is already enshrined in a number of key Olympic documents, including – as we have seen – the Canditure File and the recently published Sustainability Plan. Now they must specify requirements that are capable of being verified and monitored. Verifiable requirements include:

- Access to services for excluded groups.
- Opportunities for community participation.
- Voluntary engagement of users in the development of services for themselves.
- Provision of training and employment opportunities.
- Involving users in the ways in which service delivery can be improved (of which tenant consultation is one example).

In the pre-qualification questionnaire (PQQ), they need to ask more questions to find out how suitable a potential bidder is from a sustainability perspective. For example:

Please give examples of your involvement in each of the following:

- Generating employment and training opportunities for long-term unemployed people.
- Providing training opportunities for young people.
- Promoting supply-chain opportunities to new and small enterprises.
- Developing trade skills in your existing workforce.
- Equal opportunities recruitment procedures.

What was your exact involvement in each of the above activities? Which of the examples you have cited have been more successful, and which have been less successful, and why?<sup>112</sup>

The Scottish Government report sets out template contract specifications, method statements and contract conditions which could be adapted for the Olympic Games. It is a myth that such requirements always cost more when additional funding resources can be identified with links into current expenditure on investment in to supply-side capacity.

# Appendix 3: Acknowledgements

Thanks to the following organisation and individuals who were consulted as part of research leading to the report:

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Elvige Pouli	Choice 136 - Community Links
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Simon Stan	
Abubaker Kiggundu	
Sara Watson	

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