EDUCATION, CULTURE AND SPORT COMMITTEE

AGENDA

6th Meeting, 2001 (Session 1)

Tuesday 13 February 2001

The Committee will meet at 1.00 pm in Committee Room 1

1. **National Stadium Inquiry:** The Committee will take evidence from—

   Mr Austin Reilly
   Queens Park FC
   Mr Jim Hastie (Development Committee Member)
   Mr Jim Nicholson (President)
   Mr Ken Harkness (Auditor)

   The Scottish Executive
   The Minister for the Environment, Sport and Culture, Mr Sam Galbraith
   Mr John Gilmour (Head of Sport Policy Unit)
   Mr Patrick Andrews (Shepherd and Wedderburn)

2. **Culture and Recreation Bill:** The Committee will hear evidence from the Deputy Minister for Sport and Culture, Mr Allan Wilson MSP, on the Scottish Executive memorandum on the Culture and Recreation Bill.

3. **National Stadium Inquiry:** The Committee will hold a preliminary discussion of evidence heard.

4. **Children’s Commissioner Inquiry:** The Committee will consider the need for an adviser for this inquiry.

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Martin Verity  
Clerk to the Committee  
Room 2.7 Committee Chambers  
Ext. 85204  
Email: martin.verity@scottish.parliament.uk
The following papers are attached for this meeting—

Evidence from the Mr Austin Reilly
(Agenda item 1) ED/01/6/1

Initial Evidence from Queens Park FC
(Agenda item 1) ED/01/6/2

Supplementary Evidence from Queens Park FC
(Agenda item 1) ED/01/6/3

Evidence from the Scottish Executive
(Agenda item 1) ED/01/6/4

Memorandum from the Scottish Executive on Culture and Recreation Bill
(Agenda item 2) ED/01/6/5

Clerk’s note on Children’s Commissioner ED/01/6/6
WRITTEN SUBMISSION
TO
EDUCATION CULTURE AND SPORT COMMITTEE
OF
THE SCOTTISH PARLIAMENT
REGARDING
INQUIRY INTO HAMPDEN NATIONAL STADIUM

AUSTIN REILLY

JANUARY 2001
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Definitions

Client: QPFC/TNS
NSC: The Millennium Commission
Project: The National Stadium Committee
QPFC: The re-building of the South Stand and improvements to the West Stand to include facilities and services as required by MC in the Project Purpose. Accordingly, the Project does not include new or up-grading works to other parts of the Stadium.
RBoS: The Queen's Park Football Club, Limited
SFA: The Royal Bank of Scotland plc
SFAMT: The Scottish Football Association
SFL: The Scottish Football Association Museum Trust
TNS: The Scottish Football League
The National Stadium plc
PREFACE

The following paper has been prepared in response to the letter dated 5th April 2000 from the Education, Culture and Sport Committee of The Scottish Parliament.

As requested, it provides information relevant to the remit which the Committee will address in its Inquiry into certain aspects of the re-development project at Hampden Park.

The letter dated 5th April 2000 addressed to Mr Austin Reilly was received following his resignations on 31st March 2000 as Managing Director of The National Stadium plc and from the General Committee of its parent, The Queen's Park Football Club Limited. Accordingly, in preparing this submission, Mr Reilly has not had direct access to the companies' files although the information presented is believed to be factually correct.

Please note that this submission is not that of TNS nor QPFC as Mr Reilly no longer has authority to speak on their behalf. Mr Reilly, however, recognises that the Committee would welcome a submission from him bearing in mind his detailed involvement throughout the Project.
EXECUTIVE SUMMARY

This note highlights the key issues which impacted upon the Project, “Hampden: Scotland’s Field of Dreams”, at the completion of its construction phase in May 1999. In particular, it addresses the funding gap and the reasons for, and the means of, transferring the Stadium’s governance from QPFC to the SFA.

1. **Pre-start Funding**

   (i) With the agreement of the principal co-funders, Lead Consultant, Management Contractor and Design Team, the Project was started with insufficient funds (£29 million) to meet its projected costs (£51 million).

   (ii) An eight month delay in starting construction work whilst the terms of the Grant Agreement were resolved with the Millennium Commission added £1 million to the Project’s costs through inflation and the Landfill Tax. The Project was never compensated for this added financial burden.

2. **Co-funders’ Finance**

   (i) The original application to the Millennium Commission included £4 million of matching income to be achieved through a grant to The Scottish Football Association Museum Trust from the European Regional Development Fund. Only £2.1 million was awarded leaving a shortfall of almost £2 million which the Project was left to bear.

   (ii) In November 1998, the National Stadium plc had to commit £0.5 million of its funds to prepare the Museum area for fit-out or risk losing the £2.1 million award. The company felt this was a burden which should have been borne by The Scottish Football Association Museum Trust.

   (iii) The Millennium Commission believed its representatives had, at a meeting in November 1995, received an assurance of a further £0.5 million grant for the Project from The Scottish Football Association. When pressed about this later, The Scottish Football Association denied a formal commitment in those
terms had been made. Neither the money, nor sponsorship in lieu of the money, was received by the Project.

3. **Human Resources**

The Project never had available to it an adequate budget for management/staff resources. Wherever possible, The National Stadium plc undertook to recruit experienced, professional staff but this was restricted by financial constraints to a managing director, three senior managers (for finance, commercial and operational matters), and a technical manager for Project documentation. There were no junior assistants to provide administrative support.

The National Stadium plc board had this matter under review with the company’s financial advisers, KPMG. It was to be remedied as the Stadium moved into operational mode generating income in line with its Business Plan projections.

4. **Funding Gap: Size**

The increase in the funding gap during the period 1st January 1999 – 31 May 1999 is explained by:

(i) cost escalation as the Management Contractor failed to deliver the Stadium, completed, by 31st March, mid-April or 5th May (all 1999). The Safety Certificate was granted, subject to the completion of outstanding works, on 20th May 1999. The costs derived from acceleration and premium payments, were estimated by the cost consultants at around £1.5 million including professional fees.

(ii) The scope of “the Project” (strictly defined as works to the South and West Stands) came to include other essential up-grading and safety works elsewhere in the Stadium. These “non-Project” construction costs were:

- renewing/re-positioning playing surface;
- up-grading of perimeter track; and
- essential safety works to North and East Stands;

totalling approximately £1.6 million including professional fees.
5. **Funding Gap: Reasons**

The financial problems faced by The National Stadium plc were principally the result of:

- a pre-start cost burden (Landfill Tax and inflation) of £1.0 million;
- escalation/acceleration costs to achieve completion of South and West stands of around £1.5 million;
- the inclusion of non-Project works favoured by sponsors, required for safety, or deemed desirable for future commercial income and UEFA 5-Star status at £1.6 million; and
- under-funding issues of around £3 million.

Together, these account for around £7 million.

Even with these “penalties” which the Project had to bear, independent cost consultants agreed that the Project’s funding gap had been contained at £6.2 million.

6. **Resolution Process**

Despite two potential solutions drawn together by The National Stadium plc (in November 1999 through The Royal Bank of Scotland and in February 2000 through Glasgow City Council) a resolution to the funding gap issue was not concluded by the co-funders’ advisers until the end of March 2000, some nine months after the Millennium Commission called the first meeting of co-funders to address the issue.

This raises a number of matters which require clarification:

- Throughout the rescue exercise were all the co-funders jointly involved in decision-taking or did any one, perhaps The Scottish Executive, take the lead thereby marginalising others? If so, at what point did The Scottish Executive assume control and how did this influence the terms of the rescue effort?
- When did The Scottish Football Association’s governance of the Stadium become a non-negotiable condition of co-funders’ support? Which of the co-funders was responsible for this? How could it be justified?
- Why were the executive and non-executive Directors of The National Stadium plc and their professional advisers marginalised from critical meetings to determine the size of the funding gap and thereafter the terms of a resolution.
To what extent did this policy delay the verification process, add to the costs of finding a solution and lead to confused messages reaching the press/media?

- Why was the rescue package put forward by The Royal Bank of Scotland plc with the support of the Management Contractor rejected by the co-funders? Were all of the co-funders advised of the proposal? Did The Scottish Executive play a key role in contacting the bank at Ministerial level to ask it not to proceed? If so, why?

- Did the Scottish Football Association at any time, or in any way, imply or threaten that it would seek to breach or withdraw from the terms of its lease agreement (fixed at £1.1 million annually) with The National Stadium plc. if a rescue package was agreed with the bank denying it (the SFA) stewardship of the Stadium?

- Why was the rescue effort being drawn together by Glasgow City Council in February 2000 undermined and finally rejected? Was it related, in any way, to the SFA’s position regarding stewardship?

- Was the Minister fully, properly and timeously briefed on all relevant matters by his officials? What circumstances led the Managers ad interim, Arthur Andersen, to deem it necessary to write directly and in considerable detail to the Minister on 24th February, 2000 regarding what they described as “misconceptions”.

Since these issues determined the nature, scale and duration of the resolution process, they require to be fully examined and clarified.

7. **The SFA in Governance at The National Stadium**

It is a matter of record that on completion of the construction phase, the Board of The National Stadium plc intended to instal a management team and structure able to promote Hampden as an international venue for sport, leisure, business, social and community events – all as in the Project Purpose agreed with the Millennium Commission and other co-funders.

The apparent single-minded dedication by one or a number of the co-funders to pass stewardship to the SFA was difficult to comprehend and has led to the following issues being highlighted:

- Did the SFA seek to secure their stewardship of the Stadium in order to withdraw from the terms of the lease agreement to which they were already contracted?
• What experience in venue management could SFA offer the co-funders?
• Are the SFA bound under the terms of their stewardship to re-invest profits generated by the Stadium in further up-grading works?
• Hampden currently holds UEFA 5-Star status. Are the SFA committed to retaining that status as UEFA’s guidelines are enhanced?
• Will the SFA honour all the conditions imposed by public sector grant funding bodies on the original recipient, The Queen’s Park Football Club Limited? For example, can the SFA distribute to its members profits generated from hosting football and non-football events at the National Stadium? If so, why? Is this a breach of the terms of public sector grant funding?
• Will the SFA make the Stadium readily available for non-football events?
• Will the SFA develop the “campus” theme and work with Glasgow City Council to utilise adjacent sites for youth development facilities?

The issues are worthy of exploration and clarification.

**Conclusion**

This paper sets out the key issues which gave rise to the funding gap and to the resolution which has seen the SFA assume governance of the Stadium. It was not a single issue of financial controls which caused the problems but rather a mix of issues, principally under-funding and cost escalation. The resolution leaves a number of matters, listed above, unanswered.
1. **BACKGROUND**

1.1 The National Stadium, Hampden Park, is situated on a 33.3 acre site in Mount Florida on the south side of Glasgow. The site also includes a smaller stadium, Lesser Hampden which is used for coaching, training and minor games.

1.2 The site was purchased by its current owners, The Queen’s Park Football Club Limited (QPFC), around 1900 and the Stadium erected shortly thereafter. QPFC had been founded in 1867 and remains the oldest football club in the world still playing at “senior” level within its own national association.

1.3 QPFC is registered in Scotland as a company limited by guarantee. Its shares are held by Club Members, none of whom can benefit from an increase in QPFC’s asset value nor from any dividend or profits’ distribution. Because of this, QPFC has at various times been a recipient of grant aid from central and local government to enhance the Stadium and/or improve its facilities for spectators and participants. QPFC still retains its amateur status and Corinthian principles. Its management is conducted through a General Committee elected annually from within the Club’s membership.

1.4 At the time of its formal opening in 1903, Hampden was the largest and most technically advanced stadium in the world. It quickly became synonymous with football at the highest level and provided a platform for Scotland and the Scottish game internationally. It could, and often did, host crowds of almost 150,000 in the days when standing accommodation was the norm.

1.5 As with most stadia, up-grading works to reflect spectators’ expectations went largely unmet. QPFC did, however, draw together a re-development package with the Scottish Office in the late 1970’s which, regrettably, was aborted within hours of the works commencing. The Government of the time accepted the responsibility of meeting contractors’ claims of around £2.3 million.

1.6 Thereafter, largely in response to a mood of public support, QPFC embarked upon a programme of up-grading works investing around £1 million annually in maintenance and ground improvements. It was, however, the impact of disasters at the Heysel Stadium (Brussels), Sheffield and Bradford which led to Government and the World and European football authorities (FIFA and UEFA) demanding not just short-term but substantial permanent improvements to standards affecting spectator safety.

1.7 Simultaneously, the financing of stadia was moving into a new economic order with corporate hospitality a major constituent as well as the need for stadia to be equipped to host, and generate income from, other forms of sport, leisure and business. QPFC and the Scottish football authorities were mindful of these changes.

1.8 It was with this backdrop and in this environment that Mr Reilly was, in 1982, invited by Members to join the QPFC General Committee, replacing a colleague who wished to resign for personal and business reasons. Ensuing steps in the process of re-developing the Stadium are explained in the next Section of this paper dealing, specifically, with Mr Reilly’s role.
2. **AUSTIN REILLY’S ROLE**

2.1 Mr Reilly’s association with QPFC spans a period as player, Club Member, and more recently, as a serving Member of the Club’s elected General Committee from his co-option in 1982 to 31st March 2000. By 1982, earlier under-investment was undermining Hampden’s status as the National Stadium with the threat of its Safety Certificate being withdrawn by Glasgow City Council and with the emergence of other venues which were, even then, being upgraded.

2.2 During Mr Reilly’s Presidency of QPFC (1988-91), the National Stadium Committee (NSC) was formed largely through the influence of The Scottish Football Association (SFA) and its then Chief Executive, Mr James Farry. NSC members comprised the office bearers of SFA and The Scottish Football League (SFL) with two representatives (one being Mr Reilly) from QPFC.

2.3 With the agreement of NSC members, Mr Reilly was appointed Chairman and Mr Farry, Secretary. The Committee’s remit was to explore any and all opportunities for drawing together a financial package to upgrade Hampden to ensure its continuing role as Scotland’s National Stadium.

2.4 The NSC had no formal powers and its members could act only with the authority and approval of their respective organisations. Nonetheless, its formation was a clear signal of intent that every effort would be made to retain Hampden as the National Stadium; moreover, it provided the vehicle for Mr Reilly and Mr Farry, working together, to explore fully a number of funding options.

2.5 A package of £12 million was drawn together in 1993 comprising £5 million from The Football Trust and £3.5 million from each of The Scottish Office and SFA. This was the result of lengthy dialogue with, and a series of presentations to, the principal funding bodies.

2.6 At this point, the NSC determined that the up-grading works would require to be phased, with Phase I (the £12 million package) addressing works in the East and North terraces (to become the East and North Stands). A Lead Consultant and Main Contractor were recruited and appointed, their performance and progress being monitored and managed for QPFC, as Client, by Mr Reilly.

2.7 It was during this exercise in 1993 that Mr Reilly reported to the QPFC General Committee that he could not continue to dedicate sufficient time from his own business interests to orchestrate and implement the re-development programme at Hampden. For some six months, he had committed two days each week to Hampden’s affairs without any charge being made to QPFC and this commitment, clearly, would need to increase in tandem with the scale of the Project. Accordingly, Mr Reilly suggested to the QPFC General Committee that an external resource be recruited to take the Project forward.

2.8 The QPFC General Committee considered the profile required of a suitable candidate and agreed that the key elements were:-

- an appreciation of, and determination to protect, QPFC’s position as owner and operator of the National Stadium;
• the ability to work with, and to enjoy the trust of, the football authorities represented in the NSC;

• experience of working at senior level within the public sector and an understanding of its grant funding authority;

• experience of working at senior level with private sector companies from whom sponsorship income would be sought; and

• an understanding of how the re-development Project was unfolding and the ability to continue the process without interruption.

Direct experience within the construction industry was not seen to be a priority although note was taken of the successful management, on time and to budget, of the Phase I works. In addition, consultants experienced in this field would be recruited.

2.9 The QPFC General Committee took account of these factors and determined that Mr Reilly be asked to assume responsibility for the Project, as he fulfilled all these criteria.

2.10 For clarification, Mr Reilly graduated from Glasgow University with an honours degree in Economics, spent ten years in financial and marketing roles in private industry in London and in Scotland and, thereafter, nine years with the Scottish Development Agency as Head of Technology Transfer and International Business Services. In 1990, Mr Reilly launched his own international business consultancy undertaking assignments for private companies, the UK public sector and the European Commission. He was also an adviser to the Organisation for Economic Co-operation and Development (OECD).

2.11 The nature of Mr Reilly’s business experience was well known to QPFC and to NSC members. Following discussions, a contract was agreed by QPFC and Mr Reilly’s company, committing Mr Reilly, as Stadium Director, to the Hampden Project. Two such contracts with QPFC were fulfilled. The last of these ended on 31st December 1998. A copy of the second contract was passed to The Scottish Office, Education and Industry Department, on 23rd July 1998.

2.12 Funding for the Project will be dealt with later in this paper. However, it should be noted that it was a condition of grant funding from The Millennium Commission (MC) that, whilst QPFC could retain ownership of the Stadium and formally be the Recipient of grant aid, management of the Project “Hampden: Scotland’s Field of Dreams” should be delivered through a wholly-owned subsidiary of QPFC, The National Stadium plc (TNS). In that way, one of MC’s standard conditions, that a Recipient’s assets be transferred to an independent Trust, could be waived.

2.13 MC required that TNS would, for a period of forty years, be responsible firstly for organising and managing the construction works from a Client’s perspective and, thereafter, for the Stadium’s on-going management. QPFC was required to transfer these responsibilities to TNS through Management and Licence Agreements. Any breach of the conditions by QPFC would trigger an event of default, allowing MC to claw back its £23 million grant award. Other grant funding bodies imposed similar requirements in relation to the Project’s management.
2.14 With MC approval, the TNS Board of Directors was appointed, with representatives drawn from industry, commerce, football, local government and QPFC. These were:-

- Ms Audrey Baxter, Managing Director of Baxters of Speyside;
- Mr Lex Gold, Director of Scottish Chambers of Commerce (replaced by Mr William Samuels, consultant on property projects to The Royal Bank of Scotland plc);
- Mr Ernie Walker, Chairman of UEFA’s Stadia Committee;
- Mr James Clydesdale, former member of the Scottish football authorities’ management committees;
- Mr Gordon Macdiarmid, Glasgow City Councillor;
- Mr Bert Cromar, former joint-general manager of Bank of Scotland plc; and
- Mr Austin Reilly.

This Board was considered well suited by its experience and expertise to deliver the Project on behalf of the co-funders and QPFC. The Board agreed that Mr Reilly fulfil the dual role of Chairman and Managing Director although this would be kept under review as the Project progressed.

2.15 At the conclusion of Mr Reilly’s second contract with QPFC (31st December 1998), the TNS Board invited Mr Reilly to accept a full time, permanent, post as Managing Director. Mr Reilly responded that, in his view, TNS’s best interests would be served by a further fixed term contract since the company should retain the option of selecting a Managing Director other than himself once the Project had been delivered and the business plans “bedded-in”.

2.16 Accordingly, the TNS Board opted to offer Mr Reilly, through his company, a three year contract with a twelve month termination clause open to each party. This was agreed. As before, the contract required Mr Reilly’s company to provide a full time secretary/personal assistant for his office.

2.17 By continuing in this way, Mr Reilly acted under contract to TNS as its Managing Director from 1st January 1999 managing the company’s affairs as the Project moved through its construction phase towards completion and into its operational mode.

2.18 From the outset, public sector grant funding only covered capital costs and related consultancy fees. As such, there was a limited budget within the Project to recruit a seasoned, experienced and fully resourced management team. Accordingly, Mr Reilly opted for the progressive recruitment of key personnel supported by “blue chip” external advisers addressing key areas. This strategy brought together:

**Construction**

- Lead Consultant - Thorburn Colquhoun
- Management Contractor - Sir Robert McAlpine
- Architect - Percy Johnston Marshall
- Cost Consultants - Gardiner & Theobold
- M & E Consultants - Hulley & Kirkwood
- Planning Supervisor - Babtie Group
Professional Services

- Financial/Governance - KPMG
- Legal/Contractual - Dundas & Wilson CS
- Banking - The Royal Bank of Scotland plc
- Property - Knight Frank

In addition, there was the added comfort that, on a monthly basis, the Project's costs were monitored for TNS by Gardiner & Theobold, for MC by its own cost consultants, Davis Langdon Everest and, at times, by Currie & Brown, cost consultants to Glasgow Development Agency.

2.19 As with most projects of a similar scale and nature, the last six months of the construction phase (November 1998 to May 1999) became fraught with pressures. The Management Contractor, quite unexpectedly, reported to the Client and Lead Consultant that the construction programme was, at the end of November (1998), seven weeks in delay. Again, within the same six month period, it became clear that certain elements of the funding package would not be fulfilled. In particular, these related to support from The Scottish Football Association Museum Trust (SFAMT) and from SFA.

2.20 In his role as Managing Director, Mr Reilly took every effort to minimise the impact of these issues against the backdrop of an opening date of 29th May 1999 which could not be missed were the Project to survive. Had, in fact, the date of 29th May 1999 been missed, the Scottish Cup Final would have been directed to another venue or cancelled altogether and Debenture holders could have demanded a refund of their investment. These factors and the perceived support of, in particular, MC, led to the view that the Project had to be completed and that the funding gap, howsoever created, would be manageable and would be resolved. Detail of these issues is provided in the later Sections of this paper.

2.21 When the funding gap issue and efforts to resolve it broke as a news story in July 1999, public attention focused on the role of the TNS Managing Director. A sustained and vitriolic press campaign, often with references to "sources close to the co-funders", led Mr Reilly to review his position and whether or not a crisis of confidence had arisen which could best be addressed by his resignation.

2.22 In turn, Mr Reilly discussed the issue with his TNS colleagues, and with representatives of The Royal Bank of Scotland (RBoS), MC and The Scottish Executive. Each responded that the best interests of the Project would be served by Mr Reilly remaining in office whilst a resolution to the funding gap issue was identified and implemented. The solution would most likely involve a change in governance but that, in any case, was, to an extent, consistent with Mr Reilly's own proposal put to the TNS Board some months earlier.

2.23 At the height of the press interest, Mr Reilly was advised in a telephone call from Mr John Gilmour of The Scottish Executive that any press comments from him may well be seen as unhelpful by the Minister, Mr. Sam Galbraith, at a time when all parties were seeking a resolution. Accordingly, Mr Reilly adopted a policy of "no comment" which, with hindsight, served only further to undermine his own position and the status and performance of TNS. Mr Reilly was so concerned about this that he wrote to Mr Gilmour on 17th November 1999 asking that the matter, and certain relevant facts, be drawn to the Minister's attention.
2.24 The press/media were clearly acting upon the assumption that a "funding gap" meant "over-spending". What did not emerge into the public debate was the extent to which "under-funding" contributed to the gap in a Project which, known to the principal parties, had been launched with only part funding in place and how, as the Project neared completion, cost escalation, related to the timeous completion of construction works, exacerbated matters.

2.25 Mr Reilly's role has transcended the Project, from its concept to its delivery. Any assertion that he "carved out" a role for himself for personal gain is incorrect. With his respect for the Club's traditions in promoting the game at international, national and domestic levels, he was anxious that, if possible, its future endeavours should continue to be linked to its ownership of The National Stadium. His term on the QPFC General Committee and, in particular, his Presidency were marked by progress to that end. Having driven the early elements of the Project he found there was an expectation from QPFC, NSC and the early co-funders that he continue to provide the Project's leadership. The more progress was made, the less appropriate it became to exit prior to the Project's delivery and preparation of the business plans.

2.26 The principal factors regarding the redevelopment Project and the issues which had to be resolved are explored and explained in the following Section.
3. **THE PROJECT’S FINANCIAL ARRANGEMENTS**

3.1 As explained in Section 2 of this report, Hampden’s re-development was not undertaken as a discrete exercise where the funding was secured, the works agreed in advance and the process of delivery set in motion.

3.2 There had been a decision by the Scottish football authorities and by Hampden’s owners, QPFC, to up-grade the Stadium providing that a funding package could be drawn together. This meant that from around 1990, whilst the concept of an up-graded Hampden was agreed, the nature and scale of the works could not be defined.

3.3 The early approaches to prospective funders attracted a package described in paragraphs 2.5 and 2.6 of this report. It was agreed to proceed with a Phase I redevelopment which was completed on time and to budget and celebrated with the international match Scotland v. The Netherlands in February 1994.

3.4 Immediately thereafter, the process of applying for further grant funding was launched. As with Phase I, there was no indication about the timing or level of support which the presentations and appeals would generate. Accordingly, at that time, the extent and sophistication of the remaining up-grading works, which would focus on the South and West Stands, could not be determined.

3.5 At one point, the target for Phase II works was £15 million, enough to up-grade the South Stand and its players’ and hospitality facilities. That would have secured an independent National Stadium but certainly not one which could achieve 5-Star status with UEFA nor the pretence of a truly international venue attracting a range of sporting, leisure and business events.

3.6 The aspirations for substantial improvement works were enhanced with the launch of MC’s appeal for suitable projects to support. An initial approach to MC was made by Mr Jack McGinn, at the time a member of NSC and currently SFA President.

3.7 Informal talks followed, leading to a presentation at Hampden by Mr Reilly and Mr Farry to Lord Dalkeith, MC’s senior officer in Scotland. The story of Hampden’s illustrious past, the Corinthian ideals of QPFC and a determination to prepare and deliver a Project Purpose whose components would match new generations’ aspirations in sport, leisure, education and business impressed Lord Dalkeith and the process of application to MC was set in motion.

3.8 Simultaneously, discussions continued with other parties and within NSC on ways to generate income from the private sector. It was Mr McGinn who highlighted a Debenture Issue as a means of offering guaranteed attendance to the public whilst generating income for the Project’s capital costs. These and other ideas regarding sponsorship, Private Members’ Clubs and an inaugural game were debated. Others were to follow as the Project unfolded.

3.9 With the expectation that a MC grant could be achieved, the NSC directed attention towards an appropriate Project Purpose. From his experience of international football stadia and his knowledge of future requirements favoured by FIFA and UEFA, Mr Farry prepared for NSC colleagues a check-list of some forty items which the Phase II works should include.
3.10 In particular, the list included:-

- a venue with over 50,000 seats where the safety and comfort of all those attending would reflect the highest standards as defined in the guidelines published by local, national and international organisations;
- accommodation throughout the Stadium for disabled guests and supporters;
- spacious, well-appointed players' facilities with medical rooms and warm-up areas for male and female participants;
- an underpass to facilitate access for principal guests, officials and players ensuring safety and security;
- state of the art telecommunication facilities for press/media;
- first class hospitality rooms to reflect corporate needs on event days with flexibility to accommodate a mix of needs for business, conference, leisure and social events at other times;
- a Sports Injuries Clinic for research, diagnosis and treatment of sports injuries linked to Scottish universities and teaching hospitals;
- a Museum/Visitor Attraction with interactive displays, archive facilities and study rooms; and
- a Lecture Theatre for media presentations and as a resource for business and other conferences.

These facilities needed definition, refinement and prioritisation but set the agenda for the proposed Project Purpose.

3.11 Simultaneously, the various contract options for constructing the Project were explored at length by, in particular, Mr Reilly and Mr Farry. The determining factors were:-

- a Client who wished to retain an ongoing dialogue with the Design Team as the Project unfolded enabling changes to specification, for whatever reason, to be accommodated;
- a Project where a portion of the public sector funding was not yet confirmed (for example, European Regional Development Fund) and where private sector funding could not initially be assured (for example, through sponsorship and the Debenture Scheme); and
- a Client whose restricted in-house resources rendered it better to link to works contractors through a single external contact.

For these reasons, a Management Contract was adopted. Given the criteria, it was seen to be the most appropriate way to drive the Project. Even with hindsight, that has not been in dispute.
3.12 Despite the Project not yet being confirmed and cost consultants not appointed, estimates of construction costs including Design Team fees were prepared by Thorburn Colquhoun who were seeking an appointment as Lead Consultant. The Cost Consultants, once appointed, reviewed these projections and together with TNS, the Lead Consultant and Design Team, agreed a figure of £51 million (including professional fees). To facilitate the verification process and the allocation of grant funding to discrete elements of the Project, Phase II was split as follows:

<table>
<thead>
<tr>
<th>Unit</th>
<th>Cost (£m)</th>
<th>Principal Funder</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Stand</td>
<td>46.0</td>
<td>The Millennium Commission</td>
</tr>
<tr>
<td>West Stand</td>
<td>5.0</td>
<td>Sportscotland</td>
</tr>
<tr>
<td>Total (incl. Prof. fees)</td>
<td>£51.0</td>
<td></td>
</tr>
</tbody>
</table>

3.13 Schedules of the proposed funding package were included with the submissions to MC as the final bid was prepared in 1996. These showed 50% of South Stand costs being drawn from MC and how the remainder could be raised from other private and public sector sources. Similarly, but in a smaller scale, the West Stand improvements were to be funded principally by The Scottish Sports Council (now Sportscotland) with a grant of £3.75 million with £1.25 million from private sector sponsorship.

3.14 It became apparent, however, that the process of drawing together all elements of the funding package could not be achieved within a timescale which the co-funders, QPFC and Design Team/Management Contractor were anxious to meet. Cost estimates, based upon low inflation projections, were in danger of being overtaken by rising costs as activity in the UK construction industry increased.

3.15 To expedite matters, it was agreed with the co-funders, Design Team and Management Contractor that the Project should commence but be restricted, meantime, to an expenditure ceiling of assured funding, £29.15 million. The clear intention was to attract further grant aid and sponsorship whilst work up to the £29.15 million ceiling was being undertaken. Letters were sent to the principal parties and the Design Team/Management Contractor advised at a meeting in Thorburn Colquhoun's offices in February 1997. QPFC agreed to proceed on this basis at a specially convened Board Meeting on 13th February 1997. Attention was drawn to the funding gap issue seen to be arising from SFAMT’s award of £2.1 million (rather than £4.0 million) and the need for SFAMT to direct a further bid to Heritage Lottery Fund. Also, there was no early commitment in the package to sponsorship deals although TNS did, in fact, ultimately bring in some £6 million to assist the re-development works. Finally, in the letter to MC (24 January 1997), reference is made in paragraph 4 to the Commission being supportive if the Debenture Offer was unsuccessful in raising the appropriate level of funds.

3.16 The reality was that the Project was being launched by QPFC as Recipient of grant aid, with insufficient funding to effect its completion. That fact was known to the principle co-funders, Design Team members, Management Contractor and Client alike. The Project started from a position of under-funding and one that it would continually have to address and resolve.
3.17 The Design Team members and Management Contractor were appointed following exposure in the European Journal and a competitive tendering process resulting in interviews with the final candidates. Mr Bill Dickie, at that time President of SFA and member of NSC, contributed to this process.

3.18 Contracts with each party were drawn together using industry-approved documentation amended as necessary. These negotiations were undertaken on behalf of QPFC and TNS by Dundas & Wilson.

3.19 To assist with contractual matters and to prepare Project and contract documentation, Mr Jack Hugh, formerly a Deputy Director with Glasgow City Council, an architect by profession and lecturer in contract law, was recruited by TNS as an in-house resource. In that way, the relationships with the Design Team and Management Contractor were considered to be properly and professionally prepared, documented and capable of appropriate scrutiny.

3.20 Even at this stage, there were recognised to be a number of items which could potentially put the Project’s financing under strain. These were:-

- delay in resolving MC Grant Agreement.

The offer of grant was made by MC to QPFC in August 1996. At that point, the Project Purpose was frozen. The formal Grant Agreement from MC, however, was so complex and, to the Recipient, inappropriate in certain clauses, that it took eight months and substantial external costs to have it agreed. Disregarding the external costs, the cost consultants reporting to TNS and to the MC agreed that this delay added approximately £1 million to the Project’s costs by way of inflation and the Landfill Tax which was introduced during that period. These were highlighted as “Authorised Additional Items” by the Cost Consultants in their Monthly Reports to QPFC/TNS and to MC. Despite regular promptings and appeals dating from October 1997, MC failed to acknowledge the impact on the Project nor to contribute to a reimbursement in total or in part. Paragraph 2.4.03 of the TNS Interim Report to MC dated October 1997, reads:

"As noted in the monthly Cost Report to MC, the projected overspend is largely due to inflation and the introduction of Landfill Tax. The cost consultants estimate this at £982,500. The Recipient is concerned at having to sustain this burden on the Project which was outwith its control and due entirely to the protracted legal negotiations prior to completion of the Grant Agreement. Under the circumstances, it would seem fair and reasonable for MC, rather than the Project, to fund these costs."

- allowance for inflation.

Whilst the Project was defined as “fast track”, the allowance for inflation was only 1.9% to cover an increase in construction costs spanning almost three years. The co-funders were aware of this allowance as the Project started. The figures were repeated monthly in Gardiner & Theobald's Cost Report Part 1, page 1, Executive Summary which MC received.
allowance for contingencies.

The allowance for contingencies within the £46.4 million construction costs amounted to £1.65 million (3.5%). Given that the Project was to be delivered by means of a Management Contract, the "Contingencies" budget would have to accommodate unforeseen construction problems (for example, "soft spots"), locally applied criteria for national guidelines on Safety at Sportsgrounds, and modifications defined as design/development. Notwithstanding these concerns, all parties were aware of the figures and constraints as the Project commenced.

3.21 As standard with a Management Contract, the Project embraced a large number of Works Packages, each to be delivered through the Management Contractor, Sir Robert McAlpine Management Contractors Limited.

3.22 Reporting procedures were introduced at the commencement of the Project. These were:-

- monthly Report by Management Contractor to Client stating progress in key areas, including construction and procurement;
- monthly Report by Project Cost Consultant to Client (copy to MC's Cost Consultant) regarding the Project's performance against budget;
- monthly Report by TNS (as Client) to MC based upon Management Contractor's Report and Cost Consultant's Report but containing further information on the Project's management, fund raising exercises, marketing, Debentures and recruitment;
- monthly meetings on site with MC Project Manager and MC Cost Consultant to verify "drawdown" documentation;
- weekly Project Meetings on site with Design Team/Management Contractor staff;
- Principals' Meetings, as necessary, involving partners within the Design Team/Management Contractor and Client; and
- Design Team Meetings, as necessary, to explore design/fit-out issues.

These meetings represented the formal reporting structure for a Project where informal meetings/dialogue between all parties were encouraged to resolve issues on site. Minutes of Design Team/Project Meetings were passed by Mr Reilly to Mr Farry for comment, thereby ensuring that the SFA was kept informed of progress.

3.23 TNS had further reporting responsibilities. It had been agreed that TNS Board Meetings could be held five times annually to review progress during the construction phase. These meetings, involving non-executive Directors took place as planned. In addition, the TNS Executive were able to access non-executive Directors on matters where their experience and disciplines had specific relevance. Meetings were held more regularly to resolve the funding gap issue. Ten meetings were held between July 1999 and October 1999 alone.
3.24 The remaining responsibility was to report to the QPFC General Committee representing the parent company. QPFC Board meetings had traditionally been held monthly. Mr Reilly, as an elected member of the QPFC General Committee attended these meetings and provided a progress report at each. Members were able to explore any issues of concern at these meetings and were also encouraged to speak or meet informally on site with Mr Reilly where they felt that would be helpful. Formal meetings of the QPFC General Committee were held more regularly during 2000 reflecting the importance of funding and governance issues.

3.25 Whilst the QPFC General Committee were largely satisfied with the reporting mechanism, a number of attempts were made to standardise the presentation of financial information which, for some, would have facilitated monthly comparisons. Members of the QPFC Finance Committee had access to all the financial information (as formal Recipients of the Grant Award and as formal paymasters to the Design Team/Management Contractor) and both the Treasurer and his future successor were able and competent to monitor and explore the figures. Nonetheless, a standardised report would have been of assistance in isolating and highlighting key figures. The TNS Finance Manager charged with liaising with QPFC to deliver this, failed to meet the request claiming a lack of time in the face of other priorities.

3.26 At various times throughout the Project's construction, the QPFC General Committee met to review progress and to authorise the maximum level of works which could be committed to the Project. On 9th March 1998, the General Committee approved future expenditure to a ceiling of £41.15 million. Thereafter, on 7th December 1998, approval was given by the General Committee for that figure to rise to £51.2 million. At the end of the Project this ceiling had been breached without the General Committee's prior approval. There were, however, a number of reasons why this occurred:

- during the last eight weeks of construction, new and additional works typically linked to safety requirements had to be undertaken for the Safety Certificate to be granted;
- the full extent of acceleration costs was not confirmed until the monthly invoices were received from the Management Contractor;
- the income generated by sponsorship for the Stadium was also having to be applied to safety works elsewhere in the Stadium, in particular, the North and East Stands;
- TNS anticipated claims against the Management Contractor/Design Team which would have reduced the impact of costs being applied from these sources;
- TNS intended, and did, terminate the construction contract early, thereby reducing costs with the full knowledge and understanding of the Lead Consultant and Management Contractor; and
- A further £2.5 million had been attracted to the Project through a capital leasing arrangement.

Accordingly, everything was done with available management resources to control the factors which were threatening a cost over-run. The alternative would have been to abort the Project with all that that would have entailed for QPFC, the co-funders and the creditors.
These factors were explained to QPFC General Committee Members at subsequent Board Meetings.

3.27 That apart, the reporting mechanisms worked well and satisfied the needs of all those parties involved in the Project. There was no attempt to disguise facts or performances and, indeed, that would have been precluded by the transparency of the information flows. With a very small in-house resource, it was understood that the reporting structure and meetings would provide the vehicle for all those involved in the Project to highlight areas of concern and work together towards their resolution.

3.28 The monitoring procedure was successful as the Project unfolded. Early in the programme, the Project’s Cost Consultants wrote independently to MC voicing concern about a likely over-spend situation. That was done without the prior knowledge of the Client and demonstrates the relationship of openness amongst the parties. Following that letter, steps were taken (as they would have been in any case) to focus on the issue and to introduce appropriate measures as the Project progressed.

3.29 TNS also worked with the Cost Consultant in monitoring all items of additional expenditure which the Lead Consultant had named "Client Instructions". These were presented for examination in a 57 page document entitled “Authorised Changes : Construction Cost Reports Nos. 1 to 29” dated 5th May 1999 and totalled around £7 million. These would have formed the basis of substantial counter claims by TNS but the proposed exercise was overtaken by other studies directed by the co-funders in their examination of the funding gap issue.

3.30 During the summer months of 1998, the Management Contractor’s Reports highlighted a “four week” delay in completion of construction works. This warning was repeated in each Report. Mr Reilly highlighted his concern on several occasions including Principal’s Meetings but the determination of all parties to find a resolution and, indeed, a reversal of the trend was not reflected in a change of text.

3.31 Concerned by the lack of progress and the apparent lack of initiative taken by the Lead Consultant, Mr Reilly asked the Lead Consultant to assist by arranging a series of meetings with key representatives of the Management Contractor and Design Team. The first such meeting was arranged at Sir Robert McAlpine’s site office on 21st October 1998.

3.32 Mr Reilly expressed concern at the reports of delay and the failure to introduce measures to deliver a return to programme timetable. The representative from Sir Robert McAlpine, the Management Contractor, indicated that the estimate of delay was based upon reports from all those Works Packages which were underway. He also indicated that some Packages were on time whilst others were “in delay”. The fact that some were in delay did not necessarily mean the Project’s completion would be delayed to the same extent. The important factor was whether or not subsequent Works Packages would be delayed by the late completion of those being undertaken. His view was that the Project would return to programme providing that the “wet trades” were finished by 31st December, 1998. He also intimated that, in his view, this was achievable.
Mr Reilly advised the Lead Consultant and the Management Contractor that he wanted to see a reversal of the "four week delay" in the remaining weeks of 1998. That would ensure that the works would be back on programme by the end of December 1998.

With the proposed launch of the Debenture prospectus on 23rd November 1998, a process of verification of the range of commitments being given by TNS was underway. A key element of this was confirmation by the Management Contractor that it was his expectation that the Construction Programme would be completed on time and, thereby, the offer being made under the Debenture Scheme to have Hampden ready for the Scottish Cup final on 29th May 1999 would be delivered. Sir Robert McAlpine provided that assurance by letter.

Shortly thereafter, the Client received a letter from Sir Robert McAlpine reporting that the Project was seven weeks in delay. This news and the manner in which it was formally reported, took by complete surprise all those close to the Project. It caused an immediate and cataclysmic breach in the relationship between the Lead Consultant/Design Team and the Management Contractor.

Mr Reilly immediately sought explanations from the Lead Consultant which brought no early response and brought about an exchange of letters regarding the Client's concerns about the Lead Consultant's performance in identifying these matters at an early stage, addressing and, then, resolving them. Several claims were made by the Design Team and the Management Contractor regarding these issues. It appeared that the Management Contractor blamed members of the Design Team for failure to provide information timeously and in a form which the Management Contractor and site contractors could act upon. Conversely, it appeared that the Design Team blamed the Management Contractor for failing to "manage" the information being provided and the programme of works on site.

Fearing a situation where a Lead Consultant was not leading and a Management Contractor was not managing, Mr Reilly as representative of the Client met urgently with the parties. The issues raised by the Management Contractor were addressed by the formation of teams from each Design Team member whose responsibility it became to trawl pre-defined areas of the Stadium in turn and report on outstanding problems/information/drawings. These were then to be resolved within an agreed timescale.

In fairness to the Design Team, this procedure lasted for only two sessions. Thereafter, the Management Contractor asked that the Design Team's representation on site be increased in order that adequate resources would be on site to deal with any problems identified by the Management Contractor or by the contractors themselves. Numbers were agreed to achieve this.

As a result of these initiatives, it was hoped that the "Doomsday Scenario" of a seven week delay in completion would be avoided. The original "hand-over" date for the Stadium was 31st March 1999 leaving some eight weeks for the Stadium to be managed by TNS in the run-up to the Scottish Cup Final on 29th May 1999. Given the complexity and sophistication of the electrical and mechanical equipment and the need for the emergency services to become familiar with the Stadium's lay-out, this time was seen as a necessary condition.
3.40 By 22nd December 1998, some three/four weeks of purposeful activity seemed to have brought about a situation where the Management Contractor felt the systems were in place to make progress and where the Design Team felt they could respond on site to any query raised for their attention. Nonetheless, the Lead Consultant, in response to the Management Contractor’s notification of a “seven week” delay had conceded as Agent for the Client a “five week” delay. Effectively, this meant that all parties were committed to passing the Stadium, complete in all its construction with all safety and statutory certificates in place, by 5th May 1999.

3.41 Even that date was subject to Client concern. The Management Contractor was demanding further budget allowances for acceleration putting additional pressure on costs. These were highlighted in a letter dated 5th May 1999 from the Cost Consultant to the Lead Consultant and totalled, at that time, £800K excluding professional fees (Cost Report No. 29). The Client also had an obligation to SFA regarding the commitment to have the Stadium ready, with its certificates in place, to host the Scottish Cup Final. Moreover, the Debenture Scheme had been launched in November 1998 with investors having the clear message that their purchase would include as a first year benefit, the 1999 Scottish Cup Final.

3.42 On the return to work after the Christmas/New Year break, the Client expected an immediate show of activity on site with a consistent increase in contractors. That did not emerge. The Management Contractor’s Project Manager was on annual leave for a further week and it was clear through his deputy at the first weekly site meeting that a new programme of works had not been agreed between the Management Contractor and the contractors. This was highlighted by Mr Reilly but there was little real sense of enhanced activity on site until the end of January.

3.43 The TNS Board was kept aware of these issues and it was decided that a meeting be requested with Lord Dalkeith and other senior MC representatives immediately prior to the TNS Board Meeting on 29th January 1999. Attending this meeting were Mr Bill Samuels, Mr Ernie Walker, Mr James Clydesdale and Mr Reilly (for TNS) and Lord Dalkeith, Mr Bill Alexander, Mr Steve Collis and his assistant (for MC).

3.44 TNS Board members made clear their confidence in the Project but highlighted the difficulties being faced as the Project neared completion. TNS Board members were looking for an assurance that MC would respond positively to an appeal for further financial support.Whilst no assurance was given, TNS Board members were comforted by words from Lord Dalkeith that “the Project would not be allowed to fail” and that the dialogue should continue with detailed exchanges between the Executive staff members of TNS and MC. In particular, it was appreciated that the scale of the funding gap could not be determined until the construction works had been completed, final costs submitted and any claims/counter claims considered. Meanwhile, TNS still had the opportunity to identify sources of savings or of additional revenue. During this period, and based on the previous two years, the TNS board relied upon the information being prepared for and provided to them by the finance manager.

In July 1999, with the Stadium’s construction complete, attention focussed on the funding gap and other matters related to the financial management of TNS. In particular, it became apparent that the book-keeping practices established by the financial manager may not have been adequate. In the course of these investigations of these practices, the finance manager resigned from TNS and was immediately replaced on a secondment basis by a chartered accountant, employed by TNS’ financial advisers and auditors, KPMG.
3.45 In an internal paper prepared by the TNS Board and dated August 1999, the text reads:

"Whilst it was then, and remains now, the position that the Commission could not give binding commitments, the Board was comforted, and has remained so, by the view expressed by Lord Dalkeith that the Commission would not see the Project fail and, further, that the matter would be best addressed at the end of the construction programme, which would avoid the need for subsequent requests and allow for a full and final assessment. It is clearly the perception of the Board of TNS that these are solid past assurances."

3.46 MC were quite properly anxious to know the scale of the projected funding gap. The estimate given by TNS in January 1999 was between £1million and £2million. The problem was that the Project's final financial position was still uncertain because of a number of variables:

Income:

- would SFAMT make good the £1.9 million shortfall in ERDF grant through a successful submission to Heritage Lottery Fund, to another grant funding body, or from the SFA's or SFAMT's own resources?
- would SFA honour the pledge of an additional £0.5million understood to have been made to Ms Jennifer Page (then Chief Executive of MC), Lord Dalkeith and other senior MC representatives at a meeting on or around Thursday, 9th November 1995 in Davis Langdon Everest's offices?
- would TNS be successful with new and additional sponsorship initiatives?
- would the Debenture Scheme achieve or even surpass its income generating targets?
- would other co-funders be able to address any shortfall as part of a combined support package?

Expenditure

- would the remaining Works Packages be brought in below budget thereby achieving a saving and reducing any funding gap?
- could the specification for any remaining works be reduced?
- could any of the remaining works be postponed until funding was secured without detracting from those elements of the Project Purpose required to achieve an operational stadium?
- to what extent would the works required by the local authority to obtain the Safety Certificate impose further costs prior to completion?
- to what extent would projected costs be reduced by claims against the Design Team/Management Contractor which typically form part of the negotiation process at the end of any contract?
It was always acknowledged that MC had to act within the particular terms of the Lottery Act and within the broader remit of a public body disbursing public money. Accordingly, in alerting MC representatives to a likely shortfall, TNS Board Members were mindful that:-

- the early contract negotiations had delayed by some eight months the signing of the Grant Agreement resulting in a penalty to the Project of almost £1 million through inflation and the Landfill Tax;

- the MC had a mixed portfolio of projects any number of which might abort through a lack of matching funding, thereby releasing funds for projects requiring "top-up" finance;

- the Project, to that date, had been considered to be well managed, would be delivered in time for the publicised opening event and was facing a "funding gap", howsoever caused, which in percentage terms was well within industry norms.

3.47 Correspondence was exchanged to alert TNS formally of the MC's position, that it could not, alone, bridge the funding gap but would seek to find a solution with other co-funders. In private conversations there was expressed confidence that a solution to the problem would be found. The scale of any problem could not be known until the Project had been completed and any Design Team/Management Contractor claims and counter claims had been addressed. Accordingly, the dialogue between MC and TNS remained open whilst the construction programme moved towards completion and the funding situation clarified.

3.48 At this point in the submission, it is worthwhile to examine in more detail the specific points raised in paragraph 3.46. That exercise is undertaken in the following paragraphs in the order of their listing in paragraph 3.46.

3.49 **The Role of the SFAMT**

As the parameters and constituent elements of the Project (the Project Purpose) were being debated at the outset, it was considered appropriate by Mr Farry and Mr Reilly that a Visitor Attraction, reflecting and honouring the role of Scottish football in the country's social and economic history and its contribution to the sport internationally, should be an integral component. Indeed, the SFA had already launched a pilot venture through SFAMT in Glasgow's Kelvin Hall.

TNS was further advised that SFAMT was already registered as a "grant approved" organisation by the European Regional Development Fund (ERDF) and that it (SFAMT) would be the most appropriate vehicle for a major application in support of the pilot venture moving to a custom-built facility within Hampden's new South Stand. Accordingly, whilst TNS and its professional advisers could, and did, assist in every way to provide the necessary information, the grant bid was, and always remained, the responsibility and the property of SFAMT.

Detailed discussions with the Lead Consultant followed. At that time, the scale and nature of the new South Stand were under review. Nonetheless, the Lead Consultant was advised by SFAMT that any bid/award would contain a contribution towards the landscaping, car parking and access/egress routes reflecting the size of the Attraction. On this basis, and after, it is understood, dialogue between SFAMT and Strathclyde European Partnership (SEP), the body responsible for administering
ERDF funds in the West of Scotland, a bid for 50% of an £8 million spend to create the Museum and associated areas was considered appropriate and prepared.

TNS, at that point, was acting to assist SFAMT, but relying upon SFAMT and, indeed SFA, to achieve its £4 million target. Indeed, TNS’s bid to MC required this as matching funding.

As it transpired, the ERDF grant award was reduced:

- to reflect only construction costs for the Museum area, with no contribution to other areas, including car parking, landscaping etc.
- from 50% of the original bid to approximately 36% of the newly defined eligible costs.

The mathematics were explained as:-

- a grant of 36% of re-defined eligible costs at £5.7 million, not £8.0 million. ERDF would thereby contribute £2.1 million and not £4.0 million leaving a gap in Project funding of £1.9 million.
- simultaneously, there was a need for MC to match 50% of the £5.7 million (£2.8 million) rather than match only the £2.1 million which ERDF had awarded. This left a further gap of £0.7 million.

It can be assumed that SFAMT were aware of this likely deficit in funding as they were dealing directly with the grant funding body. The full impact, however, was only made known to Mr Reilly on the final day on which applications could be made.

Indeed, this dilemma was directed at Mr Reilly on the afternoon of the final day of applications to ERDF for the programme which would accommodate the grant award. No Trustee from SFAMT was available for discussion or decision; the SFAMT Director was said to be unobtainable and travelling in England.

A decision had to be reached by 5.00 pm that evening or the entire bid to ERDF and the resulting impact on funding, not to mention the Project Purpose, would have collapsed. At 4.50 pm, Mr Reilly concluded in a telephone conversation with The Scottish Office that there was no alternative but to proceed. The £0.7 million balancing item to secure the £2.8 million MC contribution would have to be found from within the Project or from additional income generated (perhaps through sponsorship) elsewhere.

Apart from placing Mr Reilly in an intolerable position, the immediate impact on the Project of the failure of SFAMT to obtain the necessary funding was the shortfall of £1.9 million. The SFAMT were aware of this major problem and were advised by Mr Reilly that substitute funding would be required to be obtained by them. It was agreed that an approach would be made to Heritage Lottery Fund (HLF) for support to the extent of £2.5 million to include a capital contribution of £1.9 million and revenue support of some £0.6 million. To assist SFA/SFAMT in this process, Mr Reilly arranged a meeting in London hosted, to be helpful, by MC at which a representative of HLF would attend. Mr Reilly attended along with the Director and Secretary of SFAMT.

This meeting should have launched a vigorous and determined effort by SFAMT to secure funding. The application has never been made.
Meanwhile, as the months passed, the construction of the Museum area became crucial. Its location on Level 2 of a building with six levels had to be designed with access points and mechanical and electrical services to ensure it could operate. In order to move through Level 2 to higher levels within the six floor building, the costs had to be incurred (by the Project).

By November 1998, SFAMT had made no moves to draw down even the reduced ERDF grant award of £2.1 million despite QPFC having incurred substantial parts of the related construction costs and despite letters of concern from SEP. A meeting was held in the QPFC Board Room on Tuesday, 3rd November 1998 attended by the office bearers of SFAMT and TNS Directors. TNS were advised that SFAMT were not prepared to draw down the £2.1 million from ERDF unless a further £0.5 million (approximately) was found to allow the Museum's fit-out plans to proceed. After a debate lasting some hours, the TNS Board was faced with the threat that SFAMT could not fund the figure, the SFA refused to fund it, and that the £2.1 million ERDF contribution would be lost to the Project if the £0.5 million could not be found. With regret, the TNS Board members felt they had "no option" but to agree to another £0.5 million coming from the Project to support SFAMT. It was recognised that this would place yet another onerous burden on the Project's finances and on the TNS executive team's sponsorship and management responsibilities.

3.50 The £0.5 million SFA Grant Pledge to MC

Following some months of negotiations, at the onset of the Project, a meeting was held on or around Thursday, 9th November 1995 in the offices of the cost consultants, Davis Langdon Everest, to conclude the matter of MC funding for Hampden’s re-development works.

At that meeting, Miss Jennifer Page, then Chief Executive of MC, challenged the SFA’s representative to produce another £0.5 million in aid for the Project. The argument was that the MC was about to contribute £23 million and "surely the SFA can come up with another £0.5 million". Senior Officials of MC attending the meeting recall that the SFA’s representative gave that commitment at the meeting.

It may have been that, given sponsorship income and other factors, the SFA may never have been called upon to honour that pledge. However, towards the end of 1998 with a funding gap being predicted, Mr Reilly had this matter drawn to his attention by the MC.

Accordingly, Mr Reilly wrote to the SFA on 14th December 1998. There then began a lengthy exchange. The SFA robustly denied that such a commitment had been made. The "bottom-line", however, which TNS, MC and other co-funders have had to accept, is that neither the money nor sponsorship in lieu was to be forthcoming. This clearly irritated MC who felt that they were being asked to fund a short-fall created by others.
3.51 **Sponsorship Income**

TNS were given the responsibility at the outset of the Project of maximising income from private sources. Comparison with initial projections showed that TNS outperformed its objectives. Principal among the agreements were those with BT Scotland (£5 million over ten years) and Coca-Cola GB (£1 million approximately over five years). Other agreements were concluded with Bass Brewers and with Ladbroke Racing.

In this regard, TNS exceeded its initial objectives. Board members were enthusiastic about these activities and further approaches were made to Cellnet, Ford UK, DX Communications and others. Regrettably, the interest from potential sponsors waned as the news of a funding gap arose and the press speculation targeted the TNS management team.

3.52 **The Debenture Scheme**

As reported earlier, the Debenture Scheme was inspired by Mr McGinn as a Member of NSC but was, thereafter, developed as a concept by TNS and its advisers.

The original prediction that the corporate sector and private individuals would provide a solid base for sales was never achieved. There were a number of reasons for that:

- despite very lengthy negotiations, the SFA (and, thereafter, the SFL) refused to guarantee that all semi-final and final Cup matches would be played at the Stadium; this was perceived as a weakness;

- potential buyers were reluctant to commit to a Debenture whilst the construction works were underway and they could not see, nor experience at first hand, the quality or style of the accommodation. Accordingly, an early flood of purchases to bolster income and support the cash flow was never achieved;

- the documentation for a Debenture Issue, covered by the Financial Services Act, is necessarily lengthy and legalistic in its style and content. In particular, the "Risk Factors" properly presented may have caused many potential purchasers to delay until at least they saw the building works completed;

- the range of Debenture packages – Gold, Silver and Bronze – were well researched by independent consultants prior to launch. Individual and group interviews were held with representatives of the business community and football supporters. However, at the time the Offer was made, the Scottish international football team was not performing well and, unlike for Murrayfield with the launch linked to a successful Rugby Grand Slam, interest was subdued;

- Scottish football fans were already having to pay progressively more for facilities and season tickets in support of their own Club teams; the added burden of a further outlay linked to the National Stadium was seen as a step too far for many; and
it had been planned to launch the Debenture Offer in June 1998 to coincide with the Scottish international team’s participation in the World Cup tournament in France. Regrettably, legal negotiations with the SFA took much longer than predicted and that date was missed. The process of negotiation was then accelerated but it has to be conceded that the launch date in November 1998 was not linked to a marketing campaign and hit the market shortly before Christmas/New Year when companies and private individuals traditionally have substantial financial commitments.

For these reasons, the spontaneous or even steady take-up of Debenture seats did not materialise. The cash flow suffered despite the quasi under writing support of The Royal Bank of Scotland and the funding needs did not receive added support.

3.53 Co-Funders Support

When the appeals were being made in the first quarter of 1999 to MC for further support, Mr Reilly was advised by MC to approach other co-funders in similar vein. MC subsequently wrongly criticised Mr Reilly for not following through this advice. In fact, Mr Reilly had sought guidance regarding the possibility of further support from Sportscotland, Scottish Enterprise and The Football Trust. No further support was offered from any of these bodies. That was clarified in a letter dated 2nd September 1999 from Mr Reilly to Mr Douglas Weston, Director of Projects at MC.

Accordingly, the MC remained for TNS the most likely source of assistance and for that reason the dialogue and exchanges continued in that direction.

3.54 Works Package Budgets

As the Project moved towards completion, the propensity for savings diminished. Clearly, the number of outstanding Works Packages was declining but so too was the value of each. Savings typically are made on the early, larger, Works Packages such as excavations, coring and steelwork. Savings in these Packages were made and were reported in the Cost Consultant’s Monthly Reports. The benefits were carried forward to sustain design/development changes, contingencies and Works Packages where tenders came in above budget. The finishing trades Works Packages do not offer the same opportunities.

3.55 A Reduced Specification

The specification for each element of the Project had been considered at length in the early stages of the Project. To undermine the specification of the remaining Works Packages which were principally linked to finishing trades would have saved little but had a disproportionate impact on the public’s perception of the "product". For these reasons, it was not considered to be an option.

3.56 Postponement of Work

In April and May 1999, Mr Reilly received advice and communications from Sir Robert McAlpine regarding the final cost figures and the propensity for a funding gap to arise. That advice was confirming the position which TNS could foresee. It was prudent to recognise that to abort the Project until the final elements of funding were sourced was not an option that would have best served the co-funders or creditors. The Project would have crashed and the ensuing publicity would have ensured that it could never have been resurrected.
Accordingly, Mr Reilly took advice from Mr Jack Hugh whose appointment has been referred to earlier. It was agreed that major savings could be made by bringing forward completion of the contract in order to exclude certain elements: the completion of Level 6, the fit out of the Lecture Theatre and improvements to Lesser Hampden. This was formally agreed with the Management Contractor at a saving of some £2 million as shown in the Cost Consultant's letter of 5th May 1999 to the Lead Consultant as a preface to Cost Report No. 29.

In so doing, however, whilst the capital costs reduced, the short-term liabilities, in particular retention monies, which were linked to the completion date were triggered some three months earlier than if the Project had continued as initially agreed.

Given the circumstances and the lack of realistic options, this appeared to be the most that could be gained.

3.57 Safety Certificate Conditions

The Safety Team led by Glasgow City Council has a reputation for enforcing vigorously the national guidelines on Safety at Sportsgrounds. Indeed, it has a duty to interpret these national guidelines in a way which fully protects all those attending events. TNS would have wished nothing less.

Clearly, however, the Project's architect and the Design Team, predicting the acceptance of "norms" applied elsewhere were, instead, forced to accept more stringent requirements. This effectively increased the costs of the Project by depleting the Contingencies budget. Moreover, by their very nature, safety matters normally arise at the end of a construction programme when inspections take place and complimentary/conflicting criteria are debated and "relaxations" are either granted or rejected.

That said, TNS enjoyed a solid, professional relationship with the Safety Team chaired by Mr Richard Gibb. His co-operation and that of his colleagues are a matter of record as the Project neared its opening date. However, it appeared that the Safety Team did not always enjoy that level of trust with the Project's Design Team nor with the Management Contractor.

It was understood that the Safety Team felt that its members' advice was not sought early enough by the Design Team nor were its warnings and recommendations properly heeded. This led to serious confrontations later in the design and construction process when changes, arguably, became more difficult to implement.

It is worth noting that the Chairman of the Safety Team felt compelled to write to TNS early in May 1999 to record that, whilst the Management Contractor still had items to complete, he saw no reason to suspect that the Scottish Cup Final on 29th May 1999 was in danger. TNS conveyed that message to an SFA hierarchy that was becoming progressively more concerned.

As it transpired, the works had still not been completed by the Management Contractor as the date of the "Rehearsal Match" (21st May 1999) approached. The Chairman of the Safety Team expressed concern about the performance of the Management Contractor to Mr Reilly and Mr Tom Onions, Stadium Manager. The works were eventually completed in sufficient time to allow the certificates to be granted on 21st May 1999 – some 10 hours before the first "Rehearsal" match.
**Claims**

It would be normal at the end of a substantial Management Contract for the Client to enter into negotiations with the Lead Consultant, Design Team members and the Management Contractor regarding claims and counter-claims.

Mr Reilly, on behalf of TNS, certainly felt there was ample scope for claims by TNS. In particular,

- TNS had received a highly critical report, prepared by the Lead Consultant, following Mr Reilly’s demands for an examination of certain works by the M & E Consultant;

- TNS was of the view that the Lead Consultant and the Architect had incorrectly interpreted the Project Purpose specification regarding the hospitality areas on Level 5 requiring a solution to be found by TNS Director, Mr Jim Clydesdale, and Stadium Manager, Mr Tom Onions.

- the Safety Team had reported that the Design Team and, in particular, the Architect had not responded to guidance and advice provided by the Safety Team at the early stages of the Project; and

- the Management Contractor/Design Team members were responsible, to some degree, for the late completion of the Project, the acceleration costs and inconvenience to TNS/QPFC in the days immediately preceding the Scottish Cup Final. For clarification, the original hand-over (completion) date was scheduled to be 31st March 1999. This was extended to 5th May 1999 and required acceleration costs but the final Safety Certificate was not granted until 21st May 1999, as reported in paragraph 3.55, ten hours before a "Rehearsal" event with over 22,000 spectators and guests and only eight days before the Scottish Cup Final.

These matters were all recorded as part of the Project Documentation by Mr Jack Hugh. Also recorded was Mr Reilly’s objection to certain changes being submitted to the Client as "Client Approved" when the Client’s view was that they were the result of Design Team errors. As noted earlier, these formed a discrete report from the Cost Consultant extending to 57 pages in May 1999.

The conclusion was that at the end of the Project, TNS would be making claims against a number of its construction industry advisers.

3.58 The monitoring of the Project in general and costs in particular continued to be based upon the structure of controls and meetings described earlier. If anything, the frequency of meetings intensified towards the end of the Project.

3.59 If the frequency of meetings increased, so too did the intensity of the debate. Principals’ meetings were forthright to the extent that the Architect threatened not to attend. This followed criticisms from Mr Reilly about his past attendance record and disputes about certain pieces of work from his team including levels at the vomitories on Level 5 and a "missing" row of seats in the West Stand.
3.60 The exchanges with MC regarding the extent of the funding gap also increased. It is worth highlighting that the possibility of a funding gap was raised by TNS with MC as early as May 1997 when the possible impact of the £1 million pre-start costs were noted for Davis Langdon Everest by Mr Reilly. From January 1999, however, the issue became more focused.

3.61 A set of papers entitled "Funding Gap Briefing Papers" has been issued to Committee Members. It includes a letter and "Interim Report" dated 16th October 1997 prepared by Mr Reilly for Mr Nigel Baker, at that time Senior Negotiator with MC. That Report highlights:

- the issue of the £982,500 Pre-Start Costs (inflation and Landfill Tax);
- the underfunding from SFAMT (via ERDF award);
- the SFA's second tranche of funding at £1.5 million (including the additional funding pledge discussed by the SFA's representative with the MC officials on 9/11/95); and
- the efforts being made to generate private sector sponsorship.

The papers then move to January 1999 when the TNS Board recognised that, with the Project some five months from completion and with a range of income/cost uncertainties, the proposition of a funding gap should again be formally recorded.

3.62 The fact that the size of the funding gap should increase between January 1999 and June 1999, the six month period prior to completion (including the submission of May 1999's costs) is hardly surprising. As explained earlier in the text, a number of variables existed affecting both the income and expenditure streams.

3.63 There were other factors, external to the Project, which impacted on the size of the funding gap but which were ignored in the seemingly single-minded quest to establish some form of financial mis-management. These are explained in Clauses 3.65, 3.66 and 3.67.

3.64 The final phase in Hampden's redevelopment, Phase II, embraced the re-building of the South Stand (MC's Project) and the improvements to the West Stand (Sportscotland's Project). Their completion would not have rendered the Stadium operational, however. The City Council's Safety Team insisted, as a condition of the Safety Certificate's award, that improvements be carried out to the North and East Stands. This work had to be undertaken and completed or the Stadium would not have been able to host events.

3.65 The sponsorship income from, in particular, BT Scotland could not be dedicated only to the South and West Stand works. It was a condition that the playing surface be renewed. That did, in fact, substantially enhance Hampden's re-development. The original playing surface was almost thirty years old and in need of renewal. Moreover, the latest UEFA guidelines on advertising boards at major games affected the sight-lines for spectators in the first four rows of the seating decks. In renewing the playing surface, the opportunity was taken to reposition it, to raise it by some nine inches and, thereby, to resolve the sight-line issue.
3.66 As the external envelope for the South Stand was within days of completion, the Design Team alerted Mr Reilly that unless certain steps were taken there would thereafter be no realistic possibility of introducing a Level 7 to the building. The light-weight ceiling for Level 6 (housing the administrative offices) could, without huge expense, at that time but not thereafter be replaced by a ceiling which could act also as a floor for a Level 7. Since a Level 7 could accommodate rooms with spectacular views over the playing surface (to the north) as well as over the car parking areas (to the south), a very important commercial decision had to be made. In order to make provision for a Level 7, albeit for fit-out at a later date, immediate expenditure of £200,000 was required. In dialogue with Mr Farry and others, it was agreed that it would be foolhardy to ignore the future benefits; accordingly, TNS approved the expenditure in the hope that sponsorship (under discussion at that time with Ford Motor Company, Cellnet and Others) would meet the costs.

3.67 It is therefore quite inappropriate for the allegations to be made that:

- the funding gap issue was never raised until May/June 1999 and that it took the co-funders by complete surprise; and
- the exact figure should have been known and presented in the months preceding the examination.

The key elements of the Financial Difficulties are identified and examined in Section 4 to this report.
4. **THE FINANCIAL DIFFICULTIES**

4.1 The text thus far has described the way in which the re-development at the National Stadium was undertaken and how, over time, the various works programmes unfolded to enable the Stadium to open, as predicated, on 29th May 1999.

4.2 The purpose of this section of the report is to highlight issues with regard to their significance in considering the financial difficulties rather than the timing of their intrusion. The three elements to be reviewed are: Management Resources, Claims, and finally, Cost Centres.

4.3 **Management Resources**

As Phase I was completed, in February 1994, the exercise of drawing together Phase II finance was launched by NSC, led by Mr Farry and Mr Reilly. At that time, Mr Reilly was the sole full-time executive working on the Project supported by a secretary/personal assistant. There was no appetite and certainly no budget to recruit staff prior to the scale of the Project being determined.

4.4 As the dialogue with MC and other funders progressed, a Commercial Manager was recruited from the private sector. A Finance Manager, Mr Gary Tracey, was appointed shortly after the Project commenced. Mr. Tracey was a certified accountant with extensive experience at senior management level within the Scottish enterprise network. This was recognised to be a critical appointment and, accordingly, Mr Reilly had sought support and guidance from the public sector, Glasgow Development Agency. A lengthy trawl of suitable candidates wishing to apply from within the Scottish Enterprise network had been undertaken and a series of interviews held. In addition to his public sector experience, Mr Tracey had private sector experience in the construction industry and had been involved in a project to build a football stadium abroad. His appointment to TNS was made in Spring 1997. In July 1997, Mr Jack Hugh was recruited as a full-time Technical Manager but with the expectation, jointly understood, that his employment would cease as the construction programme ended. In October 1997, Mr Tom Onions joined as Stadium Manager to work with the Design Team on the final elements of the Stadium and to oversee commissioning works. His previous employment, as Stadium Manager at Ibrox Stadium, allowed him to bring substantial experience and authority to the TNS management team. An office junior was recruited in 1998.

4.5 Only once the Project had been confirmed were these numbers of staff recruited. Apart from the secretary/personal assistant to Mr Reilly and the office junior, there were no support staff. Whilst the structure was in place (a Chief Executive supported by managers to address commercial, financial, technical and operational matters) there were no assistants or junior staff to provide back-up.

4.6 The vulnerability of the staffing level became starkly apparent when the Commercial Manager opted to exercise her rights in full and took twenty nine weeks’ maternity leave commencing at the end of November 1998. The burden of finalising the sponsorship contracts with BT Scotland, Coca Cola (Great Britain), Ladbroke Racing and Bass Brewers then fell to Mr Reilly to conclude. That was at the time when the construction and finance issues also were demanding attention.
4.7 The issue to highlight was that, whilst the Managing Director, the TNS Board and KPMG (who were addressing governance issues appropriate for a plc) recognised the inadequacy of the resource, there was simply no budget to make good the need in the short-term. It was generally understood, however, that the resources would be recruited once the Stadium became operational.

4.8 It is of vital importance in assessing the issues, to understand that public sector grant funding, in particular, is provided for bids which include construction costs and related professional fees. In this case, there was no real opportunity to address the funding of a fully resourced management team.

4.9 Claims

As highlighted earlier in the text, there was a management resource at TNS to record and document issues of concern as the Project moved through the construction phase to its completion.

4.10 There was, however, never the opportunity properly to explore the TNS documentation in that respect. The action by the Management Contractor in arresting the QPFC Bank accounts in July 1999 drew attention away from the issue of TNS claims and ensured it was focussed on claims demanded by the creditors.

4.11 Indeed, that view was re-inforced when later calculations of the “funding gap” included the full amounts which the Management Contractor and Design Team felt, in their view, was their entitlement. Prior to the negotiation process brought about by a ceiling on the “rescue package” imposed by the co-funders, the “funding gap” figure was, in TNS’s view, at an unrealistic level.

4.12 Nevertheless, there appeared a perverse desire to highlight for, and in, the press/media a funding gap figure as high as possible. Indeed, it was reported to TNS that at an early meeting of the co-funders, their professional advisers reported that the “gap” could be as high as £12 million. That figure clearly caused huge consternation amongst the co-funders, undermined TNS and, in particular, the Managing Director, and somehow found its way into press reports. At that time, neither TNS nor its representatives were included in the team reviewing the calculations. This resulted in a revised figure of an £8.2 million funding gap from Deloitte & Touche being amended further to an agreed figure of approximately £5.0 million. The mood generated by the co-funders through their advisers even at that stage seemed to TNS to be confrontational rather than constructive.

4.13 In the end, the Lead Consultant, Design Team members and the Management Contractor agreed to discounted final fees. It could be suggested that, in the final analysis, they received proper remuneration for their contribution and the process of negotiation, outwith the threat of insolvency, might have brought in similar awards, albeit over a longer negotiation period.
### 4.14 Cost Centres

Again, these elements have been highlighted earlier in the text but are brought together here to highlight their collective impact. They are:

- **Pre-start Costs** recorded elsewhere in the text and involving £1 million (approximately) of inflation related costs and Landfill Tax. This was highlighted to MC as early as October 1997 but the appeal, seemingly justified, was ignored;

- **SFAMT underfunding** was a key element in:
  - denying the Project some £1.9 million of anticipated grant aid, while
  - drawing from it £0.7 million at the time of the award, and
  - requiring a further £0.5 million in November 1998;

- The perceived pledge by the SFA’s representative to the MC was the subject of many exchanges. Whilst there is no intention to direct blame, there clearly was an expectation by MC and others that the Project would benefit from a £0.5 million contribution which it was denied;

- **Safety Works** for essential improvements in areas outwith the Project (that is, in the North and East Stands) amounted to £637,000 as shown in Appendix I of the document: “Proposal to the Millennium Commission” dated 5th July 1999;

- **Additional Works** undertaken to enhance the Project which were a condition of sponsorship income or were for future commercial benefit amounted to: £1.2 million as shown in Appendix II of the paper “Proposal to The Millennium Commission” dated 5th July 1999.

These elements show that the funding gap negotiated to £4.4 million plus benefits totalling around £1.5 million to Sir Robert McAlpine can be explained logically and do not attract the charge of financial mis-management.

Indeed, given the complexity of the Project, the under-provision of funding thought to be assured, the additional works undertaken, the management resource engaged to deliver it, and the comparison with industry norms, a more positive judgement could be made.
5. **THE RESOLUTION**

5.1 The resolution process was fretful and lengthy. Quite clearly the funding gap had to be defined and addressed and any remedial action regarding governance introduced. Nonetheless, there must be huge concern that on a Project where a £4.4 million additional cash contribution was required to fulfil a £60 million capital spend, it took nine months and a further £1.2 million of public funding to resolve it.

5.2 The apportionment of assistance has been well documented but required the following:

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<tbody>
<tr>
<td>The Scottish Executive</td>
<td>2.6</td>
</tr>
<tr>
<td>Sportscotland</td>
<td>0.5</td>
</tr>
<tr>
<td>Glasgow City Council</td>
<td>0.8</td>
</tr>
<tr>
<td>The Millennium Commission</td>
<td>1.2</td>
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<tr>
<td>Glasgow Development Agency</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5.6</strong></td>
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5.3 A principal component of the process was the amount of independent and renewed verification which was required by the co-funders. TNS had, as its financial advisers, KPMG. The appointment of Deloitte & Touche meant a start from base. Moreover, despite monthly examination by three sets of cost consultants (Gardiner & Theobald, Davis Langdon Everest and Currie & Brown), further verifications on construction costs were requested. Ultimately, the various sets of legal and financial advisers became frustrated as the whole process spiralled without a clear solution being achievable.

5.4 It became apparent from an early stage that, for reasons which were never articulated and might have been difficult to understand, a resolution from the co-funders would require the appointment of the SFA as managers of the Stadium. This duly emerged as a pre-requisite imposed by the co-funders' rescue package and certainly caused some consternation with others including TNS and QPFC.

5.5 The evidence suggested that the SFA were to some extent responsible for elements of the funding gap in conjunction with SFAMT. There was, therefore, a sense of irony in having the SFA put forward as the "white knights". There also were questions raised about the SFA's articles of association and how these could be squared with the governance of a Stadium owned by a member club. The conflict of interest and deep concerns of other member clubs were bound to arise as issues prior to an agreement or even once it was underway. Finally, the management competence of the SFA to operate an international venue was not clear to see.

5.6 The matter of Project Purpose fulfilment might also have been an issue for some of the co-funders. The requirements for the Stadium to reflect the needs and aspirations of the local community and to serve a broad range of sport, leisure, social and business needs was understood to be what inspired the original awards from co-funders. The ability or will of an organisation whose remit is to promote the game of football to fulfil the broadest remit will have to be carefully monitored. The obligations
latterly imposed upon SFA appear less onerous than those originally applied to QPFC. For example, the SFA can make a profit from the Stadium’s annual trading and distribute that to its members; QPFC could not have done this.

5.7 Clearly, the SFA became concerned about the role they were accepting and the legal discussions between the advisers to the SFA and QPFC/TNS respectively became extremely difficult. At various times, it appeared that the deal, with governance passing to SFA, could not be achieved. That, however, could not excuse the exclusion from meetings of Mr Macdiarmid and Mr Reilly as Chairman and Managing Director respectively of TNS.

5.8 To be helpful, The Royal Bank of Scotland plc (RBoS) came forward with a funding solution brokered with Sir William McAlpine personally (representing Sir Robert McAlpine Management Contractors Limited). RBoS also volunteered to take responsibility for the future governance of the Stadium. This deal, which could have been in place in November 1998, was rejected by the principal co-funders and, in particular, the Scottish Executive, it is understood, because the SFA would not have taken control of the Stadium. To some, it seemed absurd that an internationally recognised financial institution could not be accepted as being responsible for governance issues, but the SFA could. An explanation on this was never forthcoming.

5.9 By the beginning of January 2000, it was generally understood that QPFC, already operating through Managers ad-Interim, was moving to a more serious form of insolvency. Its Directors, and those of TNS, were agreed that there was little evidence of a short-term solution and, indeed, had been formally advised about wrongful trading and the personal liabilities which could apply.

5.10 A date of 5th January 2000 for a resolution to the financial/governance issues was passed by TNS/QPFC’s professional advisers to their counterparts representing SFA and other co-funders. This related, in particular, to a document which the co-funders’ advisers had received from TNS/QPFC’s advisers on 22nd December 1999. On 7th January, two days later than stated as the point when QPFC would move into insolvency, a response marked “subject to client approval” was received from the SFA’s advisers. Moreover, it contained further conditions which fundamentally affected QPFC’s ability to secure the deal. Accordingly, within days, QPFC moved into Administration.

5.11 Shortly thereafter, Glasgow City Council came forward with the framework of a solution to fill the funding gap and, again, to work to resolve the governance issue. Whilst internal papers were being prepared, it was reported that elected councillors were being lobbied to reject the proposal which was being framed. The key issue, again as reported to TNS, was that the SFA would revisit their contractual commitments regarding games at the Stadium were any organisation other than itself to take over governance. That alleged threat, and the contacts with certain councillors, was enough to de-rail the proposal. The SFA remained in pole position and QPFC have accepted the conditions imposed upon them. These matters, and the way in which they were addressed by the co-funders’ professional advisers and the substance of advice passed to the Minister by his officials, are covered in the letter dated 3rd February 2000 from Arthur Andersen to Patrick Andrews (Shepherd & Wedderburn) and a letter from Arthur Andersen to Mr Sam Galbraith, Minister at The Scottish Parliament dated 24th February 2000 (Annex 5.11).
5.12 During the period of examination, TNS produced a number of reports, principally “The Way Forward” dated 1st December 1999, to demonstrate that it remained in control and also that it could undertake the future governance of the company under the direction of, say, RBoS or Glasgow City Council. These were very real attempts to promote and generate solutions to a problem which seemed to be insoluble. There was, however, a view within TNS that its Board and senior executives were progressively being marginalised from debates and negotiations and that the reports were not being seriously considered as containing options which could be delivered.

5.13 The matter of TNS's involvement became progressively more contentious. It appeared that those willing to promote TNS's management performance and future status were to be marginalised and even excluded from meetings. As Chairman of TNS, Mr Macdiarmid wrote formally to Mr Douglas Weston of MC on this point. Questions were raised within TNS about the ethics of those conditions as exercised by the advisers to the co-funders.

5.14 With their influence and control of the company's affairs decreasing even in personal dialogue with Commissioners (for example, Ms Baxter's efforts with Lord Dalkeith and others), TNS Board Members reluctantly resigned at points when their own individual contributions were seen to be exhausted. Each left with a sense of betrayal by the co-funders over a Project which had been delivered and where their efforts to reverse the funding gap went unheeded.

5.15 The "resolution" involving the governance of the Stadium was debated on a number of occasions by the Directors (that is, the General Committee) of QPFC meeting formally to debate the issues and the terms and conditions that would be imposed. It is important to record that in the early stages at least, there was considerable opposition to the "SFA proposal" and the terms it would impose. It was because of that, that TNS welcomed the proposal from RBoS and supported the proposed solution from within Glasgow City Council.

5.16 It is for QPFC to explain, if they so chose, the reasons for accepting the "SFA proposal". At the end of an eight month journey, it may have been concluded that the SFA's governance of the Stadium was a mandatory condition imposed by the co-funders and at that late stage there was, in fact, no option.
6. **STADIUM VIABILITY**

6.1 TNS had produced a series of Business Plans as the Project moved through the construction phase towards operational mode. These were required quite properly by the TNS Board as well as for RBoS in their position as bankers.

6.2 All predictions have demonstrated that under TNS governance, the Stadium could operate viably. Indeed, the projections that the Stadium in its first year of operation would host The Scottish Cup Final, two full Rugby internationals, two American football fixtures, one music concert and an inaugural game have been fulfilled.

6.3 TNS predictions, considered prudent rather than bullish, were examined by KPMG and by Deloitte & Touche. Their independent views were that the Stadium presented the opportunity for a viable business making acceptable profits from Year 2 of its operation.

6.4 Much has been made of the obligations being taken on board by SFA. These ignore the fact that:-

- the Stadium has been awarded 5-star status by UEFA’s Stadia Committee and will host the 2002 European Champion’s League Final;
- the Stadium is recognised as an international venue for a range of events rather than as simply for football;
- the Stadium has unique features of design which make it cost effective for music concerts and safe and secure for high profile guests;
- opportunities exist for further sponsorship income within the Stadium linked to naming rights (for certain areas) and other services; and
- the SFA can, at its discretion, sell its existing office accommodation in Park Gardens, Glasgow as it takes residence at the National Stadium.

6.6 As explained earlier in the Report, it had always been TNS’s intention to recruit a managing director of international status to maximise the income which could be generated from a broad range of income streams. That can still be achieved and should be expected by the co-founders. The irony will be that, unlike the original agreement with TNS/QPFC, annual profits need not be wholly dedicated to the Stadium which has received the benefit of so much public sector support.
7. **ROLE OF PUBLIC AGENCIES**

7.1 This Section of the report is best addressed by those able and responsible for governance of public agencies’ remits. There seems little doubt that the preparation of the original bid documentation was properly addressed and that the Project was subject to a recognised monitoring process.

7.2 Moreover, it would be uncharitable not to recognise the role of the public agencies in supporting the Hampden project from its inception to delivery. That said, there must certainly be disquiet over the way the review process was managed and how the rescue package was addressed and finally delivered. In particular, the determination of MC and The Scottish Executive to dictate the policy of all co-funders and to have the SFA projected as the “single option” solution were regarded by others as unhelpful. A more flexible approach involving discussions with a TNS Board of some distinction and a TNS management team which deserved the courtesy of an examination of the funding gap elements before condemnation, would have been appropriate.

7.3 There was also concern that the Minister was receiving accurate briefings from his officials and their professional advisers. This caused the Joint Manager *ad interim* of QPFC to write directly to the Minister on 24th February 2000. That letter, extending to four pages, covered a range of issues including information allegedly passed to the Minister that a “deal” was imminent in January 2000 (clearly not the case), the role of QPFC and TNS directors, the alternative rescue package being drawn together with Glasgow City Council and the SFA’s seeming unwillingness to “simply honour their pre-existing contracts with QPFC and TNS”.

Against this backdrop, the executive and non-executive Board Members of TNS felt alienated from the Project realising that the Minister’s view of the Project and TNS may well have been unreasonably distorted in the Scottish Executive’s apparent determination to conclude a deal through the SFA’s governance of the Stadium.

In truth, as matters unfolded there was little faith or confidence remaining in TNS that the Scottish Executive or their advisers had ever been interested in anything other than the “SFA solution”.

7.4 Re-stating some of the principal issues raised in this paper:

- the public agencies were kept informed by standard monitoring/reporting procedures and by informal contact whenever issues needed to be explored;
- the public agencies were from the outset aware of, and supportive of, the Project starting despite significant under-funding;
- the TNS Board was never drawn into the debate about the causes of, or resolutions to, the funding gap issue. Given that Board Members were approved by MC and were recognised leaders in their fields, this could be regarded as a missed opportunity for finding an early resolution to the Project's problems;
- why was the SFA projected with such haste as the single option solution and which of the co-funders took the lead in promoting its candidacy?
as the movement towards a resolution unfolded, were all the co-funders involved in the debate or did any one assume leadership almost to the exclusion of others? Which assumed the leadership and why?

is it acceptable that the "single option" solution has resulted in an asset, developed for a wider use, now being managed by a private body with its own membership?

why were the RBoS and Glasgow City Council proposals not explored in greater detail to determine if they could offer better solutions in terms of governance and accountability? The SFA solution was said to be the more expensive to deliver.

to what extent were any of the public agencies responsible for the sustained press campaign where selective and often incorrect information was directed against the TNS Managing Director thereby undermining his status, that of TNS in general, and the Project?

7.5 The residual feeling at the conclusion of the exercise is that there just had to be a better way of resolving a funding gap issue of the size and kind encountered rather than the long, tortuous, fretful and costly journey which ensued.

7.6 With hindsight, it may well have been better for TNS to have taken the initiative in trying to resolve the funding gap through a dialogue with RBoS, negotiations with Sir Robert McAlpine and a more public debate on the reasons for the financial problems. In that way, a solution still involving support from public sector agencies may have been determined within a shorter time frame.

7.7 The key elements would have been:-

• a principal creditor, Sir Robert McAlpine, recognising the vulnerability of its position and exercising constraint in negotiations;

• a supportive financial institution as RBoS proved to be;

• a viable business with the ability to generate profit in the short-term;

• a supportive City Council ready to discuss the "Campus" proposal involving further developments within QPFC’s acreage and the adjacent sites; and

• a TNS Board of non-executive and executive Directors willing to pass governance to a new team capable of taking the Project forward as an international venue serving also the local community.

Given the chance, these elements could have been better used in funding a solution.

7.8 It is for those within the public agencies themselves to recognise that this was an exercise from which lessons can be drawn.
Inquiry into Hampden

Initial written submission on behalf of
Queen's Park FC

May 2000

Education, Culture and Sports Committee
The Scottish Parliament
The Queens Park Football Club Limited

Parliamentary Inquiry

Schedule 4b – Public Sector Funding Breakdown for Phase 2 Millennium Stand

Phase 2 - Original Project Funding

- Glasgow/Strathclyde Council: 2% (£1m)
- G.D.A.: 4% (£1.6m)
- The Scottish Office: 5% (£2m)
- E.R.D.F.: 5% (£1.89m)
- The Lottery Sports Fund: 9% (£3.75m)
- The Football Trust: 17% (£7m)

Phase 2 - Grants to facilitate financial settlement

- The Lottery Sports Fund: 9% (£0.5m)
- G.D.A.: 9% (£0.5m)
- Glasgow/Strathclyde Council: 14% (£0.8m)
- The Scottish Office: 47% (£2.75m)
- The Millennium Commission: 21% (£1.2m)
Extracts from Publications

1. Scotland v France
   At Last, A National Stadium Fit for Scotland
   Programme for Inaugural Event 29 March 2000 – Pages 7-9

2. Russell Galbraith
   The Hampden Story (1993) – Chapter 1 – pages 7-8
   – Chapter 17 – pages 212-220

3. Simon Inglis
   The Football Grounds of Europe (1990)

4. Scottish Football Association
INQUIRY INTO HAMPDEN
EDUCATION, CULTURE AND SPORT COMMITTEE
THE SCOTTISH PARLIAMENT

INITIAL WRITTEN SUBMISSION
ON BEHALF OF QUEEN’S PARK F.C. (MAY 2000)

1. BACKGROUND:- REMIT OF THE INQUIRY

Under Committee News Release CED017/2000 the Education, Culture and Sport Committee set out the terms of reference for its inquiry into Hampden, agreed at its meeting on 22 March 2000.

The remit of the inquiry is to:

- Review the financial arrangements for the national stadium, including the original financing and contracts and the monitoring of those arrangements;
- Review the recent financial difficulties, the negotiation for a financial rescue package and the future viability of the stadium;
- Consider the role of and funding by public agencies.

1.2 Request for Written Submission by 26 May 2000

On 5 April 2000 the Clerk to the Committee, Gillian Baxendine, wrote to the Secretary of Queen’s Park F.C. (hereafter called “Q.P.F.C.”) enclosing a copy of the News Release – and requesting a Written Submission by 26 May 2000 setting out:-

- Our role and involvement in the redevelopment of the national stadium;
- Any information or background that we feel would assist the committee in addressing the issues set out in the remit.

The Clerk is aware that some of the information requested may be commercially confidential. She would be happy to discuss with us further how this might be handled. We are free to call her about any other aspect of the Committee’s request.

Factors Underpinning the Initial Q.P.F.C. Submission (May 2000)

In correspondence and telephone discussions with the Committee Clerk in early May 2000, we agreed to set out a number of factors which underpin this initial submission:-

Q.P.F.C. welcome the opportunity to set out initial views on behalf of the Club. Our initial submission aims to provide a Q.P.F.C. view of why and when problems arose. Issues of responsibility for losses, mismanagement or maladministration are expressly not dealt with in this submission. Q.P.F.C. wish to complete our management and financial audits – and consider the process and timescales for the Inquiry – before we criticise others or decide upon further action. Q.P.F.C. have noted the criticisms by others of Q.P.F.C. in the press and Parliament.

Q.P.F.C. appreciate the payment of £45m in public sector grants towards the best estimate (to date) of £60m of the “Millennium Stand” phase of re-development at Hampden. Certified financial schedules are attached, which detail the grants totalling £39.25m received by Q.P.F.C. from public bodies and how they were applied to
December 1999. Further public subsidies of £5.75m were paid in late March 2000 to the Administrators appointed by the court to effect the agreements made by them on 31 March 2000.

Q.P.F.C. regained management control in early March 2000 of the National Stadium Company plc (hereafter-called "S.V."); the Special Purpose Vehicle which was responsible for project delivery of the re-construction phase of the Millennium Stand and its operational management from December 1996 until 31 March 2000 as well as delivery of the complex funding package. This wholly owned subsidiary is now a shell organisation with responsibility only for the Debenture Scheme over the National Stadium. Great care must be taken to avoid further damage to the marketability of this Scheme.

Q.P.F.C. must stress that agreed payments to creditors for costs incurred in the Millennium Stand phase are still being settled. Now that Q.P.F.C. has been released from Administration, we are pursuing a number of the "Reconstruction Works Final Account"; "Q.P.F.C. Trading Deficit 1992/99" issues directly with the lead funder of the original Phase 2 project, the Millennium Commission. It is now clear that the Scottish Executive accept lead responsibility for the subsequent funding package associated with enforcing new management arrangements for the National Stadium. Accordingly, Q.P.F.C. will be liaising directly with the Executive on outstanding issues associated with the "fees incurred by Q.P.F.C./S.V. the Administrators and the co-funders in establishing new management arrangements" and with the "Community Participation and Lesser Hampden Re-development" issues. A supplementary submission may be made by Q.P.F.C. to the Inquiry as negotiations on these issues are concluded.

Q.P.F.C. will seek clarification from Ministers and the Funding Agencies as to whether the outcome and timescales for the Parliamentary Committee’s Inquiry will affect decisions on these issues.

Q.P.F.C. have suggested to the Clerk that certain of the financial schedules providing information on levels of private sponsorship etc., should be made available to the Committee but should not be distributed more widely, due to issues of commercial confidentiality.

Q.P.F.C. invited Parliamentary Committee Members to visit the Hampden complex during May 2000 to view the quality of the new stadium – and the deteriorating conditions at Lesser Hampden and the surrounding community – so that we could discuss:-

- the 3 phases of Hampden re-development programme from 1992 – 2004;
- issues arising from the "Millennium Stand";
- the new management/governance arrangements for the National Stadium;
- difficulties facing Q.P.F.C. in progressing Lesser Hampden.

1.3 **Membership of the Parliamentary Committee: Written and Oral Evidence: Timetable**

Details of the above were supplied within News Release CED017/2000 which is attached as Annex A.

The Parliamentary Committee has indicated that they will wish to take oral evidence at a later stage from a number of the organisations from whom written evidence has
been requested. This would either be in June or September, depending on the progress of other Committee business. Q.P.F.C. (and Hampden) remain at critical stages of re-building (and re-development). Our Club’s Office bearers and Development Committee will be happy to give oral evidence.

1.4 Proceedings in Parliament to Date

Our Club’s Committee have followed, with interest, the Statements and Committee discussions on the re-development of Hampden which have taken place in the Scottish Parliament between November 1999 and early April 2000.

The Official Extracts convey a sense of frustration at the absence of both historical context and any detailed information. Q.P.F.C. understands that the Millennium Commission has a degree of accountability to Ministers in the U.K. Government – and not to Ministers in the Scottish Parliament. The Commission was formed in 1993 and had no involvement in the first phase of the stadium re-development. In our initial written submission, Q.P.F.C. will attempt to provide critical historical information, without which, any understanding of recent difficulties would be partial.

If the Parliament is to meet expectations in Scotland, it will be critical that non-profit distributing companies, such as Q.P.F.C. are heard. In the media it has been the powerful and wealthy who have been (and will be) most vociferous on Hampden – frequently highlighting problems and difficulties through negative Press Releases over the last 10/20 years; – and lobbying Governments to delay the Hampden re-development process. Q.P.F.C. appreciate that the Committee wishes to focus the present inquiry on the “National Stadium” element of the Hampden re-development programme, which is being implemented between 1992 and 2002. Q.P.F.C. hope that this does not omit discussion of the vital “community” element of the regeneration initiative. Finally, Q.P.F.C. are anxious that our MSP’s should recognise some of the historical context – which has been independently summarised in Russell Galbraith’s book “The Hampden Story” – extracts from Chapters 1 and 17 are attached. MSPs will hopefully engender a new, open and positive approach to issues associated with Hampden’s re-development and management than the “bickering, scheming” and alternative approaches summarised by Russell Galbraith between 1973 and 1992.

1.5 Structure of Written Submission by Q.P.F.C.

To focus on the remit of the Inquiry, our Written Submission is in 5 Sections:-

Section 2: The Roles of Queen’s Park F.C. in the re-development of Hampden; 1992 – 2004;

Section 3: Contractual and financial arrangements in the development of the Millennium Stand, 1996 – 2002; the 4 stages to April 2000; (with an analysis of why and when problems arose);

Section 4: The role of and funding by public agencies, 1996 – 2002;

Section 5: Future viability issues; S.F.A., the Stadium and Q.P.F.C.;

Section 6: Key Issues for the Parliamentary Inquiry.
Supporting Financial Schedules and Extracts from Publications

This Submission was prepared during April and May 2000 under a remit from the General Committee of Q.P.F.C. We attempt to provide financial and technical data in a way which assists understanding of the issues and their inter-relationships. In April 2000, Q.P.F.C. instructed our Auditors, Hardie Caldwell, to produce short summary schedules supporting the views of Q.P.F.C. of why and when problems arose with accurate financial data. With that exception, this written evidence has been compiled on a voluntary basis by Committee Members of Q.P.F.C. with input and advice from our Club’s Secretary, Alistair MacKay. Our initial submission is drafted to supply a context as to the scale of the recent difficulties and our views of why and when they arose (and expressly not the responsibility issue), and we understand that it will attract a degree of Parliamentary privilege.

2.1 Q.P.F.C.; Core Objectives and Owners of Hampden since 1903

Q.P.F.C. have a unique status in Scottish senior football as the only amateur club. Established in 1867, with the main objective of fostering participation in sport among its members and the wider community under its motto “The game for the game’s sake”. It has fulfilled a number of roles – including the ownership and management of Hampden for the last 100 years with distinction – which make the club one of the most important voluntary sector organisations in Scotland.

2.1.1 Q.P.F.C. – A company limited by guarantee; responsibilities of members – not shareholders

- The Queen’s Park Football Club is registered as a Private Company – Company Number SC 5382 – which is Limited by Guarantee.

- The Club has neither shares nor shareholders and, therefore, there are no dividends payable on any profits arising from the various operations of the Club. Instead, any profits that may arise are applied towards furthering the Club’s aims and objectives in terms of: - its Stadium and grounds; its various football operations; and, the sporting and social wellbeing of its Membership.

- The ownership of the Club does not, therefore, rest solely with any one individual or small group of individuals, but rather with the entire Membership acting as a collective corporate body.

2.1.2 Membership of Q.P.F.C.

Broadly speaking, the Membership of the Club is made up of two categories, i.e. Full Members and Associate Members. The Full Membership of the Club can be further categorised into the following groups:

- 165 Ordinary Members;
- 5 Playing Members;
- 29 Country Members;
- 8 Overseas Members;
- 61 Life Members.

The number of Members of the Club is declared to be unlimited. However, with regards to Associate Membership, currently standing at 103, the number of Associates admitted to the Club is restricted so that the total number of Associates shall never exceed one third of the total number of Members and Associates. This membership pattern generated subscription income of £15,000 in 1999.

2.1.3 Rights of Members

- The Members of the Club have full voting rights and are entitled to all the privileges of membership. The rights and privileges of every Member of the Club is personal to himself/herself, and shall not be transferable or transmissible by his/her own act, or by operation of law, and shall cease upon his/her resignation, expulsion, or death.
• Associates are entitled to use and enjoy such social facilities of the Club as shall be defined by regulations made from time to time by the Committee. Associates shall have no right to or interest in the property of the Club. They have no say in the management of the affairs of the Club and shall not be entitled to attend or vote at any Meeting of the Club.

Qualifications of Members

• The Club is strictly confined to individuals committed to the principle of participation in sport on a voluntary basis and no person who has been at any time a professional player in any form of sport shall be admitted a Member or Associate of the Club; and any Member who may become a professional Manager, professional coach, or professional player in any form of sport shall ipso facto cease to be a Member or Associate of the Club.

2.1.4 Membership criteria

Every applicant for Full Membership of the Club must have the recommendation of a Proposer and Seconder, both of whom must be in current Membership. Letters of support are required from the Proposer and Seconder and the applicant must supply answers that are to the satisfaction of the Committee on a number of questions including:

• Why do you wish to become a Member of the Club?
• Do you have any particular skills, either in connection with the playing side or administration that might be of use to the Club?
• Have you any affiliation of any kind to any other Senior Football Club?
• What originally prompted your involvement with the Club?

The over-riding purpose of the foregoing process is to ensure that the Club’s traditional values of upholding amateur sport, particularly football, on a purely voluntary basis are maintained to the fullest possible extent.

2.1.5 O.P.F.C. Office-Bearers & Committee of Management

The transaction of the business of the Club and its entire management is vested in the Office-Bearers and a Committee, who shall have full powers of management and control over the conduct and affairs of the Club.

The Office-Bearers of the Club consists of a President, and a Treasurer. As previously stated, the affairs of the Club are conducted by a Committee which consists of ten Members, including the two Office-Bearers, provided, however that the Committee of ten Members may co-opt any Members of the Club who are Members of the Council of the Scottish Football Association Limited, or of the Management Committee of the Scottish Football League or of a committee of the Federation of International Football Associations. Five elected or co-opted Members of the Committee shall form a quorum and, for purposes of statute, all elected and co-opted Members of the Committee are treated as Directors.

2.1.6 Election of Office-Bearers and Committee

The Office-Bearers and Members of the Committee, other than co-opted Members, are elected annually at the Annual General Meeting of the Club and, unless disqualified or ineligible for office under the Club’s Articles of Association, they hold
office until the next Annual General Meeting of the Club. The present Committee — elected at the AGM in May 2000 — comprises:- Jim Nicholson, President; David Gordon, Treasurer; Malcolm Mackay; Peter Buchanan; Jim Hastie; Gary Templeman; David McNeil; Kenny Harvey; David Stirling; Dr Alan Hutchison.

Members voting in the Election of Office-Bearers and Members of Committee have one vote for each such vacant position. Votes must be given personally and voting by proxy is not permitted.

2.1.7 Unpaid status of Office-Bearers and Members of Committee

The Office-Bearers and Members of Committee act as such on a voluntary and, therefore, unpaid basis. However, any Office-Bearer or Member of Committee is at liberty to contract with the Club and shall not be disqualified from office by reason of him/her having so contracted; and such Office-Bearer or Member shall not be bound to account to the Club for any profit which he may derive from the Club from his/her having so contracted with it, provided that at the time the contract is entered into he/she discloses his/her interest therein and does not vote in the matter.

2.2 Hampden, the Home of Scottish Football

Historical Background relevant to Re-development

The relationship with the Scottish Football Association (hereinafter called “S.F.A.”) under which Hampden built its identity as Scotland’s National Football Stadium (long before many of the public agencies involved in the latest difficulties had been created by Government) has always been based on a share of the ground rent. As a result, Q.P.F.C. as owners and managers of the Stadium have always been focussed on issues of stadium capacity; stadium quality; stadium safety. The S.F.A. were able to extract most of the benefits of commercial advertising and sponsorship from Cup and International fixtures. This has contributed to the growth of the organisation and its activities over the years.

Until the early 1990’s, the National Stadium, Hampden Park had been the preferred stadium in which to stage the “important” matches within Scottish football. Q.P.F.C., the S.F.A. and the Scottish Football League have enjoyed good relationships over many years and have maintained various agreements as to the level of ground rental paid by these bodies for the use of the stadium, very much based on usage and crowd levels.

2.2.1 Growth and development 1903 - 1970

The present Hampden Park is the third such stadium to bear that name. It was opened in 1903 and occupied a twelve and a half acre site. The first Scottish Cup Final to be played at the new Stadium occurred in April 1904 when Celtic met Rangers in front of 65,000 spectators, then the Competition’s largest gate.

While facilities at the Stadium gradually increased, the playing fortunes of Queen’s Park Football Club began to dwindle. However, large attendances at Finals and Internationals allowed Queen’s Park to invest further in their headquarters. In 1923, additional land was purchased, bringing the total acreage at Hampden Park to thirty-three and a third acres. In 1927, extra terracing added a further 25,000 places to the Stadium capacity.
Hampden Park reached its peak capacity in 1937 when the North Stand was built at the rear of the enormous terracing opposite the main stand. This new Stand added a further 4,500 seats in a total capacity of 150,000. From 1937 onwards, Hampden Park began to register almost every British attendance record possible:

- Scotland v England on 17 April 1937 attracted the highest official attendance ever recorded in Britain – 149,415, although at least another 10,000 were said to have entered the ground illegally.
- Aberdeen versus Celtic’s Cup Final a week later attracted the highest gate ever recorded between two Club sides. The attendance was 147,365 and it was reckoned that a further 20,000 were locked out.

In 1949, Hampden Park began to shrink and for safety reasons, the crowd limit was reduced to a mere 135,000. The Stadium was also becoming rapidly outdated. The terracing was in poor condition and ninety per cent of spectators had no cover. This was in part alleviated in 1967 when, to celebrate the Q.P.F.C. centenary, a large roof was built over the West Terrace.

**Summary of Hampden’s Growth and Development 1903 – 1970**

This was a period of mass spectator attendance at organised football. As the national sport in Scotland, Hampden created Scottish, UK and European records and hosted many memorable events, which reflected great credit on the nation. Over 130,000, mainly Scots, attended the 1960 European Cup Final between Real Madrid and Eintracht. Organised football remained primarily a sport rather than a business; tickets were sold at affordable price levels and ground improvements were funded from careful stewardship of the share of ground rent received by Q.P.F.C. This was all to change over the next 30 years.

**2.2.2 Remedial work to comply with Safety Legislation:- 1970 – 1992**

Between 1970 and 1992 the issues of safety legislation and Stadium Capacity dominated debates between Government, Q.P.F.C. and the Football Authorities in Scotland. By the late 1960s, Hampden Park was slipping into a state of serious disrepair and it was therefore no surprise when, after the passing of the Safety of Sports Ground Act 1975, Hampden’s capacity was reduced once more to 81,000. Queen’s Park had insufficient funds to improve Hampden further, building the West Terrace roof had placed the Club into debt.

Talks between the Club, the S.F.A. and Government representatives began in 1971 and culminated with the ‘shabby episode’ in 1981 when the then Government withdrew funding support from a re-development proposal at the last minute. This is described in detail in the extract from Chapter 17 of “The Hampden Story”, attached.

In 1981, the S.F.A. and Q.P.F.C. launched their own appeal and a national fund raising campaign began. Lord Wheatley, whose report on ground safety had formed the basis of the 1975 legislation, became Chairman of the appeal, which aimed to raise £2.2m. With the help of lotteries and private and public money, the appeal succeeded. In October 1981 the bulldozers finally moved in and the North Stand was demolished and the top tier of East Terracing was removed.
Over the next ten years, basic but important improvements to the ground were completed, costing the sum of £6m. These included concreting the original East, North and West ash and timber stepped terracings; Police building and ground control room; closed circuit television; turnstile monitoring systems and toilet and snack bar upgrading, all to comply with the latest legislation.

Summary of Hampden’s Decline 1970 – 1992

Mass spectator attendances were no longer possible due to safety concerns and changing social patterns. Fortunately, Hampden never experienced the dreadful tragedies, which occurred at Ibrox, Heysel, Hillsborough or Bradford.

Basic improvements were carried out on a gradual basis to ensure compliance with Safety Certificates – all funded by Q.P.F.C. – who became increasingly reliant on ad hoc decisions by the S.F.A. to channel additional revenue through share of commercial/sponsorship revenues as well as payment of ground rent at major fixtures.

2.2.3 1989: F.I.F.A. Pronouncement; “National Stadia must be All-Seated”

“No standing to be permitted at World Cup Qualifying matches”

• With the F.I.F.A. ruling – in the aftermath of the Heysel and Hillsborough tragedies – it was self-evident that major redevelopment would have to commence.

• Q.P.F.C. were aware that the FIFA ruling – and the re-development proposals – would mean that the S.F.A. would require to transfer all Internationals and Cup Finals, etc. to Ibrox or elsewhere – with the resultant loss in ground rent to Q.P.F.C.

2.3 Q.P.F.C.:- Revenue Streams and Trading Losses during the Stadium Re-development 1992 - 2002

The impact of ground safety requirements and diminishing ground capacities over the period of re-development had an obvious effect on the overall finances of Queen’s Park Football Club. Historically, the Club’s main revenue stream was derived from ground rentals received in respect of Cup Semi-finals, Finals and International matches played at the Stadium. These financial difficulties were further exacerbated by the fact that, during various stages of the re-development, no major matches were played at the Stadium. Accordingly, there were lengthy periods when the Club had to rely upon reserves to meet normal outgoings and to comply with necessary safety requirements. As can be seen from the table below through careful stewardship by the Club’s Committee, reserves of £1m had been accumulated to enable the Club to retain ownership of Hampden while the phased re-development began.
However, in the final analysis, the Club was required to contribute all its remaining reserves towards the funding gap and so at the end of the period of Administration April 2000, the Club’s reserves were effectively zero.

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</thead>
<tbody>
<tr>
<td>Ground Rental Income</td>
<td>305</td>
<td>556</td>
<td>584</td>
<td>245</td>
<td>4</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>Less: Ground Maintenance Rates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rates</td>
<td>83</td>
<td>96</td>
<td>144</td>
<td>145</td>
<td>91</td>
<td>67</td>
<td>69</td>
</tr>
<tr>
<td>Running Costs (net of other income)</td>
<td>50</td>
<td>30</td>
<td>157</td>
<td>216</td>
<td>73</td>
<td>22</td>
<td>16</td>
</tr>
<tr>
<td>Net Loss</td>
<td>(7)</td>
<td>(305)</td>
<td>(32)</td>
<td>(55)</td>
<td>(48)</td>
<td>(113)</td>
<td>(104)</td>
</tr>
<tr>
<td>Reserves</td>
<td>958</td>
<td>653</td>
<td>621</td>
<td>566</td>
<td>518</td>
<td>404</td>
<td>300</td>
</tr>
</tbody>
</table>

The reminder of this paper will explain how this happened but before doing so, we shall briefly explain the projected income/rental agreements entered into by the S.F.A. with Q.P.F.C./S.P.V., which became operational from May 1999 to March 2000.

The vision behind a successful re-development by the S.P.V. was that from May 1999 with the Phase II re-development obtaining a Safety Certificate, the revenue generation capability of the stadium would be significantly enhanced. Not only were the spectator facilities massively improved, the players and officials accommodation is second to none and the introduction of hospitality suites not only made the stadium more attractive for other events (e.g. European Cup Final in 2002), they also extended the opportunity for using the stadium beyond that of merely spectator events (conferences, dinners, weddings, promotional meetings, etc).

The facilities also include the Scottish Football Museum, Sports Injuries Clinic, Lecture Theatre and Media Facilities and extensive office accommodation on the 6th floor.

After much negotiation, Q.P.F.C., through the S.P.V. entered into an agreement with the S.F.A. that there would be a fixed annual rental of £1,100,000 for the use of the stadium, comprising £700,000 in respect of football matches to be played in the stadium and £400,000 in respect of the commercial rental of the office accommodation, sports injuries clinic and museum.

This equated to approximately half of the overall projected running costs of the stadium and along with the other commercial activities being undertaken, allowed the S.P.V. to demonstrate the viability of the stadium within the debenture prospectus (as required by the Financial Services Act).

This agreement provided a secure income for Q.P.F.C., no longer dependent on the attractiveness of the events being staged, or the price being charged for tickets.
2.4 A Brief Summary of the Involvement of O.P.F.C. in Proposals to Re-develop Hampden in 3 Phases between 1992 and 2004

- Phase 1: 1992 – 1994: North and East Stands; “All Seated Stadium”

The first major re-development programme is known as Phase 1 of the re-development and to this end, funding of £12m was secured through the Football Grounds Improvement Trust, HM Government and the S.F.A.

Phase 1 comprised the roofing over and seating of the East and North standing terracings, improvements to external approaches and landscaping, together with the seating of the existing West covered stand, with additional work to the South Stand to meet necessary safety requirements.

At the completion of Phase 1 of the re-development, the all-seated spectator capacity became 38,000 – East Stand 12,800; North Stand 8,900; West Stand 11,700 and 4,600 in the South Stand. The undetected gives details of the Phase 1 development:-

Main Contractor - Sir Robert McAlpine
Contract Period - 40 weeks
Start Date - 12 January 1993
Completion Date - 18 October 1993
Contract Value - £9.25m (excluding professional fees)
                    (£2.75m – fees + fixtures + fittings)
Grand Total - £12m (approx.)

Phase 1 Funding Schedule:

<table>
<thead>
<tr>
<th>S.F.A.</th>
<th>Football Trust</th>
<th>The Sports Council</th>
</tr>
</thead>
<tbody>
<tr>
<td>To 31/12/92</td>
<td>£672,000</td>
<td>£225,000</td>
</tr>
<tr>
<td>To 31/12/93</td>
<td>-</td>
<td>£6,319,000</td>
</tr>
<tr>
<td>To 31/12/94</td>
<td>-</td>
<td>£1,256,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£672,000</td>
<td>£7,800,000</td>
<td>£3,500,000</td>
</tr>
</tbody>
</table>

Note: The S.F.A. contributed £672,000 to Phase 1 of the Re-development and endorsed applications for support from the Football Trust. Such contributions were made to Phase 1 and 2 by the Football Trust, as follows:-

Phase 1: £7.80m
Phase 2: £7.00m

The foregoing outlines that Phase 1 of the re-development was delivered on time and within budget. All of the pre-planning; project delivery and adjustment of Final Accounts were carried out by Q.P.F.C. – without any “assistance” from a Special Purpose Vehicle. One Committee Member did fulfil a role as Stadium Director – under a consultancy agreement between Q.P.F.C. and his firm.
• Phase 2: 1996 – 2002: South and West Stands; “The Millennium Stand”

The second major re-development programme became known as Phase 2 and “in principle” funding commitments of the £38.45m were secured in March 1997 from a range of public sector funders, led by the Millennium Commission. The Football Trust, the Scottish Sports Council, the European Regional Development Fund, the Scottish Office, Glasgow Development Agency and the City of Glasgow Council all contributed to the original funding package – which was subsequently increased through complex negotiations to almost £46m in March 2000.

Phase 2 comprised the re-construction of the South and West stands to a standard consistent with F.I.F.A. and U.E.F.A. five star listing. It was proposed to include within the new Millennium Stand; office accommodation, a national museum of football, an all sports medical, research and rehabilitation centre and an international media centre. (Steps were to be taken to ensure that this ambitious project linked with the local community in the provision of facilities and activities within the stadium campus and the wider community adjacent to the stadium. Unfortunately, no proposals were developed by the S.P.V. for this important “community” element. Q.P.F.C. have made proposals to the Millennium Commission but they were rejected, once again, in late March 2000).

As a specific condition of Millennium Commission funding, under a Management and Licence Agreement entered into by Q.P.F.C. in December 1996, responsibility for this project was delegated to a Special Purpose Vehicle – a re-structured wholly owned subsidiary of Q.P.F.C. However, Q.P.F.C. only had 2 nominees on the 7 person Board. The other 5 places were filled by individuals acting as representatives of the S.F.A., the local authority and industry; whose identities had been approved by the Millennium Commission. They wished to ensure that implementation of the re-construction works; delivery of the complex financial package and the operation of the Stadium, once complete, was managed by a professional business focussed organisation; acting autonomously but on behalf of Q.P.F.C.

This phase of the project ran into difficulties although partial completion and a safety certificate for the stadium element was secured in May 2000. Effectively, the National Stadium became operational in late May 2000 with an all-seated spectator capacity of 52,000. The undeneoted gives details of the partial completion of the stadium element of the Phase 2 development:-

<table>
<thead>
<tr>
<th>Main Contractor</th>
<th>Sir Robert McAlpine</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Period</td>
<td>24 months (stadium element only)</td>
</tr>
<tr>
<td></td>
<td>30 months (stadium including office accommodation/museum)</td>
</tr>
<tr>
<td>Start Date</td>
<td>March 1997</td>
</tr>
<tr>
<td>Completion Date</td>
<td>May 1999</td>
</tr>
<tr>
<td>Contract Payments</td>
<td>£48m (excluding professional fees)</td>
</tr>
</tbody>
</table>

Grand Total: £58m (see funding schedules attached to this report)

Due to the financial difficulties encountered in 1999 – and the length of time taken to negotiate a financial settlement – essential pre-planning for Phase 3 of Hampden’s re-development associated with the re-development of Lesser Hampden have had to be postponed.

The vision of the club is for a re-development at Lesser Hampden, which would provide:

- An upgraded grass full-size playing pitch;
- A nationally recognised educational facility for providing coaching qualifications in football – with a new emphasis on youth and amateur qualifications;
- Indoor pitches in synthetic grass with a leisure facility, changing rooms and youth centre/community facility/café bar bistro;
- Board room for Q.P.F.C. and meeting/conference room/lecture theatre for Q.P.F.C. coaching staff;
- Community/social club for members/supporters of Q.P.F.C. and the local community of Mount Florida.

From the perspective of many members of Q.P.F.C., this is the most important element of the Hampden regeneration programme. We make no apologies for setting out the background to our youth and community development programme in some detail – and the extent to which this is supported by voluntary effort by a large number of ex-playing members and coaches of the club:

Q.P.F.C.’s motto ‘Ludere causa ludendi’ literally translated means ‘to play for the sake of playing’ and the principal purpose of the Club is to make the game of football available to as many players as possible. This is formalised in our Memorandum of Association, Section 3, which confirms our Club’s purpose to ‘establish and maintain amateur teams of football and other players’.

Q.P.F.C. has always seen itself as providing an opportunity for footballers to play at the highest level without relinquishing their amateur status. We continue to heavily resource our Youth Development programme to increase awareness and give youngsters the opportunity to learn and improve skills. In 1999/2000 Q.P.F.C. operate teams at under 12, 13, 14, 15, 16, and 18 with each having 3 qualified Coaches assigned and working with a player pool of around 20 per team. Girls’ football is also actively promoted as part of our Community Coaching Sessions; an under-age girls XI will be entered in competitions 2000/01 season for the first time. Personal conduct and discipline are promoted off field. While the First Team play matches at Hampden, our Reserves, Under 18’s and Under 16’s all play at Lesser Hampden. The St Mungo Playing Fields at Loretto, Bishopbriggs is home to our under 15’s and Under 14’s, while training facilities are let from Clydesdale Cricket Club, University of Strathclyde (Stepps) and at the Hutchesons Grammar School.

The club has continued its policy of signing as many players as possible on whatever registration forms that are appropriate to their individuals age level. 5 of the current Under 18 squad have figured regularly in the First Team squad with one in particular winning a Cap for and in fact being appointed Captain of the Scottish Schools Under 18’s.
The importance of Community involvement has never been under-estimated and Community Coaching Sessions are organised once per month on the first Sunday at Lesser Hampden. The sessions are open to all boys and girls between the age of 6 and 15 years of age and the Club Sponsors, Barrs Irn-Bru provide refreshments. The coaching, which is free of charge, is advertised locally and now attracts over 100 children who are instructed by our Qualified Coaching Staff. As a measure of the success, the Club has been awarded the S.F.A. Gold Youth Development Award over the last two seasons – an achievement not met by many Senior Football Clubs in Scotland.

Significant investment continues to be made for development and on-going training of Coaches. Much progress continues to be made with Coaches and their Support Staff all qualified. The structure is co-ordinated in direct liaison with an S.F.A. Senior Football Development Officer who oversees Training, Development and Courses available to our Coaches. Our Youth Development Officer monitors the activities and performance of the 20 Coaches at the Club.

In future, we would look to develop and improve the facilities available at the Club with particular emphasis on Amateur Youth Football and Community Participation. Accordingly, the re-development of Lesser Hampden to include indoor facilities in addition to a complete upgrading of the grass pitch, accommodation etc. is seen as of paramount importance. In conjunction with Glasgow City Council Education Department providing adjacent facilities, Q.P.F.C. hope to develop a Football Scholarship with local Educational Institutions. At Lesser Hampden, Q.P.F.C. hope to create a unique national Coaching Academy to encourage further development and qualifications for all Amateur Clubs in Scotland.

Q.P.F.C. had to cancel in August 1999 all negotiations and pre-planning briefs for the third phase of regeneration at Hampden. Planning permission for many of the facilities at Lesser Hampden has been extended by the City Council for a further 2 years. The future of Lesser Hampden which supports our Youth and Community Development network remains under threat.

3.1 Stage 1; Pre-planning


Throughout 1996, Q.P.F.C. were engaged in lengthy negotiations with both the Millennium Commission and other co-funders as to the project/purpose, grant conditions, construction programmes/timescales and issues to be resolved during the course of the project.

These negotiations were entered into by the General Committee of Queen’s Park F.C. with a committee member, providing consultancy services in his agreed role as National Stadium Director through his firm, East European Enterprises. The topic of consultancy services supplied by a Committee Member has attracted considerable media comment. From the perspective of Q.P.F.C., the original contract was negotiated by the Committee – with the member absenting himself from the discussions and decision. This contract existed from 1996 to 1 January 1999. Thereafter, the contract was re-negotiated by the S.P.V. with a restructured “A R Ltd” from 1 January 1999 to 31 December 2001. It was terminated on 31 March 2000 as part of the new management arrangements.

3.1.1 Site preparations and site investigation; safety certificate and decant accommodation at Lesser Hampden

The demolition of the old South Stand at Hampden was undertaken in September/October 1996 at an event attended by the then Secretary of State for Scotland. Prior to this, temporary office accommodation/club rooms and a basic upgrading of Lesser Hampden to provide a Safety Certificate for competitive senior football had to be undertaken by Q.P.F.C. It was agreed by the Commission that the costs of this decant accommodation and basic upgrading/safety work could be included by Q.P.F.C. within the project costs. Q.P.F.C. contained the costs for these works – including floodlighting repairs to under £700,000. This provided facilities for Q.P.F.C. for 3 years: office accommodation for the local MSP; for the Chair of the S.F.A. Independent Review Commission; for the Scottish Premier League; for the management team of the S.P.V. – as well as Q.P.F.C. Due to the delays in fitting out the office accommodation in the Millennium Stand, Q.P.F.C. applied and obtained an extension for this temporary accommodation for a further 2 years from the City Council.

3.1.2 Project purpose: broad aims and objectives

The Project Purpose as defined in the Millennium Commission’s Grant Agreement and supported by the other funding partners, was:-

- To complete the reconstruction of Scotland’s National Stadium to a standard consistent with F.I.F.A. and U.E.F.A.’s Five Star Listing;

- To include within the stadium, a National Museum of Football, an All Sports Medical Research and Rehabilitation Centre and an International Media Centre.
In addition, the Millennium Commission (M.C.) was anxious that the Project should link with the local community in the provision of facilities and activities within the Stadium complex and on a wider campus including sites adjacent to the Stadium. This was to be discussed with the City of Glasgow Council.

3.1.3 A £51m funding framework and grant income targets (1996)

Although problems of a “funding gap” and “cash flow issues” were anticipated in 1996, the financial framework and targets for the S.P.V. to attract funds for the Millennium Stand were clear, as were the construction programme and timescales:-

Q.P.F.C. was to provide the site and the Stadium in its current form, the Project funding was targeted in 1996 to be drawn from the following sources:-

<table>
<thead>
<tr>
<th>Source</th>
<th>£M</th>
<th>£M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Millennium Commission</td>
<td>23.00</td>
<td>38.45 or 75%</td>
</tr>
<tr>
<td>The Football Trust</td>
<td>5.00</td>
<td></td>
</tr>
<tr>
<td>The Scottish Sports Council</td>
<td>3.75</td>
<td></td>
</tr>
<tr>
<td>European Regional Development Fund</td>
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<td></td>
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<tr>
<td>The Scottish Office</td>
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<td></td>
</tr>
<tr>
<td>Glasgow Development Agency</td>
<td>1.60</td>
<td></td>
</tr>
<tr>
<td>City of Glasgow Council</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Private Sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debenture Issue</td>
<td>6.00</td>
<td></td>
</tr>
<tr>
<td>The Scottish Football Association</td>
<td>2.50</td>
<td></td>
</tr>
<tr>
<td>Heritage Lottery Fund/Private Sponsorship*</td>
<td>4.05</td>
<td>12.55 or 25%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>51.00</td>
</tr>
</tbody>
</table>

* Bid to Heritage Lottery Fund for £4 million was “underway” in December 1996.

3.1.4 Construction timescales (1996)

The Construction Programme was scheduled to take 24 months to obtain a Safety Certificate for the Stadium; with the office accommodation etc completed 6 months later.

It was intended that the Stadium must be operational as speedily as possible to permit the football authorities to re-instate their major sub-let games and tournaments. The final fit-out of office accommodation and other identified areas was to continue thereafter.

3.1.5 Compliance with Lottery Act

As a non-profit distributing company, limited by guarantee, Q.P.F.C. were able to negotiate a unique framework for attracting Commission Grants, which met the statutory requirements of the Lottery Act.

It is a condition of the Lottery Act that grants awarded by the Millennium Commission (M.C.) and other Lottery Funds should not benefit shareholders through an increase in asset values or through the distribution of profit. Accordingly, the major projects supported by the M.C. have had their assets transferred, in perpetuity, to Trust status as a condition of the awards.
3.1.6 Project delivery and future commercial viability delegated to a S.P.V.

Q.P.F.C. resisted this and offered, instead, to have the Project delivered (pre-ribbon cutting) and managed (post-ribbon cutting) through T.N.S. Whilst, for tax and legal reasons, Q.P.F.C. remains the recipient of all funds, Q.P.F.C. were bound through the Grant Agreement with the M.C. to delegate the necessary powers, authority and autonomy to the S.P.V. to allow it to meet its remit. Were Q.P.F.C. to renege on this commitment, an Event of Default would occur with the M.C. having the ultimate sanction of withdrawing its support and, indeed, reclaiming any grant already awarded.

The S.P.V. was to be created through a re-structuring and new management structure for The National Stadium plc (T.N.S.), a wholly owned subsidiary of the Queen’s Park Football Club Limited (Q.P.F.C.). The S.P.V. had been incorporated on 17 May 1995 but was re-named and re-focussed in late 1996.

Initially, the S.P.V. had been incorporated to provide a legally acceptable vehicle for the issue, promotion and administration of a Debenture Offer. That remit was broadened to include a management responsibility for the reconstruction works and future commercial viability of the National Stadium.

3.1.7 Approval of nominees to the new board of the S.P.V. by the Millennium Commission

In September 1996 7 members were accepted by the Commission as having the appropriate expertise to be invited to join the re-structured Board of the S.P.V.:-

2 Members of Q.P.F.C. – (our nominees were approved by resolution of the Q.P.F.C. General Committee on 7 October 1996);

2 persons nominated to act as representatives of the S.F.A.;

1 person to act as representative of the Finance Dept. of Local Authority (Glasgow District Council);

2 individuals to be nominated as representing Industry.

• Replacements were to be selected by the Board from the above categories with the Board of the S.P.V. being charged with responsibility for maintaining its strength/size at 7 members, drawn from the agreed categories, but the Commission retained the right to approve the specific identities of persons appointed as Directors of S.P.V., specifically the Chairperson.

The S.P.V. Board was charged with monitoring the implementation of the project according to the Project Purpose, as defined in the Grant Agreement between Q.P.F.C. and the Commission. The S.P.V. Board was to provide strategic guidance and members were to be called upon to assist, as appropriate, with specific elements of the scheme. Consultancy firms employing 3 individual Directors received fees for work carried out under these arrangements.
Management staff with appropriate technical, financial and commercial backgrounds would require to be appointed by the S.P.V. to ensure that the public/private inputs were delivered and that anticipated "cash flow" and "funding gap" problems were resolved.

The Millennium Commission, through the terms of the Grant Agreement, were the funding agency with responsibility for monitoring the performance of the S.P.V.

3.1.8 Management and licence agreements between Q.P.F.C. and the S.P.V.

These negotiations were concluded by Q.P.F.C. A set of Management and Licence Agreements were entered into by Q.P.F.C. with the restructured S.P.V. in August and December 1996 to the satisfaction of the Millennium Commission which confirmed the above framework – at the conclusion of the pre-planning stage.

The General Committee of Q.P.F.C. accepted that delivery of the re-construction project; responsibility for the operational management of the completed stadium and the negotiation of the complex financial package for a phase of re-development involving over £50m expenditure, required focussed expertise. A more business-focused S.P.V. had to be established to give the Commission and the co-funders confidence in the instruction/monitoring of both the reconstruction works; securing delivery of the financial package to targets and the subsequent operation of the National Stadium. To comply with the Commission’s Grant Conditions, Q.P.F.C. had to enter into Agreements, which put Hampden’s re-development and subsequent management under the control of an S.P.V., with wide powers for delivery of the project.

Q.P.F.C. assumed the roles of “grant recipient” and “debt collector” for “tax and legal reasons”. The Committee of Q.P.F.C. were aware of the terms of the Agreements with the S.P.V., so strict control and reporting arrangements were introduced. These were complied with until March/April 1999 and included:

- Copies of Board Minutes of the S.P.V.;
- Copies of monthly reports to the Commission;
- Questioning the Chair/Chief Executive of the S.P.V. at monthly General Committee meetings.

3.2 Stage 2: Re-construction Works and Delivery of the Financial Package

Monitoring Project Delivery by the S.P.V.

Expenditure on the Project was reported to both Q.P.F.C. and the Commissions' project monitor at Messrs Davis Langdon & Everest on a monthly basis until March 1999, with fully documented invoices and bank statements. In fact, these monthly reports were provided by the S.P.V. in name of Queen's Park F.C., as grant recipient. These reports included schedules reporting overspend. In terms of works packages alone, the overspend was estimated at £2.9m on 31 December 1998. Q.P.F.C. received copies of these monthly reports.

The Millennium Commission grant monies were almost fully advanced to the S.P.V. by March 1999. Thereafter the Millennium Commission and Q.P.F.C. received only summary figures and verbal reports.
"Discreet" Works Packages and Cost Ceilings set by Q.P.F.C. for the S.P.V

There has already been debate within the Scottish Parliament as to the control of re-construction costs in the Millennium Stand Re-development Management Contract. Controls were put in place. "Discreet works packages" were the recommended means of ensuring that individual re-construction elements could only progress as funds were guaranteed.

Following lengthy negotiations in 1996/97 and during 1998, the General Committee of Q.P.F.C. authorised that further works packages should be authorised providing always that the overall Project Costs did not exceed ceilings of £29.15m (3 March 1997) and £51.2m (7 December 1998).

Discussions took place with Q.P.F.C. as to whether these ceilings could be further increased as a result of sponsors' commitments totalling £5m in early 1999. Q.P.F.C. were aware, by that stage, of under-performance in other income generation activities and the Project Cost Ceiling set by Q.P.F.C., as principal or parent company, was not increased to the requested £56.2m.

Initial analysis of how problems arose and their funding implications

Q.P.F.C. had entered into the initial re-development phase in 1992 with almost £1m in reserves; we entered the 2nd phase with almost £5m in reserves. In early 2000, Q.P.F.C. regained management control of the S.P.V. in March 2000, debts of over £10m had been accumulated. An initial analysis by Q.P.F.C. of some of the contributory factors is now provided:

3.2.1 Delays in grant approvals: impact of delays on date of stadium completion (over £1m)

The demolition of the former South Stand commenced in September 1996 as the initial stage of the project. Officers in the funding agencies – who accompanied the Secretary of State and the Earl of Dalkeith at the Opening Ceremony – failed to agree funding arrangements until March 1997. The main reconstruction works programme did not commence until April 1997.

The delays in concluding funding agreements, illustrated lack of understanding and commitment to address the inherent risks in the project of the other parties involved.

While the Millennium Stand was under demolition/site investigation and reconstruction, there was no possibility of attracting ground rent for major football or other events. Due to the scale of the re-development, there was a minimum of 2 years 3 months construction period – excluding the office fitting out works. (These were not essential to obtain a Stadium Safety Certificate and were always envisaged as a separate final works package).
Q.P.F.C. were anxious to adjust a construction timetable which would have ensured stadium completion by end December 1998 – with the Safety Certificate and new rating liability, operational from end March 1999. This would have generated income from the Scottish Cup Semi-Finals – as well as the Final in 1999. In fact, the Stadium Safety Certificate was only issued in late May 1999 – one week before the Scottish Cup Final. The cost penalties of achieving the Certificate were considerable.

(The delays should be contrasted with the approval, appraisal and payment arrangements achieved by the Scottish Executive in late March 2000, when the financial package to implement the new management arrangements with the S.F.A. were settled within 7 days of conditional offers being issued).

3.2.2 Over-spend on construction costs (over £7m)

With the Arrestment Notice having been served by the main Management Contractor in July 1999, it was evident that decisions had been taken by (or on behalf of) the S.P.V. to commission re-construction works in excess of the £51.2m cost expenditure ceiling set by Q.P.F.C.

An initial assessment in early August 1999, undertaken by the S.P.V. projected the overspend on re-construction works at £8.65m made up of the following elements:

1. Site Preparation

   Price inflation due to delay in site start  0.8
   Landfill Tax  0.3
   Escalators  0.6  1.7m

2. Works to Obtain Stadium Safety Certificate

   National Safety Guidelines (Fire Exits)  1.0
   North and East Stands (Essential Works)  0.6  1.6m

3. Enhancements to Meet U.E.F.A. 5 Star Listing

   Camera Positions; Media Facilities; Players Changing Accommodation  0.6
   Level 7  0.2
   Track and Pitch Upgrade  1.1  1.9m

4. Additional Works/Costs to Complete by May 1999

   Special Measures by Main Contractor  1.8
   General Works by other Contractors  1.35  3.15m

5. Design Team; Additional Services

   Additional Professional Fees  0.3  0.3m  8.65m

The initial settlement of the claim with the main contractor was agreed in October 1999; this was subject to further amendment due to the changes in financial settlement arrangements agreed in March 2000.
For accounting purposes, the final over-spend on actual payments attributable to the re-construction works is now estimated at £7m.

Since late March 2000, Q.P.F.C. have been seeking a meeting with the Commission, as lead funder of the re-construction element of the project, as to why there were no grants or loans from the Commission advanced to meet the additional costs and the capital over-spend items under 1, 2, 3 and 5 which had been identified in 1997 (item 1) and August 1999. These were the subject of an application for additional grant/loan funding in July 1999.

3.2.3 Under performance of debenture scheme (over £4m)

This figure should be treated as “confidential” to the Committee. Q.P.F.C. can expand, if necessary, in a detailed supplementary but confidential schedule.

3.2.4 Shortfall in income from identified sources (over £1m)

The final element of the 4 negative factors, which contributed to the project-funding deficit, arose from:-

- The failure of the Project to secure grant funding for the Scottish Football Association Museum Trust from the Heritage Lottery Fund. (There appears to have been a breakdown in communication between the S.P.V. and the Trust, leading to a failure to agree responsibility for progressing the Application).
- The failure of the Project to secure payment from the S.F.A. of “sponsorship” monies of £.5m identified in the 1996 funding framework.

3.2.5 Positive performance but uncertain funding implications

On the positive side, sponsorship targets were met or exceeded; loan facilities were secured from Banks; and the Stadium was operational. Unfortunately, financial and accounting systems had not been developed within the S.P.V. by May 1999, which could cope with the complex inter-action of new business activities – while managing difficult business relationships with Co-funders.

Stage 3: Prolonged Negotiations to Secure Additional Grant Commitments of £5.75m (January 1999 to March 2000)

3.3.1 Determining the “Funding Gap” (i.e. the project funding deficit)

In adjusting the project remit with the S.P.V. and Millennium Commission in 1996, all parties were fully aware of the risks of a funding gap arising – and the likelihood of cash flow problems emerging – unless the project was efficiently managed.

Between January and July 1999, discussions on the forecast overspend and project deficit took place between the S.P.V. and the Millennium Commission; culminating in a meeting convened by the Millennium Commission with all of the co-funders on 27 July 1999. Further meetings in August and September 1999 focussed on the scale of the “project funding deficit”, which was finally “agreed” at £6.2m between the S.P.V. and the Co-funders – plus the settlement figure with the main contractor and the costs of the office fitting-out.
3.3.2 The Impact of events in July 1999

As frequently occurs, the distant and relaxed nature of discussions between January and July, 1999 were overtaken by a series of events:

- The serving of an arrestment notice upon the bankers to both Q.P.F.C. and the S.P.V. by the main management contractor, attaching sums due up to a claim of £3.5m.

- Responses to the cash flow crisis within the S.P.V., which damaged relations with Co-funders, Lenders and Q.P.F.C.

- Adverse media comment and criticism.

3.3.3 Responding to the July 1999 “crisis”; independent and confidential appraisals by consultant teams on behalf of “co-funders”

Following the meeting of “co-funders” in late July 1999, they agreed, at their expense, to commission an independent investigation by “the consultants”; Deloitte & Touche, Currie & Brown and Shepherd & Wedderburn.

- Deloittes reported to the Millennium Commission that they had found the project management to be:
  - PRODUCT DRIVEN rather than COST DRIVEN;
  - Insufficient attention devoted to securing the resources required to complete all the works.

- The consultants examined the viability of the stadium operation in the longer term. The co-funders were satisfied that there was a viable business there, so long as it did not have to service an unduly high level of debt incurred on the construction phase of the project.

In principle, all of the parties, including Q.P.F.C., S.P.V. and the S.F.A. and all of the co-funders – became committed to a “work-out solution” during discussions in August and September 1999. Problems arose in the detail; but also different parties were committed to different workouts.

3.3.4 Dundas & Wilson Trust Fund to avoid risks of both Q.P.F.C. and S.P.V.
trading insolvently

The co-funders in September 1999 did acknowledge the trading difficulties and problems being experience by both Q.P.F.C. and T.N.S. Cash flow problems were being experienced and access to trading finance was required to retain solvency. However, rather than making additional loan or grant commitments in response to the July 1999 Application, a decision was taken by the Millennium Commission to divert £250,000 of their £300,000 final project grant payment to a joint Trust Fund set up in the name of Dundas & Wilson, the solicitors to both Q.P.F.C. and the S.P.V. The professionals operated this account from October 1999 to 10 January 2000 “to pay consultants as well as other creditors” – according to the MC.
3.3.5 Conditional offer of additional grant commitments on 1 October 1999
£4.55m – new proposals led by the Scottish Executive

In a letter of 1 October 1999, the co-funder’s solicitors confirmed the conditions, which attached to an additional grant commitment of £4.55m as a public subsidy contribution towards the acknowledged project-funding deficit. These conditions were:

- a final and agreed estimate of the out-turn costs for the project and evidence of 100% funding to complete;
- a new structure for the management and governance of the Stadium (the preference of the co-funders being that the S.F.A. should play a key role);
- a business plan, which has regard to the position of the S.F.A. and is robust and demonstrates that the Stadium is viable as a going concern that secures the project purposes.

There are some interesting issues raised by the in-principle grant letter, which merit examination at the Inquiry:

- The proposed split of contributions amongst the co-funders:
  - Scottish Executive 2.15
  - Millennium Commission 1.20
  - Sport Scotland 0.50
  - Glasgow Development Agency 0.50
  - City of Glasgow Council 0.20

  £4.55m

- Q.P.F.C. through the S.P.V. – were also to contribute £1.4m of unsold debentures in the settlement with the main contractors. The Inquiry will note the extent to which the Scottish Executive had adopted a leadership role in enforcing the new management and governance arrangements – taking over from the Millennium Commission.
- The lack of clarity on structural issues, timescales and the nature of S.F.A.’s involvement in the new arrangements.

In retrospect, it could have been anticipated that the ensuing negotiations would have been fractious and unlikely to result on a negotiated settlement. Again, the “real world” also intervened with a couple of interesting events:

- The Scotland v England Euro 2000 Play-off match in mid-November 1999 – held at Hampden;
- The City of Glasgow Council “broke” from the loose grouping of co-funders to progress an Alternative Business Plan involving the S.P.V. and the Royal Bank of Scotland.

By mid-December 1999, no firm grant offers had been received by Q.P.F.C. from any of the co-funders. Each of the 2 groupings advocating the merits of their preferred work-out solutions were becoming more entrenched. The Dundas & Wilson Trust Fund was diminishing. On the positive side, a settlement had been agreed with the main Management Contractor. On the negative side, the S.P.V. had incurred more costs in a second unsuccessful launch of the Debenture Scheme.
(In the Ministerial Statement to the Scottish Parliament, in December 1999, Q.P.F.C. obtained clarity on the co-funders 2 specific uses for the additional grants of £4.55m.

- Payment towards the additional re-construction works of £3.4m.
- Conversion of underwriting of debenture scheme to a term loan with a £1m grant payment to Royal Bank to convert the underwriting facility of over £4m to a Term Loan of £3.4m.

It can only be assumed that the Executive and the Scottish based funding agencies were contributing towards the re-construction element, with the Millennium Commission contributing towards the re-structuring of Debenture Finance. The written submissions to the Inquiry from the Minister and the Commission will clarify).

3.3.6 Failure of negotiations between S.P.V. and S.F.A. – petition by Directors of Q.P.F.C. for court to appoint Administrators

Q.P.F.C. were increasingly cautioned by our legal advisors on our responsibilities as Directors of the Club as regards the position of creditors.

In early December 1999, the City Council work-out solution was proposed to Q.P.F.C. by the Chairperson and the professional advisors of the S.P.V., which had the potential to satisfy the requirements of the creditors, did not require public funding and did not involve a change in governance of the stadium, thereby having the potential to significantly reduce the level of fees and outlays required to effect settlement, relative to the S.F.A. deal. This was legally complex and expensive to implement due to the conditions placed by the co-funders. There were, however, many aspects of this proposal, which required further analysis, to be undertaken by the S.P.V. in the continuing period (without prejudice to other on-going negotiations). Accordingly, the S.P.V. was to remain out of Administration in the meantime.

In early January 2000, Q.P.F.C. considered that there was agreement in principle on most aspects of the S.F.A. deal. In the view of Q.P.F.C., there remained 2 main sticking points, as follows:-

- The bank was insisting on a variable rate loan. Since Q.P.F.C.’s primary income was essentially fixed for at least 20 years, this would provide no leeway for Q.P.F.C. to service any increased interest payments should interest rates go up (as in fact they subsequently have);
- The proposed Framework Agreement created a situation where the Directors of Q.P.F.C. would become personally liable for £1.25m funding to the S.F.A. if, for whatever reason, a sponsor did not pay the final installment of their sponsorship agreement. Indeed, Q.P.F.C. were very strongly advised by our legal advisors that if we were to agree to such a condition which could not be fulfilled then we, as Directors, could be found personally liable.

Q.P.F.C.’s Committee were very strongly cautioned by our legal advisors that we had, by now, run out of money and could not continue to trade legally without the protection of the court. To continue to trade “as normal” also ran the (perceived) very real risk that any creditor could put us into receivership and by doing so would instantly terminate the existence of Q.P.F.C. as a Senior Football Club through cessation of our league and S.F.A. membership.
Given these circumstances, Q.P.F.C. took the decision on 7 January 2000 to petition for joint administrators to be appointed.

Q.P.F.C. Directors considered that this was the only route available which would protect the Club but still allow the continuing negotiations the necessary time to solve the outstanding issues and achieve a workable conclusion to each of the potential solutions under consideration.

Accordingly, with the absence of any agreement as to how to resolve the funding gap, no agreement on the "contingent liability" for fitting out the office accommodation on level 6 and the alternative options for rescue deals being proposed by T.N.S./City of Glasgow Council and S.F.A./Scottish Executive, Directors of Q.P.F.C. decided to petition the court to have two Administrators, Gordon Christie and Iain Watters – both partners in Arthur Andersen, appointed under an Administration Order.

Q.P.F.C. were advised by the Joint Administrators that the approach they adopted upon taking up appointment was as follows:-

- To assess the current financial positions of both Q.P.F.C. and S.P.V.;
- To understand the S.F.A. deal and the discussions prior to their appointment and assess the financial and other imports;
- To consider what options were available;
- To implement the best option, taking all of the relevant circumstances into account.

On 16 February 2000, the joint Administrators were advised by Glasgow City Council that their work-out solution could no longer be progressed.

On 24 February 2000, the joint Administrators wrote to the Minister advising that unless additional funding was available, the S.F.A. deal would be impossible to progress.

On 28 February 2000, confirmation of the conditions upon which an additional £600,000 grant would be made available from the Scottish Executive was announced by Press Release and follow-up letter from the co-funders solicitors.

Q.P.F.C.'s Committee were advised by the Administrators legal Advisors, that there still seemed no option other than placing the S.P.V. into Administration.

On 2 March 2000, a Q.P.F.C. initiative regained management control of the S.P.V. for Q.P.F.C. and a petition for appointment of further Administrators was avoided.

Confirmation from the Scottish Executive and the City Council of additional funding of £1.2m (in addition to the £4.55m originally offered by the co-funders) was obtained on 28 February and 6 March 2000. A more robust and pro-active approach to negotiations was adopted by a new Q.P.F.C./T.N.S. negotiating team emphasising the urgency in meeting the revised conditions and timescales:-

- That the funding gap be bridged;
- That a new management structure for the stadium operation be put into place involving the S.F.A.;
- That there was a viable business plan for the stadium; and
• The deal was effected by 17 March 2000. This date was subsequently extended to 31 March 2000. (Due to the complexity of the legal transactions associated with the S.F.A. deal).

3.4 New Financial and Management Arrangements (Stage 4: March – June 2000)

Q.P.F.C. survives; accepts risks and over £5m debt to secure additional grants of £5.75m by 31 March 2000

Detailed negotiations resulted in each of the essential conditions being met, approval of the proposed settlement being obtained at a creditors’ meeting on 29 March 2000 and contracts and agreements being exchanged in principle on 31 March 2000 with completion and the financial settlement following late on 3 April, although the transfer date was effective at 31 March 2000. The Club’s solicitors approached the Court on 4 April to have the Administrators discharged (removing the protection of the Club by the Court due to our return to solvency), although the Administrators will not be formally released until their financial accounting is finalised in approximately 2-3 months time.

The framework for re-building Queen’s Park F.C.

The President and Committee of Management of Q.P.F.C. have reported to our members that the Administrators of the Club have – with the agreement of the Directors, the creditors and co-funders – transferred management of the National Stadium at Hampden, Glasgow to the S.F.A. under a 20 year lease agreement with a further 20 year option.

This has involved complex and prolonged negotiation. We are grateful for the patience and support of our Members, players and supporters and a number of private and public sector partners involved in the implementation of the South stand phase of re-development at Hampden.

We acknowledge speedy payment of the additional financial support totalling £5.75m provided by a range of organisations; The Scottish Executive, the Millennium Commission, Glasgow City Council, Glasgow Development Agency and sports Scotland.

The President and the Committee of the Club are unanimous in their view that the new management arrangements and financial settlement do provide a basis whereby the rebuilding of Queen’s Park F.C. can commence. From a Q.P.F.C. perspective, key aspects of the new management agreements are:-

• Ownership of both the National Stadium and Lesser Hampden remaining with Q.P.F.C. – but Q.P.F.C. are taking responsibility for repayment of over £5m term loans from the Royal Bank and Sovereign Finance;
• The S.F.A. have a 20 year repairing and insuring lease – obliging them to substantially maintain the stadium in its present condition (not a full repairing obligation) – with a 20 year further option;
• £200,000 per annum – index linked and payable quarterly in advance – is the base rent which will be payable directly to Q.P.F.C. in each of the next 20 years; (the balance of additional rent of £600,000 payable in the first 10 years will be used to service the Term Loans and thereafter will be required for the S.F.A. to build up a Re-furbishment Reserve held by the S.F.A.);
• The National Stadium plc will become a shell operation responsible solely for the marketing and administration of the debenture scheme; with active support from the S.F.A. and Royal Bank of Scotland;

• Q.P.F.C. having use of the National Stadium for our home fixtures in Scottish football – with access to office accommodation on Floor 6 – essential to maintain our administrative structure as the next phase of development at Lesser Hampden commences, hopefully, within the next 2 years.

Q.P.F.C. has considerable additional administrative and financial functions to fulfil over the next 6 months as a result of the detailed financial settlement. We are liaising closely with our own auditors to ensure that the essential financial and management accounting functions are efficiently executed on behalf of Q.P.F.C/T.N.S. We shall work efficiently and effectively to rebuild the credibility and future of Q.P.F.C.

Q.P.F.C. will report on the “fees/costs associated with the introduction of the new management arrangements” in our oral evidence and perhaps a supplementary written submission, as this remains an issue under active consideration.
4. THE ROLE OF AND FUNDING BY PUBLIC AGENCIES, 1996 – 2002

4.1 Grant Commitments Secured for Phase 2 (1996)

The initial Board Meeting (21 November 1996) of the re-structured S.P.V. considered a paper, which set out the anticipated funding contributions as follows:-

- **The Millennium Commission**, up to £23 million: Grant Agreement has been signed and money is ring-fenced;
- **Football Trust**, £5m: Agreement is in place, contributions will be drawn down in monthly tranches;
- **The Scottish Sports Council**, £3.75m: Agreement has still to be signed but the Council has agreed to all amendments suggested by Club’s solicitors;
- **European Regional Development Fund**, £2.1m: Confirmed and will be routed to the Club via the Scottish Football Association Museum Trust;
- **The Scottish Office**, £2m: Formal announcement of aid has been made; grant agreement has yet to be signed but is in final draft form with no apparent problems;
- **Glasgow Development Agency**, £1.6m: Formal announcement of aid has been made; grant agreement has yet to be signed but is in final draft form with no apparent problems;
- **City of Glasgow Council**, £1m: already received;
- **The Scottish Football Association**, £1m: already received; further £1m for office fit-out and £0.5m through sponsorship;
- **Seat Debenture Issue**, £6m: still to be launched;
- **Heritage Lottery Fund**, £4m: bid under preparation.

4.2 Difficulties Anticipated in 1996 in Delivering the Financial Package

In November 1996, Q.P.F.C. identified for the new Board and management structure of The National Stadium Company plc, a note of issues to be addressed and these included:-

**Funding Gap (1996)**

A funding gap has arisen due to a shortfall in the offer recently received from the European Regional Development Fund (E.R.D.F.). A bid for £4m was rejected and the project received an award for £2.1m. The intention is to match the gap with an award from the Heritage Lottery Find. A proposal is being drawn together and a meeting has been arranged with the Fund’s senior management in London on 12 December 1996.

Throughout the Programme, efforts must continue to raise new and additional funds from a number of private and public sector sources.

**Cash Flow (1996)**

Cash flow remains an issue still to be resolved. It is a function of the grant agreements from each of the funding partners. Currently, those from The Scottish Sports Council, The Scottish Office and Glasgow Development Agency remain outstanding, although in final draft form.
The concern is that the Project's major costs (for professional fees, piling steelwork and concreting) are incurred early in the Programme whilst some, at least, of the funding will only be available later in the two-year term. To be helpful, The Millennium Commission (M.C.) has relaxed its strict 50:50 funding criteria to 69.31% on the early stages. Despite this, any further shortfall is likely to require a banking facility, which will be determined, once the figures are known.

The problems, which arose in 1999, were readily foreseeable – and had been identified as risk factors by Q.P.F.C. as the pre-planning and grant negotiations were brought to a conclusion in late 1996.

4.3 Certified Financial Schedules from Q.P.F.C. to Assist with Analysis of Delivery of Financial Package

In April 2000, Q.P.F.C. commissioned our Auditors, Messrs Hardie Caldwell to prepare a set of Financial Schedules to assist with this Submission. These are attached to this Submission and provide the following information.


Schedule 2 Costs of Millennium Stand Project.

Schedule 2a Detailed Summary of Professional Fees capitalised as project costs.

Schedule 3 Analysis of Income for Project and Fund Utilisation

Schedule 4a Funding Breakdown for the Reconstruction of the National Stadium

Schedule 4b Public Sector Funding Breakdown of Phase 2 Millennium Stand.

Schedule 5 Summary of Out-Turn in December 1999 against the Targets set in November 1996
Summary of Financial Settlement Funding and Total Funding.

As a result of our on-going relationships and negotiations with a number of the Agencies involved in the National Stadium Phases of Hampden’s re-development, we would prefer to make a presentation to the Inquiry on this aspect of our initial Written Submission. Q.P.F.C. are preparing further tables and charts on these issues to assist the Committee in its deliberations.
5. FUTURE VIABILITY ISSUES: THE S.F.A. AND THE NATIONAL STADIUM (PART OF HAMPDEN) AND Q.P.F.C.

There are a number of “viability” linked issues, which Q.P.F.C. suggest are considered by the Inquiry:-

5.1 Stadium Design and Atmosphere

The National Football Stadium at Hampden has been designed to achieve a different atmosphere from that which is generated elsewhere. In terms of stadia designs, the new Hampden is the only stadium in Glasgow to have retained the traditional “shallow bowl”. Members may wish to refer to the extract from Simon Inglis publication, “The Football Grounds of Europe (1990)”. Whether this produces an atmosphere in the new century which encourages great performances by competitors, as was witnessed, in the last century remains to be proven.

5.2 Hampden – The Home Venue for Q.P.F.C.

The National Football Stadium is to remain the home venue of Q.P.F.C. 1st XI.

In Scotland our oldest and most unique Senior Football Club will still have the benefit of offering our country’s best unpaid football players the opportunity to play at Hampden in every competitive Home Fixture. Q.P.F.C. have numerous suggestions as to how this could be developed over the next few years – to ensure that our local south side neighbourhoods, the wider Glasgow and Scottish Community are encouraged to visit the National Stadium and learn about the history and traditions of their National sport. To date, these proposals have fallen on “deaf ears” – or a classic “pass the buck” response from the Millennium Commission. Again, Q.P.F.C. would be glad to provide some ideas for community participation as part of our oral evidence.

5.3 Annual Targets for Competing Uses of the Stadium

It must be remembered that the completion of the Stand (for football events) in May 1999 resulted in a MAGNIFICENT NEW NATIONAL FOOTBALL STADIUM at Hampden, as summarised in the programme for the inaugural Scotland v France game on Wednesday 29 March 2000 (full extract attached).

“In 1996, the re-development of the South Stand at Hampden finally became the Millennium Commission’s chosen Landmark Project for Scotland, not least because of the central place in football history held by Hampden’s owners, Queen’s Park. Though Government and other money has gone into the re-building of Hampden Park, the bulk has come from the Millennium Commission.

The National Stadium now enjoys a five-star rating by football’s European governing body, UEFA. What that means is that it now qualifies as a venue fit for top-ranked football tournaments, a status already recognised by the awarding of the 2002 Champions League final.
The centrepiece to the new National Stadium is the new South Strand, standing some six stories high, accommodating 17,500 spectators and including a 52-metre cantilever roof. Soon, it is expected the stadium will be home to a sports medicine centre and a museum of Scottish Football which, until recently, has been taking up temporary residence at Glasgow's Museum of Transport. An underpass enables teams, officials, VIPs and emergency crews into the heart of the stadium with the minimum of difficulty.

Modern media facilities help guarantee that whatever happens at Hampden, the world soon knows about it."

Q.P.F.C. are in no doubt that the new facilities can be managed successfully in a way which meets:

- Financial targets
- Commercial targets;
- Visitor targets;
- User targets.

Providing always that risk factors associated with International Football and Scottish Cup Events/Fixtures are recognised – and a long term view is taken by Hampden Park Limited.

However, this is the business of Hampden Park Ltd. Q.P.F.C. understand that only the City Council of the co-founders have sought appointments on the Board of the S.F.A. wholly owned subsidiary as a condition of grant contribution to the financial settlement.

Q.P.F.C. await with interest, the findings of the Inquiry regarding the management control of this latest Special Purpose Vehicle – leaning lessons hopefully, from the structure that was imposed by grant condition upon Q.P.F.C. Again, we shall be glad to give further views in oral evidence.

5.4  Q.P.F.C. as Owner/Head Landlord – Legal Framework

Finally, from a strictly Owner/Head Landlord perspective, we set out for the Inquiry, the legal structure which is set by the Framework Agreement for our new relationship with the S.F.A.

5.4.1  Termination of Existing Contracts: New Framework from 31 March 2000

As part of the proposals to address the financial and contractual problems, which arose in the Millennium Stadium phase of re-development, the parties negotiated a new framework for the entire National Stadium element of the Hampden complex, which became effective from 31 March 2000.
The following is a brief summary of the arrangements:-

5.4.2 **Former S.F.A./T.N.S. Agreements Terminated**

The Framework Agreement, the Lease and the Sub-Lease supersede in their entirety the Stadium Licence Agreement, the General Agreement and the Profit Sharing Letter entered into with the S.F.A. in 1998. This means that the rental arrangement of £1.1m per annum previously agreed by the S.F.A. in these documents terminate completely and are now replaced by the rental payable under the Lease, a base rent of £200,000 per annum index-linked but £800,000 for the first 10 years. As part of these arrangements, the Management Agreement and the Licence Agreement entered into between Queen’s Park and T.N.S. terminate. T.N.S. remain as a subsidiary of Queen’s Park but its only purpose will be to continue to issue debentures to raise funds.

5.4.3 **The Agreements between Q.P.F.C. AND S.F.A.**

1. Queen’s Park, T.N.S. and the S.F.A. have entered into a Framework Agreement. This is the document which deals with the transfer of the Stadium business to the S.F.A. with effect from 31 March 2000 “transfer date” and sets out the terms of the ongoing contractual relationship between Queen’s Park and the S.F.A. (with the exception of the lease of the Stadium which will be dealt in the lease agreement).

2. Lease of the Stadium – under this document, Queen’s Park grant a repairing and insuring Lease of the entire Stadium to the S.F.A. for the period of 20 years with the option of the S.F.A. to renew that Lease for another 20 years.

3. Sub-lease missives between the S.F.A. and Queen’s Park – under this document the S.F.A. agree to sub-lease to Queen’s Park certain agreed office space to be constructed on Level 6 in the new South Stand of the Stadium.

4. Reciprocal Rights; The National Stadium and Lesser Hampden

The reciprocal rights due by the S.F.A. to Queen’s Park and due by Queen’s Park to the S.F.A. are one of the most important parts of the Agreement to Queen’s Park. The text of these reciprocal rights has been the subject of lengthy negotiations between Queen’s Park, the S.F.A. and their advisers. Queen’s Park are given the right to use the Main Stadium for all home fixtures in the existing Scottish Football League/Cups in which they participate – and any successor or replacement organisations. S.F.A. get certain access rights to Lesser Hampden which remains in Q.P.F.C. ownership – and outwith the Stadium Lease Agreements.

5. Stadium Employees and Responsibilities for Maintenance Plant/Equipment

Because the S.F.A. are taking over the business of running the Stadium, they have agreed to take on responsibility for all employees involved in running the Stadium. Queen’s Park will, however, be left with a small core of essential employees. The aggregated employment costs of those transferring were under £250,000 per annum. So the S.F.A. have budget availability for a further senior appointment.
5.4.4 **Duration**

The initial duration of the Lease is 20 years, only the S.F.A. have the option to extend it for a further period of 20 years, making the potential duration of the Lease 40 years.

5.4.5 **Repairing Obligations**

The repairing clause in the Lease is not full repairing. The repair clause was subject to lengthy and detailed discussions and as a result of which the repair clause in its present form is unusual and involved. Essentially, the S.F.A. are obliged to maintain the Stadium in good substantial and tenantable condition and repair irrespective of the cause or damage but they are not obliged to repair or maintain or renew defect in the Stadium occasioned as a result of an inherent defect in the Stadium, except where that inherent defect is actionable under the construction documents assigned to the S.F.A.

In addition to the foregoing, the S.F.A. are only obliged to maintain the Stadium in its present condition only from the date of entry through to the fifth anniversary of the date of entry. One of the difficulties with this sort of obligation, is the lack of precision and evidence of what is the present condition of the Stadium. The S.F.A. have, however, agreed to instruct a "marching in" inspection of the Stadium within 7 days of the entry date through MPM Capita who will produce a record of the condition of the Stadium at that time by means of photographic/video evidence. The S.F.A. will undertake this inspection at their own cost and they are agreeable to a representative of Q.P.F.C. being in attendance during such inspection. It does provide the S.F.A. and Q.P.F.C. with evidence as to the present condition of the Stadium should there be any dispute at a later date.
6. **KEY ISSUES FOR THE INQUIRY**

The Committee will appreciate that there have been significant efforts made by Q.P.F.C. – as a voluntary sector organisation (with very limited financial resources) to compile this Initial Submission.

Q.P.F.C. trust that it helps inform recommendations on the following key issues:-

6.1 The performance of funding agencies and the Scottish Executive in the following aspects of the Hampden re-development:-

- Re-construction works for Phase 2 – The Final Accounting;
- Q.P.F.C.; trading deficits and reserves 1992/99;
- Fees and costs incurred by Q.P.F.C./S.P.V., the S.F.A. and the co-funders in establishing new management arrangements;
- Community participation and Lesser Hampden re-developments.

6.2 Ensuring efficient and effective management by Special Purpose Vehicles set up/re-structured to comply with grant conditions set by funding agencies; and the subsequent monitoring and supervision.

6.3 The purpose, remit and timescale for a multi-agency Regeneration Task/ Management Force based on Hampden, Glasgow and its adjacent neighbourhoods on similar lines to the high profile and heavily subsidised projects in Holyrood, Edinburgh and Greenwich, London.
The Queens Park Football Club Limited

Parliamentary Enquiry

Schedule 1 - Statement of Club Reserves from 1 January 1992 to 31 December 1998

Sources: Club audited accounts for respective years

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<td>Ground Rental Net Income</td>
<td>305</td>
<td>0</td>
<td>556</td>
<td>584</td>
<td>245</td>
<td>4</td>
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<td>Less: Ground Maintenance</td>
<td>83</td>
<td>96</td>
<td>144</td>
<td>145</td>
<td>91</td>
<td>67</td>
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<td>Rates</td>
<td>50</td>
<td>30</td>
<td>157</td>
<td>216</td>
<td>73</td>
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<td>Running Costs</td>
<td>179</td>
<td>179</td>
<td>287</td>
<td>278</td>
<td>129</td>
<td>28</td>
<td>42</td>
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<td>(net of other income)</td>
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<tr>
<td>Net Loss</td>
<td>(7)</td>
<td>(305)</td>
<td>(32)</td>
<td>(55)</td>
<td>(48)</td>
<td>(113)</td>
<td>(104)</td>
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<td>Reserves</td>
<td>958</td>
<td>653</td>
<td>621</td>
<td>566</td>
<td>518</td>
<td>404</td>
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This schedule is the schedule referred to in our letter of 25 May 2000

Hardie Caldwell

26 May 2000
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<thead>
<tr>
<th>Description</th>
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<tbody>
<tr>
<td>Decant cost - Office/Members accomodation</td>
<td>594,974</td>
</tr>
<tr>
<td>Principal contractors fees</td>
<td>48,027,208</td>
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<tr>
<td>Project consulting engineers</td>
<td>3,451,278</td>
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<td>Project quantity surveyors</td>
<td>549,618</td>
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<td>Planning supervisor/Minor design team fees</td>
<td>144,016</td>
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<td>SPV Salaries &amp; sundry expenses</td>
<td>563,191</td>
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<tr>
<td>Museum fit - out</td>
<td>2,100,000</td>
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<tr>
<td>Pitch</td>
<td>545,820</td>
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<tr>
<td>Fittings i.e. Tables, Chairs inside stadium/Bar severy units etc.</td>
<td>279,778</td>
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<td>Equipment i.e. Audio visual/Lighting equipment etc.</td>
<td>394,767</td>
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<td>Building warrants</td>
<td>89,998</td>
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<td>Contract insurance</td>
<td>230,621</td>
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<td>Decant cost - Lesser Hampden (Floodlights/Safety repairs etc.)</td>
<td>102,428</td>
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<td>Public Relations/Marketing fees</td>
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<td>Consultancy fees (Sch 2a)</td>
<td>740,882</td>
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<td>Legal/Professional fees (Sch 2a)</td>
<td>305,187</td>
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<td><strong>Total</strong></td>
<td><strong>58,169,496</strong></td>
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This schedule is the schedule referred to in our letter of 25 May 2000

Handie Caldwell

26 May 2000
The Queens Park Football Club Limited

Parliamentary Enquiry

Schedule 2a - Detailed Summary of Professional Fees capitalised as project costs

Sources: Club audited accounts for 1998, unaudited accounts for both QFPC and TNS for 1999 and asset ledger

Capitalised as project cost:

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<tr>
<th>Consultancy</th>
<th>£</th>
<th>£</th>
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<tbody>
<tr>
<td>A.R. Limited</td>
<td></td>
<td>645,892</td>
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<tr>
<td>TNS Director - managing stadium development</td>
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<td></td>
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<tr>
<td>A C B Consultancy (Audrey Baxter)</td>
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<td>18,750</td>
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<tr>
<td>Consultancy services</td>
<td></td>
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<td>J Clydesdale Associates</td>
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<tr>
<td>Directors fees</td>
<td>7,500</td>
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<tr>
<td>Work re SFA offices &amp; museum fit-out</td>
<td>55,640</td>
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<tr>
<td>Work re Hampden construction</td>
<td>63,140</td>
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<tr>
<td>Findo Gask Consultancy (D Miller)</td>
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<tr>
<td>Consultancy services</td>
<td>9,600</td>
<td>12,975</td>
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<td>Sponsorship &amp; Business planning</td>
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<tr>
<td>RJM &amp; Brown</td>
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<td>125</td>
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<tr>
<td>Consultation re licencing arrangements</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>740,882</td>
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Legal/Professional fees:

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<th>Dundas &amp; Wilson</th>
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<th>£</th>
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<tr>
<td>Work re Millennium Commission planning ap</td>
<td>1,552</td>
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<td>Work re Millennium Commission</td>
<td>48,199</td>
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<tr>
<td>Work re Collateral warranties</td>
<td>20,323</td>
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<tr>
<td>Work re Caveats</td>
<td>487</td>
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<tr>
<td>Work re Hampden construction</td>
<td>22,117</td>
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<tr>
<td>Work re Catering contract</td>
<td>10,623</td>
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<tr>
<td>Work re Bank facility</td>
<td>1,094</td>
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<td>General advice</td>
<td>16,456</td>
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<tr>
<td>TNS company secretarial</td>
<td>500</td>
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<td>Work re Sub-licence to SFA</td>
<td>43,173</td>
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<tr>
<td>Work re BT sponsorship</td>
<td>5,214</td>
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<tr>
<td>Work re A.R. Limited contract</td>
<td>380</td>
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<tr>
<td>Work re Bass Brewers sponsorship</td>
<td>3,020</td>
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<tr>
<td>Work re Executive Suites Contract</td>
<td>650</td>
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<tr>
<td>Work re Sovereign leasing facility</td>
<td>1,450</td>
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<tr>
<td>Work re Coca-Cola sponsorship</td>
<td>4,400</td>
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<tr>
<td>Work re Millennium Commission ranking agr</td>
<td>4,110</td>
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<td>Work re Lesser Hampden construction</td>
<td>446</td>
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<tr>
<td>Work re Arbitration - Roof gutters</td>
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<td><strong>Total</strong></td>
<td>184,269</td>
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KPMG

| Work re Millennium Commission application               | 35,778|       |
| Taxation services                                      | 14,455|       |
| VAT advice                                             | 28,750|       |
| Work re Capital Allowances tax claim                    | 18,000| 96,983 |

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| Work re Capital Allowances tax claim                    | 12,700|       |

W & S Burgess

| Work re credit facility                                | 1,400|       |

BDS Sponsorship

| Sponsorship feasibility & strategy report               | 9,835|       |

**Total**                                               | 305,187|

This schedule is the schedule referred to in our letter of 25 May 2000

Hardie Caldwell

26 May 2000
<table>
<thead>
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*Note: The amount for each month is the same, indicating a consistent expenditure.*
The Queens Park Football Club Limited

Parliamentary Inquiry

Schedule 4a - Funding breakdown for the reconstruction of The National Stadium

Phase 1 - "All Seated Stadium"

- S.F.A. 6% £6.67m
- The Rural Sports Fund 10% £11.6m
- The Football Trust 60% £67m

Phase 2 - The "Millennium" Stand

- G.O.A. 4% £2.1m
- Glasgow/Strathclyde Council 3% £1.8m
- The Football Trust 12% £7m
- The Millennium Commission 41% £24.15m

Phases 1 & 2 - Total Funding

- Private Sector 14% £9.8m

- Royal Bank of Scotland Loan 4% £3.1m
- S.F.A. 1% £0.87m
- E.R.D.F. 3% £1.88m
- The Lottery Sports Fund 11% £7.75m
- The Scottish Office 7% £4.75m

- G.O.A. 3% £2.1m
- Glasgow/Strathclyde Council 3% £1.8m
- The Football Trust 21% £14.8m
- The Millennium Commission 33% £24.15m

Katie Campbell
14 April 2003
INQUIRY INTO HAMPDEN
INITIAL WRITTEN SUBMISSION

on behalf of

Q.P.F.C. (MAY 2000)

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Friday, May 26, 2000
The Queens Park Football Club Limited

Parliamentary Enquiry

Schedule 5 - Phase 2 "The Millennium Stand"

Summary of Out-Turn in December 1999 against the Targets set in November 1996
Summary of Financial Settlement Funding

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This schedule is the schedule referred to in our letter of 25 May 2000

Hardie Caldwell

25 May 2000
AT LAST, A
NATIONAL STADIUM
FIT FOR SCOTLAND

THERE is a distinctly 1960s feel to the line drawings that embellish the 128-page report produced by the 'Working Party on the Future of Hampden Park'. But then, since the report was published in 1975, that comes as little surprise. Yes, that's right, the story of Hampden's refurbishment - being celebrated this evening - has been about as long-running as the soap opera, Coronation Street, and has certainly seen as many ups and downs.

Even now, after the spending of tens of millions of pounds, its future is not certain. But then, it has never been a stadium known for its modesty. Once the biggest in the world, Hampden Park is a stadium with a reputation for delivering larger than life dramas. In 1960, with the visit of Real Madrid and Eintracht Frankfurt, it was host to, arguably, the greatest European Cup final ever - even more impressive than Manchester United's injury-
time win over Bayern Munich last season.

As for attendance records? Well, they are almost too numerous to mention, collected as if for fun.

The report - produced under the chairmanship of Laurie Liddell, then chair of the Scottish Sports Council - was the work of a wide range of interested parties convened by the then Parliamentary Under-Secretary of State for Health and Education, Hector Munro MP. It was a detailed document, proposing 'maxi' and 'midi' schemes, the former to include an athletics arena and indoor sports centre as well as the National Stadium.

Visits had been made to stadia in West Germany, meetings had taken place with various newspapers as well as representatives of the Scottish Football Writers' Association. The report was about as thorough as it could have been. And then it lay on a shelf, gathering dust until it became no longer relevant.

Even as recently as 1990, the pre-eminent football stadium writer, Simon Inglis, was writing: “Nowadays, the mere fact that Hampden still exists is something of a miracle.” A three million pound refurbishment programme during the early 1980s merely preserved the stadium in an extremely basic state. Through the years, the stadium had done little other than yo-yo up and down the political agenda.

Now the stadium is back, looking as pristine as it has ever done. Architectural references from the past remain - not least the two towers which stood guard at the entrance of the old main stand - but this time they reverberate to the demands and technology of the 21st century.

The vision for a new National Stadium took shape in 1992 and it became The

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**1903 October 31**

Hampden, the world's oldest international stadium, is officially opened.

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**1937 April 17**

sees 149,415 paying customers (an extra 10,000 are said to have entered illegally) watch Scotland versus England, an all-time attendance record for any European match. Seven days later, a European club record is set when Celtic and Aberdeen contest the Scottish Cup final in front of a crowd of 149,265 (with 20,000 people reportedly locked outside).

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**1948 March 27**

Not even a final, yet a Scottish Cup semi-final between Rangers and Hibernian attracts a crowd of 143,570.

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**1960 May 18**

One of the greatest ever European Cup finals; indeed, one of the greatest ever games, ends Real Madrid 7 Eintracht Frankfurt 3.
The old South Stand makes way for the Millennium Commission’s chosen Landmark Project for Scotland, not least because of its central place in football history held by Hampden’s owners, Queen’s Park. Though government and other money has gone into the re-building of Hampden Park, the bulk has come from The Millennium Commission.

The National Stadium now enjoys a five-star rating by football’s European governing body, UEFA. What that means is that it now qualifies as a venue fit for top-ranked football tournaments, a status already recognised by the awarding of the 2002 Champions League final.

The centrepiece to the new National Stadium is the new South Stand, standing some six stories high, accommodating 17,500 spectators and including a 52-metre cantilever roof. Soon, it is expected the stadium will be home to a sports medicine centre and a museum of Scottish Football which, until recently, has been taking up temporary residence at Glasgow’s Museum of Transport. An underpass enables teams, officials, VIPs and emergency crews into the heart of the stadium with the minimum of difficulty. Modern media facilities now help guarantee that whatever happens at Hampden, the world soon knows about it. As, of course, has always been the case.

The transformation is complete.

1970 April 15
Celtic versus Leeds United, European Cup semi-final. The crowd of 136,505 gives Hampden its third European attendance record, this time for a European competition match.

1973 September 26
Denis Law wins his 50th cap when Scotland defeat Czechoslovakia 2-1 thanks to goals from Jim Holton and Joe Jordan - to become the first European nation to qualify for the 1974 World Cup finals.

1976 May 12
Hampden hosts its second European Cup final, Bayern Munich’s 1-0 defeat of St Etienne.

2002
Hampden hosts Champions League final.
CHAPTER ONE

Scotland's hopes of qualifying for the finals of the 1994 World Cup in America had been put to the torch in Portugal. Small miracles wouldn't help. Andy Roxburgh, the national coach, considered his words carefully. 'We missed playing our home games at Hampden,' he said.

For the first time in its long and colourful history Hampden Park, Glasgow, had been unable to succour the national side during the early stages of a World Cup qualifying campaign.

'Ibrox is a magnificent stadium and we can't thank Rangers enough for letting us use it when we were homeless,' Roxburgh went on. 'But it would have taken a long, long time, I think, for us to become accustomed to Ibrox as the national stadium.'

There was a time when Hampden Park was, quite simply, the biggest and the best football stadium in the world. For generations, just as the game itself exercised a mesmeric influence over the lives of millions, so the great stadium in Mount Florida, a once-quiet suburb on the south side of Glasgow, could always claim a special place in the nation's heart.

It is no exaggeration, in order to justify its right to a special place in the nation's affections, to suggest that the story of Hampden Park is the story of much of Scottish football, its high points and low points, for almost the whole of the twentieth century.

That it was named after an English patriot might have been judged anathema to most Scots, especially those with a tortured sense of their own history, in the habit of blaming all their misfortunes, real and imagined, on the English.

John Hampden, a country gentleman turned Westminster politician, is rightly remembered as a fearless Parliamentarian who refused to believe in the divine right of kings. Educated at Magdalen College, Oxford, and the Inner Temple, London, and generally admired for his urbanity, veracity and all-round good character, John Hampden was nine years old in 1603, when James, King of Scotland, added England to his realm. Forty years later John Hampden died fighting on the Parliamentary side against King Charles in the English Civil War.
Any additional fame John Hampden might enjoy, more than 300 years after his death, as the man whose name was given to what was once the largest football stadium in the world, is due in part to a certain Mr George Eadie; and members of Queen's Park Football Club.

Eadie, a builder working in the Mount Florida area before the turn of the century, bestowed the name Hampden Terrace, in honour of the great English Parliamentarian, on a row of houses overlooking the site of the first piece of ground ever leased to Queen's Park for the purpose of playing football. This was the original land from which not one but three football grounds, all important to the development of the game in Scotland, emerged; and all named Hampden by order of various Queen's Park committees.

Almost certainly, few of the millions of Scottish fans who packed the famous stadium that took his name had ever heard of John Hampden. But, knowing the facts and given the chance early enough, most of them would have preferred to identify the national stadium with a home-grown hero. To decide otherwise would only confirm the blithe perversity, bordering on wilful bloody-mindedness on the part of the average Scottish football supporter, that quite often distorts an otherwise serious approach to the game.

Except that is exactly the result we are entitled to expect if anyone ever tried to change the name of Hampden to something more appropriate; something quite obviously Scottish, perhaps. If it does survive, who would want to call Hampden anything but Hampden?

Almost 20 years ago, Bob Brown, one of Scotland's most gifted post-war journalists, writing in *We'll Support You Evermore*, an anthology of Scottish football, edited by Ian Archer and Trevor Royle, maintained that 'Hampden stands four square with Bannockburn in the Scottish psyche, despite being indirectly named for the Saxon patriot. Hampden for the Scots is irreplaceable.'

The story of Hampden begins with Queen's Park, the amateur club that totally dominated Scottish football in the early years of its existence. Queen's Park was founded in 1867 when, in the words of a surviving record of the occasion, a number of gentlemen met at 3 Eglinton Terrace, on the south side of Glasgow, sometime during the evening of 9 July, for the purpose of starting a football club.

Interest in the game had been spreading in part from England where the Football Association was founded four years earlier. Kick-about matches were becoming common on Queen's Park Recreation Ground, involving teams numbering as many as 20 a side, who played on a surface 200 yards long and 100 yards wide; and a real club, which could be used to harness this enthusiasm, and organise proper fixtures with other like-minded groups, was a natural progression.

It may be hard to imagine now, considering the attention organised football commands throughout the world, and in the life of Scotland certainly no less than any other place, but these were pioneering days. Games played on the rough
CHAPTER SEVENTEEN

On an evening of heavy rain, the Minister for Sport in the Scottish Office, Alex Fletcher MP, was among the guests who gathered early at Ibrox on Friday, 7 June 1980, to witness Jim Watt successfully defend his world lightweight crown against Howard Davis of the United States.

Earlier that same day, a meeting of Hampden Park Ltd had been informed of the government’s intention to contribute £5.5 million towards the cost of a new national stadium for Scotland.

Hampden Park Ltd, which represented the Scottish Football Association, the Scottish Football League, Strathclyde Regional Council, Queen’s Park FC and the Scottish Sports Council, had been formed to acquire and develop the stadium and its surrounding acres. ‘We proposed spending £11 million on the new stadium, based on April 1978 prices,’ Ken Hutchinson, former Chief Executive of the Scottish Sports Council, and a member of the development committee, explained. ‘Before our meeting, at which the announcement was made, we received a letter from the Scottish Office confirming the size of their contribution and letting us know how the money would be paid,’ Hutchinson added.

Following the meeting at Hampden on Friday, 7 June, a statement was expected in the House of Commons, during Scottish Questions, the following Tuesday. Until then the Government’s decision to support a scheme for a new national stadium at Mount Florida would be kept from the general public.

Across town, a few hours later, in a hospitality suite at Ibrox, Alex Fletcher joined Rangers’ chairman, Rae Simpson, for a pre-fight chat.

Nobody associated with Hampden Park Ltd expected the Government to renege on its offer. Contractors were told to begin removing the top of the east terracing. ‘We were also instructed to look at demolishing the north stand which offered special problems,’ project architect, Roy Wilson, disclosed.

Ernie Walker, then secretary of the SFA, made no attempt to hide his disappointment. ‘The demolition people were on site, ready to start work, when the Government withdrew its support,’ he said. ‘I still feel bitter, absolutely bitter, and frustrated, when I think about it. One senior civil servant wrote to me privately and said he had never been associated with anything so shameful. What happened was disgusting,’ Walker declared.

If the written commitment offered by the Scottish Office had been leaked in
Concern about Hampden's future, in the face of mounting time and rising costs, appeared the least of its troubles on 21 October 1968 when fire threatened the main pavilion and centre stand. Four detachments of the Glasgow Fire Service were needed to subdue the blaze which also put the historic Queen's Park trophy room at risk.

Scotland's national stadium, barely 70 years old, already looked dilapidated by the time Hampden Park Ltd, a consortium of interested parties, was formed to acquire and develop the stadium and its surrounding areas. A government offer of £5.5 million to assist with the work was withdrawn in 1980.
Ernie Walker, secretary of the SFA, and Ken Hutchinson, chief executive of the Scottish Sports Council, announce the latest threat to Hampden's survival. Walker admits he felt bitter when the government reneged on its £5.5 million promise of support. It was Hutchinson who signed cheques worth nearly £2 million of public money in compensation to contractors.

Advance of a statement to the House of Commons, the attendant publicity could have forced the Government to honour their part of the deal, Ken Hutchinson believes. 'But we played the game, as requested, and the news was kept private over the weekend,' Hutchinson added.

Acting on behalf of the Scottish Sports Council, who represented the Scottish Office, Hutchinson signed cheques for nearly £2 million for abandoned costs with nothing to show for it.

In the months that followed Hampden looked doomed. Alex Cameron, writing in the Daily Record on 25 November 1980, warned his readers: 'Hampden could be dead and buried before Scotland's next game in the World Cup.' Cameron, who believed Scotland without a national stadium would be like the Derby minus Epsom or the MCC without Lord's, didn't blame Queen's Park. 'They have done a good job keeping Hampden Park from falling down all these years,' the man from the Record insisted. 'They are due our thanks.'

For more than a decade architect Roy Wilson struggled to keep the old place open for business. 'There was a feeling among a lot of people that if they could
THE HAMPDEN STORY

keep the ground open, and it was safe, and could hold the numbers, then they would get to a stage where they would have the ability to look at the future,' Wilson explained. 'It was agreed that we should try and do the ground in sections so that it would always be available with a capacity greater than other places,' Wilson added.

James Rutherford, the Queen's Park secretary, believes it was Wilson who led Hampden out of the dark days. 'His vision saved the ground,' he said.

Between 1981 and 1985 around £6 million was spent on ground improvements. The top tier of the east terracing was removed and the north stand demolished. Some 23 miles of under-soil heating, connected to a new boiler in the south stand, allowed Queen's Park to claim they could host games except in very extreme weather. A special terrace was constructed for disabled spectators. Additional crush barriers, turnstiles and toilets were installed. The west covered terracing was converted to accommodate 11,200 seats; then emblazoned with an enormous St Andrew's Cross to leave no-one in any doubt that this was Scotland's national stadium.

But all this time the arguments for and against Scotland actually needing a national stadium continued to rage.

During the most recent debate on the future of Hampden various groups appeared, waving assorted development plans for a new national stadium to be located outside Glasgow, complete with leisure facilities, shopping malls, offices and other amenities. However, as The Herald noted pointedly, private enterprise was 'brave with plans and ideas for rival schemes but never bold with cash'.

When the SFA negotiated the use of Ibrox as a temporary home for the national side against Portugal and Italy, in the qualifying round of the 1994 World Cup, there was every chance that Rangers, who were rightly proud of their magnificent facilities, would have been happy to make the arrangement more or less permanent.

Rangers' owner, David Murray, believed that any money which could be made available, from inside football, or the Government, for a new national stadium, should be shared among the clubs to assist with extensive ground improvement imposed by the report of the Taylor Committee on ground safety. A newly built, or refurbished, national stadium was hardly a priority, and would be a waste of money, with Ibrox waiting and ready to be used, Murray argued.

There was force and logic to his argument. But in Scotland, especially, football and logic don't always mix. In a country notoriously divided on religious and social grounds there was never much chance of Murray's argument succeeding. There was also a strong, general opinion throughout the country that, as a matter of pride, if nothing else, Scotland needed a national stadium.

Murrayfield, home of the Scottish Rugby Union, was a popular choice, largely among people with no direct financial interest in football. Ernie Walker, now chairman of UEFA's stadium committee, and still a powerful voice in world football, was adamant on the subject. 'There is no case to be made for the Scottish national football team generating money for another sport,' he declared bluntly. 'Football needs every cent that it can generate for itself, as does rugby. Rugby
would never contemplate playing at Hampden with the money going into the coffers of football. Football would rather play at Ibrox, or at Pittodrie, or at a decent Parkhead, than go to Murrayfield,' Walker insisted.

However, as the various sides adopted fixed positions, it wasn't difficult to conclude that there would be no new national stadium for Scotland without Government support.

Early in 1992 the only political certainty Britain could contemplate was the approaching general election. As always, in recent years, the Tory Government was in trouble in Scotland.

Support for a new national stadium might be dismissed as a cynical pre-election sweetener to earn votes. But the National Stadium Committee, which comprised the Scottish Football Association, the Scottish Football League and Queen's Park FC, as owners of Hampden, would have been delighted, and unlikely to complain, if the Secretary of State approached them offering money.

Manchester had been promised £55 million to assist its Olympic bid. People in Scotland were entitled to believe the National Stadium Committee was equally deserving.

On 19 February 1992, the Secretary of State for Scotland, Ian Lang, wrote to the SFA offering £3.5 million over three years, provided the National Stadium Committee raised a similar amount. There were no loud cheers in Scotland at the news. The sum on offer, with strings attached, wasn't much compared to Manchester. It also compared badly with the £5.5 million which had been offered and withdrawn in 1980, as Ken Hutchinson, former chief executive of the Scottish Sports Council, pointed out. 'The £5.5 million which was briefly on offer in 1980 was based on 1978 prices and would be worth around £21 million now,' Hutchinson reckoned. 'This means the Government is offering to contribute a sixth of what was proposed all that time ago.'

Still, it was better than nothing. Together with £5 million from the Football Trust, which the Secretary of State considered Government money from a different source, it allowed the National Stadium Committee to begin work on the first phase of a £24 million plan to rebuild Hampden.

At a meeting in Glasgow on 13 April 1992, after years of bickering and scheming, the SFA council accepted their proposals: Hampden, long recognised as the heart of Scottish football, would continue as the national stadium.

Most people welcomed the news. 'It would be a bereavement to God knows how many thousands of people if it was never rebuilt,' the national coach, Andy Roxburgh, maintained. 'Hampden is steeped in the tradition of the business and you can't buy tradition.'

Work on the first phase of the development, which began in June 1992, was scheduled to cost £12 million. It included two new cantilever covered stands, located on the old east terracing and the north stand area, with seating available for nearly 20,000 spectators. Enormous lighting pylons, which dominated the ground for more than 30 years, were replaced with modern lamps, sited along the rim of each stand. Major improvements, with landscaping and resurfacing of the
THE HAMPDEN STORY

But first Farry must find the money. And deal with anyone who continues to argue the folly of developing the Mount Florida ground as the national stadium long into the next century.

His old mentor, and former boss, Ernie Walker, could prove a forceful adversary. The former SFA secretary originally favoured upgrading Hampden but later changed his mind. ‘You can’t knock down Mount Florida to accommodate car parks,’ he reasoned. According to Walker a stadium that can seat 50,000 people needs parking facilities for more than 15,000 cars and buses in the immediate vicinity. ‘Can you think of a place in Glasgow that could provide that kind of space?’ he demanded.

Hampden, in its refurbished state, will provide a good, modern stadium with cover over the seats and all the facilities people need, Walker stressed. ‘My problem concerns its long-term future. You don’t build a stadium for next year. You build it for the next century as the visionaries did at Hampden almost 100 years ago.’

Walker’s dream stadium would be located between Glasgow and Edinburgh, ideally at Strathclyde Park. There would be a retractable roof and the playing surface would be covered with a solid, rigid floor, to be utilised for other purposes, between matches. ‘You can build a 30,000–seater, roofed and floored, for £50

Hampden as future generations of Scottish football fans could know it. Work on the first phase, now complete, cost £12 million. Another £12 million is now needed to meet the demands of the next century

218
million at 1993 prices,' said Walker. 'I think you could build a 60,000-seater, which would meet everybody's needs, for £100 million.'

The man responsible for stadium standards throughout Europe foresees a time when all top-class football will be played on plastic that will look, feel and smell like grass. 'Millions of pounds are spent on the World Cup final. It attracts television viewers world-wide. But the whole event can be reduced to a shambles by nature. That isn't sustainable, really,' Walker maintained.

In visionary mood he is prepared to overlook the differences which divide Scotland and contemplate how, in addition to the national side, commercial considerations might encourage Rangers, Celtic, Hibs and Hearts, and as many other clubs as the week will accommodate, to book time in Scotland's super stadium. 'Who said football must be played at three o'clock on a Saturday afternoon?' Walker inquired.

One day there would be a national stadium on a green-field site. 'But it requires Government assistance. It cannot be achieved by football or commercial interests acting alone,' Walker conceded.

Who owns Hampden? With £3.5 million of taxpayers' money committed to the first phase development, and another £5 million on offer from the Football Trust, people are entitled to know.

'Queen's Park own Hampden,' Jim Farrey, chief executive of the SFA and former secretary of the Scottish Football League, replied. 'The foresight that was shown by the men who first built Hampden was nothing short of remarkable,' Farrey added. 'I think it's fair to say the same degree of foresight is required today.'

Farrey represents an attitude, widespread in Scotland, which welcomes the SFA's continued close association with the country's oldest club. 'Queen's Park have a special relationship with the SFA. I have nothing but admiration for them,' said Farrey.

Roy Wilson, the architect closely associated with several Hampden renewals, explained: 'The directors of Queen's Park are the people who are actually signing all the bits of paper so far as Hampden is concerned. We report to the National Stadium Committee but our client is Queen's Park.'

James Rutherford, secretary of Queen's Park, who receive 25 per cent of the net gate at international matches, and 20 per cent for other games, including cup finals, confirmed: 'It's our ground, we own the title deeds. But whether that will continue in the long term I can't say.'

Planning permission for the current main development was granted on condition the adjacent ground would be used for activities compatible with the national stadium.

Before negotiations with the Thatcher Government collapsed in June 1980, it was suggested a consortium, representing the Scottish Football Association, the Scottish Football League, Strathclyde Regional Council, the Scottish Sports Council and Queen's Park should assume control of Hampden. Queen's Park would have been expected to transfer the title deeds to the ground at no cost — in
return for managing the stadium and using the ground for home matches.

Jim Farrar, the association’s chief executive, discounts any suggestion that it would be a natural progression for the SFA to become owners of the national stadium; like the SRU with Murrayfield. ‘We have no desire to own a football stadium,’ Farrar added. ‘Our job is to foster and develop the game at all levels. Owning a stadium is not part of our remit.’

The chief executive of the SFA will be happy to see Hampden fully restored. ‘That means at the end of phase two of the present development when we have completed work on the south stand. Then we can look to the future,’ he said.

Farrar’s view of the future includes Scotland playing host to the finals of the European championships. He believes the huge success enjoyed by the 1989 World Youth Cup was proof of Scotland’s ability to tackle an event of this complexity. It also offered a message of hope and pride to every fan who dreams of Scotland one day succeeding at the game’s highest level.

‘When we lost the final against Saudi Arabia on penalties there was disappointment and a few tears were shed by the youngsters involved,’ Craig Brown, assistant national coach, and the man in charge of Scotland’s youngsters, admitted.

Brown, like everyone else who saw them play, thought the Saudis looked older than the regulations allowed. ‘It was really a question of boys playing men. But there was no hostility, even when we lost,’ Brown said. ‘I thought it was a great day out and a wonderful advertisement for football.’

The 1989 World Youth Cup was also a reminder of Hampden Park at its most compelling. It was no longer the finest football stadium in the land, far less the world. It had been close to demolition many times and survived. Its future could be considered uncertain at best. But once again the crowd was held enthralled, captured by the magic of its spell.

In the football folklore of Scotland – an uncertain tale of hope and despair, triumph and tragedy – Hampden will survive.
SCOTLAND

The English may have invented the modern game of football, but it was the Scots who refined it. The same is partly true of football ground design. While the majority of early English grounds were relatively small or humble affairs, by 1908 Scotland, or rather Glasgow, was able to boast the three largest grounds in the world: Ibrox Park, home of the staunch Protestant club Rangers; Hampden Park, property of the amateurs Queen’s Park; and Celtic Park, home of Rangers’ Catholic rivals, Celtic. These three grounds – essentially vast open, oval-shaped bowls with one main stand – were laid out by a Glaswegian engineer, Archibald Leitch, the man who was to dictate the shape and form of almost every major British ground built or redeveloped between 1900–1939.

Hampden Park, the national stadium, was in fact the largest in the world until Brazil’s Maracana Stadium opened its doors in 1950. The all-time record attendance for any European football match belongs to Hampden, for Scotland’s match v. England on 17 April 1937, when 149,415 paid admission and a further 10,000 were said to have entered illegally. Just seven days later Hampden chalked up the European club record, this time for Celtic’s Cup Final v. Aberdeen, watched by 147,365 (although 20,000 more were reportedly locked outside the ground).

Hampden’s third major record is for an attendance at a European competition match. Despite it being played on a midweek evening, 136,505 attended the European Cup semi-final, Celtic v. Leeds, on 15 April 1970.

Nowadays the mere fact that Hampden still exists is something of a miracle. By the late 1960s it was a crumbling wreck, and it took years of political manoeuvring and public appeals before a £3 million refurbishment programme could begin in 1981. Yet so advanced was the stadium’s state of decline that even after this expenditure it remained an extremely basic, albeit much safer venue, with only 10,000 seats in a total capacity of 74,370.

Hampden could have remained in that state...
Leitch's superb South Stand (left) is all that remains of the old Ibrox Park. Its red brick frontage, fortunately, is classed as a listed building, although the interior has been altered to accommodate executive boxes.

Ibrox Park's three new stands are built on the goalpost principle, with the roof suspended under the 'crossbar'. Note the South Stand's criss-cross balcony wall—what was the trademark of Archibald Leitch.

indefinitely had it not been for FIFA's 1989 pronouncement that after 1992 no standing will be permitted at World Cup matches.

There are many who believe that a second phase of improvements to Hampden would be a waste of resources and that the stadium is an anachronism, because of its layout, location and ownership (still in the hands of Queen's Park, who, eerily, attract League gates of only a few hundred to the stadium). On the other hand, if Hampden is not converted into an all-seated stadium—and it would require roofs to be built over the two open sides of the ground—what are the alternatives for the national team?

Pittodrie, the home of Aberdeen, was the first all-seated ground in Britain, but though admirable it holds only 22,586. Celtic Park holds 61,800 and is completely covered, but with only 9000 seats it is hardly more suitable than Hampden.

This leaves Ibrox Park, a ground with an eventful history. In 1902 it was the scene of the world's first football disaster, when part of a tall wooden terrace collapsed, sending twenty-six people to their deaths during an international v. England. After its subsequent redevelopment Ibrox then grew to hold 118,000, which made it the world's second largest ground after Hampden. But more tragedy was to come. On 2 January 1971, after an 'Old Firm' derby v. Celtic, sixty-six fans died on one of Ibrox's notoriously steep exit routes known as Stairway 13. It was this second Ibrox disaster which prompted the introduction of the Safety of Sports Grounds Act in 1975, legislation which was to have a profound effect on British grounds over the next decade.

Burdened with the stigma of their dangerous ground, in 1977 Rangers unveiled a plan to transform Ibrox completely on three sides, leaving (fortunately) Leitch's distinctive 1928 South Stand intact. In a similar fashion to Utrecht, but on a much larger scale, Ibrox's elliptical bank of terracing was cleared and replaced by three identical rectangular stands. Because Rangers are the richest club in Britain they were able to complete this £10 million programme in just three years, but it was an enormous risk. From a huge, antiquated bowl holding 100,000 in 1977, Ibrox had become by 1981 a 44,500 capacity modern marvel, in which the vast majority of spectators—36,500—were seated.

The gamble worked. A set of supporters formerly notorious for invading the pitch now sat happily in comfort with not a perimeter fence in sight, which, combined with their subsequent policy of lavish spending on top players, enabled Rangers to regularly fill the stadium with trouble-free (if not entirely bigot-free) crowds.

That it took the 1971 tragedy to bring about this state of affairs is to be regretted, but that Ibrox is now one of Europe’s finest and safest football grounds, and one which will inevitably stage Scotland’s future World Cup games if Hampden is not upgraded, is vindication enough of Rangers’ bold and imaginative initiative.
Football is enjoying a period of unprecedented popularity. Much of this is due to television broadcasters who have packaged the game as exciting live entertainment in your living room. Increased television audiences have encouraged greater involvement from sponsors and commercial interests in our national game.

The trend is set to continue with our top clubs aiming to benefit further from new technological developments such as webcasts and pay TV opportunities. Increasing investment in our national game is welcome but there are genuine concerns about how much of this investment actually flows down to the grassroots of the game.

Without a renewed focus on encouraging youngsters to play football, the pool of native talent will continue to diminish and football may find its position threatened as our national game.

The Association is conscious of the threats and opportunities presented by the increasing commercialisation of football. Organisational change will undoubtedly be necessary if the Association is to meet this challenge.

We must harness the opportunities to invest in our football future through improving facilities, coaching and technical skills, and widening participation levels amongst youngsters. During the past year, some real progress has been made - over 200,000 people attended courses through the Community Scheme run by our Technical Department.

More kids aged 5-12 are playing the game than ever before, with the clear emphasis being on skills development through the small-sided game. Not long ago, a Children's Programme Director was appointed to build on these achievements and establish firm foundations for the future of the game in Scotland.

The year was not without its controversies. Serious difficulties were encountered with the public sale of tickets for the Scotland v England match at Hampden. The level of public demand for tickets for this match was exceptional and demonstrates the continuing sporting and commercial interest in playing the Auld Enemy.

Hampden Park itself was the focus of media attention as the final stages of redevelopment work ran into major financial problems. Mindful of our overall responsibility to football in Scotland, the SFA acted to facilitate a Government-backed rescue plan to provide a secure future for our national stadium. Many months of hard work were undertaken to find a solution which places the management and control of the stadium under the direction of the Association.

Other highlights were the performance of our national side in defeating England at Wembley on 17th November, the award by the UEFA Executive Committee of the Champions League Final of 2002 to Scotland, and the continued growth in popularity of women's football in Scotland.
Friday 31st March, 2000, brought to a conclusion the protracted negotiations surrounding Queen's Park Football Club and the National Stadium. Therefore, as of that date, the Association, in the form of its wholly owned subsidiary Hampden Park Ltd, became the manager and operator of the National Stadium.

The rescue package for Queen's Park, which was near to conclusion prior to Christmas 1999, had to be reviewed during the early part of the year particularly as a result of Queen's Park's decision in January to petition for an interim administration order. The Interim Managers, Arthur Andersen, then had to re-assess the situation. It was late February that they considered that the rescue package of December 1999, which included the SFA's involvement, was the only viable option which amongst other objectives would ensure the continued existence of Scotland's oldest football club.

The basis of the rescue package involves: The Association's subsidiary company operating the Stadium under a 20 year lease and accepting the transfer of the existing employees of the National Stadium plc, with the SFA itself, entering into a 20 year lease to occupy an area within the Stadium.

The Association's immediate attention is focused upon developing the subsidiary company, and to commence planning for the fitting out of its proposed office and related areas to ensure that the SFA has a critical presence at the Stadium as soon as possible.

In addition, in due course energies shall be focused upon the moving of the Scottish Football Museum to its new home within the Stadium, progressing the setting up of the Sports Injury Clinic and the establishment of the National Stadium as a major visitor attraction.

It has taken a considerable amount of hard work, patience and determination to see this major project through to fruition.

The SFA now looks forward to its new association with the commercial partners of the stadium, the Millennium Commission, Scottish Executive, Glasgow City Council, Glasgow Development Agency, Sportscotland and not forgetting the sponsors in forging ahead to establish Hampden Park as the national showcase stadium with strong community links but an international reputation as visitor attraction, conference centre and concert venue to emulate its glorious past - Let Hampden Roar!
Inquiry into Hampden

Supplementary Memorandum on behalf of
Queen's Park FC

"The Role of and Funding
by the Millennium Commission and Others"

January 2001

Education, Culture and Sports Committee
The Scottish Parliament
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Q.P.F.C.; JANUARY 2001
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The Role and Funding by the Millennium Commission and Others

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- Extracts of Parliamentary statements/reports on Hampden, Wembley, Holyrood and The Millennium commission.

- Copies of Applications, Agreements, Minutes, Reports and correspondence on the Redevelopment of the South/West Stands.


QPFCSInquiryDoc.doc
SUPPLEMENTARY MEMORANDUM TO:

EDUCATION, CULTURE & SPORT COMMITTEE OF THE SCOTTISH PARLIAMENT

Submitted by:- The Queen’s Park Football Club

Topic: The Re-development of Hampden, Glasgow

The South and West Stands Project: The Role of and Funding by the Millennium Commission and Others

SECTION 1: BACKGROUND

INTRODUCTION; PARLIAMENTARY INQUIRIES
Progress to date – House of Commons

1. The National Heritage Committee of the House of Commons – now known as the Culture, Media and Sport Committee – have produced a range of interesting publications between 1996 and 2000 on aspects of the National Lottery; the role of capital projects funded by the Millennium Commission; lottery contributions to the development of National Stadia in different parts of the U.K.; and the staging of international events. From time to time, these have included consideration of evidence associated with the re-development of Hampden, Glasgow. Important questions have been raised by the Committee; answers recorded and recommendations published. In the supporting key Documents, Queen’s Park Football Club, hereafter called “Q.P.F.C.”, have supplied extracts of Committee Reports/Evidence which are relevant to the Hampden Inquiry.

Progress to date – Scottish Parliament

2. The Education, Culture and Sport Committee of the Scottish Parliament decided to undertake an Inquiry into the following aspects of the re-development of Hampden on 24 March, 2000:-

- The original contractual and financial arrangements and the monitoring thereof.
- The causes of the financial difficulties and the solutions.
- The role of and funding by public agencies; and future viability of the Stadium.

The Clerk to the Committee sought written submissions from various project participants and funders by the end of May, 2000. A written submission was made by Queen’s Park F.C. to the Clerk to the Committee on 26 May, 2000. On 30 June, 2000, the Clerk confirmed that the Committee had considered our written submission; had agreed to accept our invitation to visit Hampden; and had decided to take oral evidence from Q.P.F.C. in September, 2000. Six members of the Committee (Karen Gillon; Ian Jenkins; Lewis Macdonald; Kenneth Macintosh; Fiona McLeod and Brian Monteith) participated in the visit to Hampden on 22 August, 2000. On 4 September, 2000, Q.P.F.C. were advised by the Clerk to the Committee that oral evidence would be taken from Q.P.F.C. on 13 September, 2000. On 7 September, 2000, the Clerk to the Committee advised Q.P.F.C. that this meeting had been cancelled. The Committee required to make time available to progress its Inquiry into the Scottish Qualifications Authority. On 19th December 2000, the Clerk to the Committee advised that oral evidence hearings would be held on 6th and 13th February 2001. Following changes to the membership of the Committee in January 2001, 3 members (Frank McAveety, Karen Gillon and Cathie Peattie) are undertaking a visit on 5th February 2001.
Purposes of this Supplementary Memorandum

4. Our initial written submission of May, 2000 was drafted to supply a context as to the scale of the recent difficulties and some initial views of why and when they arose. Expressly, Q.P.F.C. did not comment upon issues of responsibility. Q.P.F.C. did indicate that we would be preparing a Supplementary Memorandum on both strategic issues and project issues arising from the re-development at Hampden.

5. This Supplementary Memorandum has been finalised in January 2001, with the benefit of analysis from audit work undertaken by the Club, between April 2000 and now. As with our initial submission, this memorandum has been prepared on a voluntary basis by Committee Members of Q.P.F.C. – with professional assistance being supplied by our Club’s auditors, Hardie Caldwell.

This Memorandum has three purposes:-

- To provide evidence on strategic issues
- To provide a brief analysis of the contractual and financial framework for the project as it was adjusted between 1995 and 2001
- To provide evidence on the role of and funding by the Millennium Commission and others in the re-development of the South and West Stand Project

Recommendations from the Inquiry on Outstanding Final Account/Grant Determination

6. The interim financial settlement in April, 2000 set up a framework whereby the Final Account for the South and West Stands Project cannot be adjusted until May, 2001. Q.P.F.C. will be seeking additional grant for project costs which Q.P.F.C. consider should be grant-eligible. Our M.P., John Maxton, received assurances in the House of Commons in 1996 that such Applications “would be treated on their merits”. Following correspondence between our M.P. and the Rt. Hon. Chris Smith, Minister for Media, Culture & Sports and Chair of the Commission in November 2000, the Minister obtained approval of the House of Commons in late December 2000 which extended the Commission’s funding life to 20th August 2001; and allocated to the Commission a further £269.5m, £30m of which is to ensure that existing projects “have a solid foundation on which to build for the future”

7. Due to the delays in convening the Inquiry, Q.P.F.C. have had the opportunity to consider the contents of a number of Parliamentary Reports and Statements on large scale capital projects in London and Edinburgh – as well as previous statements on Hampden, Glasgow. It is interesting to see the wide range of approaches to setting project budgets; the treatment of inflation and contingencies; associated expenditure on infrastructure and the speed and nature of responses by funding authorities when problems arise. Extracts from these statements are attached as part of our evidence. We trust that they will inform the specific recommendations of the Inquiry as to the approach by the Commission and its co-funders to implement an equitable Final Account and Grant Determination to be agreed by May 2001.

8. Q.P.F.C. have also provided the Clerk to the Committee with copies of key Applications, Agreements, Minutes and correspondence in the South and West Stand project – as part of our evidence.

Q.P.F.C. have sought confirmation from the Clerk that a report and recommendations from the Inquiry by the Scottish Parliament will be available before the Final Account and Grant Determination for the South Stand project is agreed in May, 2001.
SECTION 2: HAMPDEN: KEY STRATEGIC ISSUES

SCOTLAND'S NATIONAL STADIUM; BUT:-
No Overall Re-Development Programme; No complementary regeneration programme

9. Re-development at Hampden has been piecemeal with no overall programme or planning by a well-ordinated multi-agency Task Force, properly led by a Lead Funder.

10. Timescales for completion of individual phases have been subject to constant slippage and delay.

   North & East Stands - Phase 1 1993
   South & West Stands - Phase 2 1996-2001
   Lesser Hampden - Phase 3 pre-planning cancelled
   Upgrading of adjacent neighbourhoods, transport etc - no programme.

11. Contrast the commitment and resources directed by agencies to regeneration initiatives in:-

    PACIFIC QUAY, GLASGOW (Glasgow Development Agency)
    GREENWICH, LONDON (English Partnerships)
    HOLYROOD, EDINBURGH (Scottish Executive/LEEL)

    in all of which, the Millennium Commission has been lead funder of a landmark project; increases in budgets and grants have been approved promptly; and there has been complementary investment in derelict land treatment, roads and transport. No similar commitment has been forthcoming in the Hampden re-development programme to date.

HAMPDEN: KEY STRATEGIC ISSUES:

Project and Operational Budgets were set at relatively low levels

12. To date, re-development at Hampden has been, in relative terms, inadequately funded. Published Parliamentary Reports enable direct comparisons with Lottery distributor contributions to national stadia at:-

<table>
<thead>
<tr>
<th>Grant to Date</th>
<th>Estimated</th>
<th>Total Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>WEMBLEY STADIUM</td>
<td>£116m</td>
<td>£475m</td>
</tr>
<tr>
<td>MILLENNIUM STADIUM, CARDIFF</td>
<td>£46m</td>
<td>£130m</td>
</tr>
<tr>
<td>NATIONAL STADIUM, HAMPDEN</td>
<td>£24.2m</td>
<td>£70m</td>
</tr>
</tbody>
</table>

13. Another comparison is with other capital projects funded by the Millennium Commission:-

<table>
<thead>
<tr>
<th>Grant to Date</th>
<th>Estimated Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>ODYSSEY, BELFAST</td>
<td>£91.1m</td>
</tr>
<tr>
<td>GLASGOW SCIENCE CENTRE</td>
<td>£74.1m</td>
</tr>
<tr>
<td>LIFE CENTRE (NEWCASTLE)</td>
<td>£60.6m</td>
</tr>
<tr>
<td>FORTH &amp; CLYDE CANAL LINE</td>
<td>£78.9m</td>
</tr>
<tr>
<td>HAMPDEN (SOUTH STAND)</td>
<td>£58m</td>
</tr>
</tbody>
</table>
Proposed additional net funding by the Millennium Commission: £229m to the Dome, London; £1.2m to Hampden, Glasgow

14. The Dome in London received a £761m special budget; This project was awarded an original lottery grant of £449m. After the operational date of 1 January, 2000, it has received additional commitments from the Commission of £60m in February; £29m in May; £43m in July and £47m in September – all to meet operational deficits and the costs of various new management arrangements.

Media coverage of the National Audit Office Report on the Dome in November 2000 – and the Commission’s role in making additional net grant of £229m have fuelled resentment within Q.P.F.C. at the Commission’s determination to restrict their additional funding to Q.P.F.C. to £1.2m. It was interesting to learn that directions were issued by the Secretary of State for Media, Culture and Sport in 1999/2000 to the Millennium Commission of which he is Chair. These required his Commission to have regard to the viability of projects and, in particular, the need for resources to be available to meet any “running and maintenance costs for a reasonable period, having regard to the size and nature of the project”. At the Scottish Parliament’s Inquiry, questions should be raised as to how the Commission applied these directions in appraising applications from Q.P.F.C. and the new Millennium Experience Company.

HAMPDEN: KEY STRATEGIC ISSUES

Hampden Transformed: New facilities may open by May, 2001; No programme for Lesser Hampden

15. The revenue generating national stadium and conference facilities are complete and functioning effectively. Certain facilities are scheduled to open during 2001:

- THE SCOTTISH NATIONAL FOOTBALL MUSEUM (April 2001)
- THE SPORTS INJURY CLINIC (Spring 2001)
- THE OFFICE ACCOMMODATION (from January 2001)

Ongoing attractiveness of NATIONAL STADIUM; Threats to the viability of Q.P.F.C.

16. Q.P.F.C. are confident that, for the foreseeable future (i.e. the next 5 years) the Stadium can be operated successfully. In the longer term, much depends upon the outcome of risk factors (such as the future of the Scottish Cup; the attractiveness of Scottish International Football; and visitor numbers at non-football entertainment) as well as the degree of commitment, energy and resources deployed by Hampden Park Ltd to the upgrading and maintenance of the Stadium. Much will be dependent upon the future policy of the S.F.A. towards the National Stadium. The setting up of an action orientated Task Force, with resources, to address transport, infrastructure and Lesser Hampden re-development issues; sensitive approaches by Ministers in the Scottish Executive to issues such as the business rates levied on National Stadium; the speed with which outstanding Safety Certificate issues are addressed; and, most importantly to Q.P.F.C., the viability problems which remain for Q.P.F.C. as owner of the National Stadium as a result of future liabilities and risks which the Club has had to accept in the interim settlement. These require to be addressed in recommendations from the Parliamentary Committees on the Final Account settlement.
17. In Table 1 Q.P.F.C. have provided visitor numbers at main events staged since May 1999 simply to emphasise that the National Stadium at Hampden has potential as a commercial venue; a real visitor attraction to the south side of Glasgow; and for local community usage. Q.P.F.C., as owners and landlords, will continue to work closely with all interested parties to ensure this potential is realised.

18. Confounding local and national critics, Hampden has operated successfully and safely. Since May, 1999 the National Stadium has hosted:-

**TABLE 1: SPECTATORS/VISITORS attracted to Main Events at National Stadium**

**FROM MAY, 1999:-**

- **Trial Safety Event;**
  - (“Celebrity All Stars”)
- Rangers V. Celtic
  - *(Scottish Cup Final, 1999)*
- Rod Stewart Concert
  - 35,000
- South Africa V. Uruguay
  - *(Rugby World Cup)*
- Scotland V. Rumania
  - *(Rugby)*
- Scotland V. Lithuania
  - 20,000
- Scotland V. England
  - *(Euro 2000 Play-off)*
- Celtic V. Aberdeen
  - *(CIS CUP FINAL)*
- Celtic V. Kilmarnock
  - *(CIS cup semi-final)*
  - *(Champions: League Division 3)*
- Scotland V. France
  - *(Inaugural event)*

**FROM APRIL, 2000:-**

- Hibbs V. Aberdeen
  - *(Scottish Cup Semi-Final)*
- Rangers V. Ayr United
  - *(Scottish Cup Semi-Final)*
- Rangers V. Aberdeen
  - *(Scottish Cup Final)*
- Tina Turner Concert
  - 45,000
- Mike Tyson “Fight”
  - 15,000

*plus PENTECOSTAL event and a number of AMATEUR, YOUTH and SCHOOL FOOTBALL FINALS.*

In the original grant application in 1995, Q.P.F.C. envisaged that operational management at the transformed National Stadium would create 100 full-time and 300 part-time jobs. Due to the cash flow crisis, the Stadium had to be operated from May, 1999 to April, 2000 with only 14 full-time staff and significant voluntary efforts by the Members and Committee of Q.P.F.C.
UEFA have inspected the partially completed Stadium - and Hampden will host the Champions League Final in 2002.

The fractional relationships between S.F.A. and the National Stadium plc were halted in March, 2000 through action by Q.P.F.C. in securing majority control of the Board of the National Stadium plc. The relationship between Q.P.F.C. and S.F.A., which built “Hampden as home of Scottish Football”, has been re-defined.

Unfortunately, the pre-planning work for the third phase of redevelopment at Lesser Hampden had to be postponed by Q.P.F.C. in August, 1999. Unless a satisfactory Final Account and grant determination can be achieved with the Millennium Commission (or its successors) over the South and West Stands project; linked to a more positive response by the Scottish Executive to the setting up of a multi-agency task force (led by a Minister or elected representative to avoid charges of “quango-creation”) to supervise on-going regeneration at Hampden - with resources - the vision outlined on page 13 of our initial submission will not be realised.

HAMPDEN: KEY STRATEGIC ISSUES

The Millennium Commission; successor arrangements for grant-funded projects in Scotland

19. The Millennium Commission is the lead funder of the South and West Stands project at Hampden. Its statutory role, structure and the purpose of its “capital projects” programme is summarised in the supporting documents to this Memorandum (an extract of a paper which the Commission itself submitted to the Culture, Media and Sports Committee of the House of Commons and was printed in July, 2000). There must now be some questions as to the wisdom of the decision to distribute a fifth of the total lottery fund through a Commission based in London. Operational problems could have been anticipated as it attempted to monitor a large number of projects all proceeding towards completion, simultaneously.

This may be the appropriate time to conduct an assessment of all Commission approved projects in Scotland. This assessment would bring back recommendations whereby a lead funding agency based in Scotland is identified for taking responsibility from 20th August 2001 for the ongoing monitoring of Commission funded capital projects; their annual performance; and ongoing viability.

The Millennium Commission; Additional £30m budget

20. Q.P.F.C. were advised by the Commission on 29 June, 2000 that only £15m of the £1.3bn Capital Projects Budget remains unallocated. On 4 August, 2000 the Head of Policy advised Q.P.F.C. that only £9m was unallocated. Projects such as the Life Centre in Newcastle (an additional £4.45m in two tranches); and the Deep project in Hull (budget increased from £31.6m to £39.4m) have benefited from grant increases — without having to attract the levels of partnership funding secured at Hampden. Q.P.F.C. have been active in requesting MPs to lobby Ministers to increase this budget so that the Commission may no longer use budget restrictions as a reason for their negative responses to Q.P.F.C. In late December, 2000 the Commission received an additional £30m from Government specifically to ensure that existing projects have a solid foundation on which to build for the future.

This Memorandum will now turn from strategic issues to project issues in the re-development of the South & West Stands at Hampden.
SECTION 3: PROJECT ISSUES:- SOUTH AND WEST STANDS (PHASE 2)

RE-DEVELOPMENT OF THE SOUTH AND WEST STANDS:

In our initial Written Submission, Q.P.F.C. set out our views as to how and why problems arose in the project. Our audit work - and analysis - is now more advanced. In this Section, we shall briefly summarise the project purpose; the contractual and financial framework between 1995 and 2001; and Q.P.F.C. views on the performance of the Project Manager and Stadium Operator. This places in context our evidence on the role of and funding provided by the Millennium Commission and others.

Project Purpose: Broad Aims and Objectives

21. The Project Purpose as defined in the Millennium Commission’s Grant Agreement and supported by the other funding partners, was:-

- To complete the reconstruction of Scotland’s national Stadium to a standard consistent with F.I.F.A. and E.U.F.A.’s Five Star Listing.
- To include within the stadium, a National Museum of Football, an All Sports Medical Research and Rehabilitation Centre and an International Media Centre.

In addition, the Millennium Commission (M.C.) was anxious that the Project should link with the local community in the provision of facilities and activities within the Stadium complex and on a wider campus including sites adjacent to the Stadium. This “community element” was to be discussed with the City of Glasgow Council.


22. Q.P.F.C. will summarise, briefly, the main elements in the contractual and financial framework for the project – with an analysis of their impact on the difficulties, where appropriate. A number of these contracts have been included in the supporting document folders. From meetings and correspondence with agencies since April 2000, it is apparent to Q.P.F.C. that a number of project participants did not understand the complex contractual and financial background to the project – nor the history of Hampden’s re-development since 1980.

The Original Grant Application for a £67m Project

23. The original Grant Application submitted by Q.P.F.C. was for a £67m project to re-develop the South and West Stands – for which a funding contribution of £33.5m was sought from the Millennium Commission. Funding contributions of £23.5m to be generated from a range of public bodies and commercial sponsors were proposed at conservative levels. These were to be “topped-up” to the 50% match funding basis for the project through a notional £10m contribution from Q.P.F.C. being the site value for the land on which the new South/West Stand was to be erected. As the project was to be delivered by a wholly owned subsidiary of Q.P.F.C. – and operated by the same company for the next 40 years – the Commission were not prepared to allow the notional £10m site value of the South and West Stand to count as a project-eligible funding contribution.

The Approved Project with a £51m Budget

24. The approved project was a form of public/private multi-agency funding initiative relying on public subsidy; commercial sponsorship; a debenture scheme linked to a staging agreement with the S.F.A.; and bank overdraft/underwriting facilities. The Q.P.F.C. contribution was to make the stadium available for the 2½ year re-development programme – when no ground rental income would be generated.
Effectively, the £67m re-development project had to be cut back to restrict expenditure within a £51m budget (at 1995 prices). Contributions from other public bodies and commercial sponsors would have to be increased from the original target of £23.5m to £28m. The project became high risk, with a likelihood of both cash flow and funding gap problems emerging. Q.P.F.C. decided to proceed – having received assurances from the Commission’s Chief Executive to our local MP John Maxton at a Parliamentary Committee Hearing in 1996 that Applications for further grant would be treated “on their merits”.


Following the Grant Award by the Commission to Q.P.F.C. of £23m in December 1995, a Grant Agreement was entered into between Q.P.F.C. and the Commission on 22nd July and 1st August 1996. This Agreement set out the terms and conditions under which Grant was to be made available to Q.P.F.C. to meet 50% of the estimated costs of £46m of re-building the South Stand. This Agreement enabled Q.P.F.C. to obtain in principle commitments from other co-funders estimated at £28m in November 1996 to allow a £51m re-development of the South and West Stands to commence on site in April 1997.


As a result of the contractual arrangements, Q.P.F.C. and TNS had distinct management structures and different responsibilities and risks associated with project implementation. Q.P.F.C. were clear that the re-structured National Stadium plc was acting as project manager and stadium operator for the next 40 years, on behalf of Q.P.F.C. There were specific monitoring and delegated authority arrangements set up by Q.P.F.C. which were summarised in our initial submission (p.18-19). This included the imposition of a firm ceiling for project expenditure which should not have been exceeded without the consent of Q.P.F.C. This ceiling on project expenditure was set by Q.P.F.C. at £29.15m on 3 March, 1997 and uplifted to £51.2m on 7 December, 1998. Request to have the project expenditure ceiling uplifted to £56.2m was rejected due to Q.P.F.C. views of uncertainty regarding income/funding contributions. This was fully understood by the Board, Management, Consultants and Auditors of the National Stadium plc. Due to their “distant” monitoring of the project until July 1999, Q.P.F.C. are not clear as to whether these controls on project expenditure imposed by the parent company/project sponsor were known to the Commission and the co-funders.

Agreements with the S.F.A. (August to October, 1998)

Between August and October, 1998, Q.P.F.C., TNS and the S.F.A. concluded a number of Agreements. They provided Q.P.F.C. with guaranteed annual income of £1.1m from the S.F.A. in respect of the following uses for the next 40 years:

- £750,000 to play 10 games at the Stadium.
- £170,000 to lease offices to the S.F.A.
- £150,000 to lease accommodation to the Museum Trust.
- £30,000 to lease the Sports Injury Clinic.

These Agreements (Debenture Rights, Heads of Terms, Stadium Licence) were finalised in October 1998, after protracted and difficult negotiations. This delayed the issue of the Debenture Prospectus in name of the National Stadium, plc.
The Scottish Football Association Museum Trust; Strathclyde European Partnership and E.R.D.F. Grant Arrangements (1996-2001)

28. £2.1m Grant Award by Strathclyde European Partnership of 29th October 1996 was accepted on 14th November 1996 by the Scottish Football Association Museum Trust in response to Application of 18th October 1995.

Correspondence between October 1998 and February 1999 provide the contractual basis upon which T.N.S. received instructions from S.F.A.M.T. to place a fitting-out contract with Silver Knight Ltd for £2.1m to be completed by 31st December 1998. This was necessary to ensure E.R.D.F. Grant conditions imposed on S.F.A.M.T. were complied with.

Financial problems arose for Q.P.F.C. as a result of mismanagement of various elements of the Museum construction, fit-out and the payment/reimbursement arrangements amongst S.F.A.M.T., T.N.S., Silver Knight, E.R.D.F., Q.P.F.C. and a private sponsor. A recent audit report on these problems from Hardie Caldwell is included in the supporting Volume of Contracts/Agreements along with the contract letters. Q.P.F.C. are progressing outstanding debt issues with S.F.A.M.T. The viability of the Trust may be at risk due to grant re-payment claims by ERDF and the Scottish Executive. Q.P.F.C. would suggest that the Inquiry allows 2 months for negotiations on these issues to be either concluded or terminated; Q.P.F.C. would be happy to present a further submission on these negotiations in June 2001. Q.P.F.C. aim to ensure that the financial issues are resolved by end April 2001 before the date for Final Account/Grant Determination in May 2001.

(From an operational perspective, excellent working relations have been established between Q.P.F.C. and S.F.A.M.T. – and both parties remain fully committed to the success of the Museum – which has real potential to be a successful visitor attraction – and educational resource).

The Debenture Prospectus (November 1998)

29. As a formal legal document, the prospectus had to set out the background to the project in some detail. It did not attract sufficient sales of the higher priced Gold and Silver Seats. The total potential contribution to the Project was £8m and the Royal Bank agreed to underwrite the issue up to the target net sales figure of £6m. In fact, the actual income from sales was £2.2m. The net contribution to the funding of the project was £1.2m against the target of £6m.

The Prospectus could not have been issued earlier in 1998 to derive the benefits from the high-profile performances of the Scotland International Team in World Cup 1998 in France – as no staging agreement had been entered into between the S.F.A. and the National Stadium, plc.

The Conditional Stadium Safety Certificate (May 1999) by the City of Glasgow Council as Licensing Authority

30. This certificate was not obtained without lengthy negotiations and the requirement to instruct a significant number of additional works to upgrade services (lighting: exit signage, etc.).

Some works were also required to the exits and turnstiles in the North and East Stands – which had not been used for major fixtures since 1995. As the project purpose was to "complete a National Stadium fit for E.U.F.A. and F.I.F.A. 5 Star Grading", Q.P.F.C. failed to understand why the Commission are not prepared to recognise these works and the costs of re-laying the pitch as part of the project.
To get this grading – and attract the UEFA Champions Cup Final to Glasgow in 2002 – Q.P.F.C. had to instruct and meet the costs of these essential works. The pitch also had to be re-laid to ensure that there was a quality setting. Finally, to give the stadium security personnel the opportunity to test the new stadium facilities, a Celebrity All Stars Event (involving Rod Stewart and Kenny Dalglish – the only professionals who played at Hampden in 1999 at no cost) was sponsored by Q.P.F.C. and attracted a 28,000 crowd on the day after the Certificate was issued – 21 May, 1999.

The Stadium Safety Certificate is issued subject to conditions from the Licensing Authority, City of Glasgow Council.

Arrrestment Notice (July 1999)
Trust Fund opened in name of National Stadium, plc
to be administered by Dundas & Wilson to avoid
risks of Q.P.F.C./TNS Directors trading wrongfully (August 1999 to January 2000)

31. With the service of the Arrestment Notice in late July, 1999 by Sir Robert McAlpine, the main Bank Accounts of both the National Stadium plc and Q.P.F.C. were frozen. Unless additional funding was obtained quickly to pay the main creditor, special arrangements had to be established to avoid risks of Directors attracting personal liability by trading wrongfully. (In the case of the Dome, London, the Government issued a letter agreeing to indemnify the Directors of the new Millennium Experience Company).

Part of the re-structuring which the Commission agreed with the National Stadium, plc, involved a Trust Fund being established – with payments due to Q.P.F.C. from the S.F.A. for ground rental of £200,000; a new overdraft facility from the Royal Bank of £250,000 and a grant from the Commission of £250,000. This was designed to keep both Q.P.F.C. and TNS trading during the period from August to end-October, 1999 while negotiations with creditors and co-funders progressed to agree means of settling outstanding claims.

With the further trading income generated from the Scotland -v- England European Championship play-off in November, 1999, this Trust Fund was further boosted to enable trading to continue until 10 January, 2000. On that date, the Trust funds were exhausted.

"THE TERMS" of the ADDITIONAL GRANT OFFER of £4.4m of 1ST OCTOBER 1999
(Uplifted to £4.55m in December 1999)

32. In response to the additional Grant Application made to the Millennium Commission (in April 1999 for £1.8m and in July 1999 for £3m) – and to the informal approaches made to Scottish agencies – a letter from the co-funders’ solicitors of 1st October 1999 set out conditions under which additional funding of £4.4m would be made available to Q.P.F.C. The conditions and the contributions (uplifted to £4.55m in December 1999) were as follows:

"A final and agreed estimate of the out-turn costs for the project and evidence of 100% funding to complete.

A new structure for the management and governance of the Stadium (the preference of the co-funders being that the S.F.A. should play a key role).

(Q.P.F.C. committed ourselves to negotiations with the S.F.A. as the prospective Stadium Manager in both September and October 1999).
A business plan, which has regard to the position of the S.F.A. and is robust and demonstrates that the Stadium is viable as a going concern that secures the project purposes."

- **The split of contributions amongst the co-funders:**
  - Scottish Executive: 2.15
  - Millennium Commission: 1.20
  - Sport Scotland: 0.50
  - Glasgow Development Agency: 0.50
  - City of Glasgow Council: 0.20
  - **£4.55m**

The Parliamentary Statement by the Minister of 16th December 1999 indicates that the additional funding was designed to finance a proposed settlement with Sir Robert McAlpine (£3.4m + £1.2m of debentures) and the Royal Bank of Scotland (subsidy of £1m to assist with re-structuring of loan facilities). It was acknowledged that, even if these were achieved, there would be a funding deficit. The assumption was that this deficit would be for the S.F.A. and Q.P.F.C. to resolve in establishing new management arrangements.

The level of additional grant; the absence of any timescales for resolving the difficulties; and the lack of clarity on the new management arrangements required to obtain the additional funds—all contributed to the length of time taken to negotiate solutions. This could have been avoided by a more sensitive, phased approach.

**Settlement with Sir Robert McAlpine and the Design Team (October /November 1999)**

33. These negotiations were successfully concluded and finalised on the basis reported by the Minister to Parliament on 16th December 1999. Unfortunately, they could not be implemented due to the inability to reach agreement on new management arrangements and secure the additional grant on offer.

**INTRODUCING NEW MANAGEMENT ARRANGEMENTS INVOLVING THE S.F.A.**

34. **The Scottish Executive/S.F.A./Hampden Park Ltd Proposal – Option 1**

The UK Government, in recent years, has sanctioned sizeable lottery grants in both England (£116m to the F.A. in March 1999 to enable a wholly owned subsidiary to acquire the Wembley site for re-development) and in Wales (£45m grant from the Millennium Commission to a wholly owned subsidiary of the Welsh Rugby Union). This appears to be a policy that management and control National Stadia should be vested in the appropriate National Sports Governing body.

The Minister, in his December 1999 Statement, set out the views of the co-funders that it was "logical and appropriate" to transfer management of the National Stadium at Hampden to the S.F.A.

Reports made available to Q.P.F.C. from Deloittes (of mid July and end October 1999) confirm that consultants for the co-funders focussed their attention, exclusively, on assisting the S.F.A. to compile a Business Plan. In the view of Q.P.F.C., in an open negotiation, early agreement should have been secured to a Joint Heads of Terms Agreement with the S.F.A. and the co-funders. On the topic of “New Management Arrangements” this should have clarified:

QPPCShquiryDoc.doc
The date for implementation of new management arrangements

The existing contractual arrangements which would require to be terminated or renegotiated and an assessment of the contingent liabilities/costs which could arise.

The legal costs and fees which would be incurred by:

- Q.P.F.C.
- T.N.S.
- S.F.A.
- Co-funders
- Banks
- Creditors

in negotiating new management arrangements at the same time as adjusting settlement of claims arising from the re-development contracts.

The risks involved in introducing such negotiations at a time when both Q.P.F.C. and T.N.S. had to operate through Trust fund arrangements to avoid personal liability of Directors for wrongful trading.

The additional bank interest and associated costs (which would be incurred unless a phased approach to settlement of the individual problems was introduced).

The S.F.A. Business Plan (as Stadium Manager/Operator) should also have been accompanied by a Q.P.F.C. Business Plan (as Head Landlord – with reciprocal rights) to ensure that both plans were viable and based on reasonable and similar assumptions; before any assurance could be given to the co-funders that the STADIUM was on a sound financial footing under the new management arrangements.

A proposal to re-structure the National stadium plc (December 1999); (with direct S.F.A. involvement in the new management structure) – Option 2

The re-structured T.N.S. – with expert advice and support from Dundas & Wilson and K.P.M.G. – developed their own Business Plan (“The Way Forward”) following discussions with the Director of Projects of the Millennium Commission in early September 1999. It was held out to Q.P.F.C. that this Plan had active support of the Royal Bank of Scotland; and had been discussed at senior officer level with the City of Glasgow Council.

Q.P.F.C. received a presentation on this plan from the Chair and consultant Team acting for T.N.S. in early December 1999. It was held out to Q.P.F.C. that this new management structure complied with the conditions for additional finance from the funding agencies and, if implemented, would involve lower expenditure on legal costs.

Appointment by the Court of Joint Managers ad Interim to Q.P.F.C. (January 2001)

35. By early January 2001, neither option for new management arrangements involving the S.F.A. had been capable of agreement; Q.P.F.C. were advised by our legal advisers that there was no option but to apply to the Court to appoint Joint Managers ad Interim – as part of Administration proceedings, to provide the Directors with protection of the Court to allow negotiations to be concluded. Joint Managers were appointed on 10th January 2000.
The Framework Plan; and Lease Agreement with the S.F.A. (from 31st March 2000)

36. Following intimation by the Joint Managers that the City of Glasgow Council had deemed option 2 as non-viable in February 2000, an approach was made to the Minister for additional funding of £1.8m on 24th February 2000 by the Joint Managers.

Confirmation of additional funding of £1.2m was received from the Scottish Executive (£0.6m) and City of Glasgow Council (£0.6m) in late February/early March 2000 – with a strict condition that new management arrangements had to be implemented by 17th March 2000.

On or about 2nd March 2000, Q.P.F.C. regained management control of the Board of the National Stadium plc. A new negotiating team represented the Directors of both Q.P.F.C. and T.N.S. in the lengthy negotiations led by the Joint Managers.


So far as the contract with the S.F.A. was concerned, the existing arrangements were terminated. The S.F.A. entered into a 20 year lease with Q.P.F.C. over the entire Stadium. Their annual financial commitment of £1.1m has been re-structured as follows:

- £300,000 towards costs of stadium Operational Management and staff
- £800,000 as base rental attributed as follows:
  - £200,000 (index-linked as core rent to Q.P.F.C.)
  - £600,000 (to repay loans incurred to Royal Bank of Scotland* and Sovereign Finance)

(*these loans are due to be repaid in 10 years, after which this sum will be allocated to a Refurbishment Reserve to provide for upgrading the Stadium and its fittings/fixtures; in addition, there is a financial incentive to Q.P.F.C., Hampden Park Ltd and the Royal Bank to market the unsold Debentures in the summer of 2001 so that the Royal Bank loan is repaid early. This would allow the refurbishment reserve to accumulate at an earlier date).

Q.P.F.C. have confirmed our commitment to make these new arrangements operate successfully in our role as Owner/Head Landlord of the National Stadium at Hampden.

93 Supplemental/Settlement Agreements (March/April 2000)

37. Q.P.F.C. have attached the Schedule which summarises the other 93 agreements (in addition to the Lease and Framework plan with the S.F.A.) which makes up the settlement with creditors/sponsors/co-founders adjusted by the Joint Managers – and approved by the Court in the discharge of the Administrators on 3rd April 2000.

Q.P.F.C., as Head Landlord/Owners of the National Stadium, have only survived as a result of these arrangements. Our guaranteed return to solvency was only achieved through a complex Trust Fund arrangements effected with the main creditor, Sir Robert McAlpine.

Effectively, McAlpines have accepted proposals which results in their receiving payments totalling £3.1m. The balance of their cash entitlement is deployed by a Trust Fund, administered by Q.P.F.C., to meet other creditors – against a Schedule of approved debts
compiled by the Administrators. This arrangement will not unravel until May 2001. It was necessitated due to the refusal of the Millennium Commission to match the funding offered by the Scottish Executive and the City of Glasgow Council.

The frustration within Q.P.F.C. at the complexity of these arrangements have increased considerably as we have read during 2000 of the more sensitive, flexible and generous responses of the Millennium Commission and others to the funding difficulties of other large scale projects elsewhere in the UK.

Q.P.F.C. did ensure that there was a clear contractual commitment remaining with the Commission to agree a Final account and Grant Determination with Q.P.F.C. for this phase of the project. Q.P.F.C. have agreed a timetable whereby this process will be completed in May 2001.

THE PERFORMANCE OF THE NATIONAL STADIUM, PLC IN PROJECT MANAGEMENT AND STADIUM OPERATION

38. Having described and analysed the main components of contractual and financial framework for the project between 1999 and 2001, Q.P.F.C. will submit evidence in this memorandum on the management capacity of the original Project Manager and Stadium Operator, the National Stadium plc.

Others have attempted to attribute the difficulties in successful project implementation – to poor performance by the management and consultant professionals employed by the National Stadium plc. Q.P.F.C. agree with the Minister that the blame for the problems are much more complex. A brief description of the staffing and professionals employed by the National Stadium plc – to support the consultant Chief Executive – is now provided:

Management Capacity of the National Stadium plc

39. Staffing

As construction work proceeded, the National Stadium plc recruited appropriate management staff with technical, financial and commercial backgrounds – to ensure that the critical transition from a construction project to an operational project was successfully managed. Key appointments were made and the staffing costs were met from Q.P.F.C. Reserves. Briefly, the key appointments in order of appointment were:

- A Commercial Manager; a graduate with operational experience (unfortunately she left on 29 week maternity leave in December 1998)

- A Financial Manager who had accountancy qualifications and had five years experience as Financial Controller at Enterprise Ayrshire. Recruitment to this post was with assistance of the Glasgow Development Agency. (This Manager resigned in August 1999 and was replaced by a secondment from K.P.M.G., under a re-structuring agreed by the Board with the Millennium Commission).

- A Construction Manager who was an ex-Depute Director of the Architecture and Related services Department in Glasgow City Council, an architect by profession and a lecturer in building contract law.

- A Stadium Manager who had recently been employed at Ibrox Stadium, Glasgow.

- A Debenture Sales Administrator.
The performance of the consultant Stadium Director and his Management Team has been questioned. Q.P.F.C. have enclosed with our submission copies of the Minutes and Operational reports presented to the Board in late January 1999. These confirm that the structures operating in early 1999 did provide a number of checks and balances. Controls were in place.

During 1999, significant difficulties arose in managing efficiently the transition of the finance function as the project geared up to address the complex issues of stadium operation. However, Q.P.F.C. would emphasise that much of the accounting data for the construction project was held in the books and accounts of Q.P.F.C. Thereafter, debate on financial issues became even more difficult as rescue deals and their financial implications were discussed with no agreement as to the timescales for their implementation and the basis of the arrangements upon which each was based.

40. **Consultants**

The Management Team were backed up by a highly experienced team of professional consultants – details of which are included within the 1995 application for grant – again part of the enclosures.
41. Evidence is now provided on the control exercised by the Millennium Commission on the governance of the National Stadium plc through the Grant Agreement.

THE GOVERNANCE of the NATIONAL STADIUM plc
Corporate Governance – Statements of Best Practice

Corporate governance is "the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders’ role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company’s strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship...The specifically financial aspects of corporate governance are the way in which a company’s board sets financial policy and oversees its implementation – including the use of financial controls and the process whereby the board reports on the activities and progress of the company to its shareholders”.

Under published Codes of Practice, the Company’s Board is responsible for establishing “the overall strategic direction of the Company within the policy and resources framework agreed with the Shareholder” and for overseeing “the delivery of planned results by monitoring performance against agreed strategic objectives and targets”.

THE NATIONAL STADIUM PLC; A UNIQUE STRUCTURE
THE BOARD OF DIRECTORS; REMOVAL OF CONTROL FROM Q.P.F.C. (From October 1996 to March 2000)

Approving a Restructured Board of Directors (May to October 1996)

The Grant Agreement entered into between Q.P.F.C. and the Commission is quite specific that management control for the implementation of the re-development project and subsequent stadium operation was to be vested in the National Stadium plc, a wholly owned subsidiary of Q.P.F.C. The National Stadium plc was a registered company. Its Board of Directors in May 1996 comprised Austin Reilly and Bert Cromar, 2 members of Q.P.F.C. on the informal National Stadium Committee which represented the organisations with an interest in the re-development of Hampden. The Board of the National Stadium plc had to be restructured so that the 2 nominees of Q.P.F.C. were joined by Directors acting as nominees of the Scottish Football Association (2 Directors), the City of Glasgow District Council (1 Director) and 2 Directors acting as Independents and chosen for the specific skills/knowledge which they would bring to the project. Any resignations from the board were to be replaced by the original Board agreeing the identity of suitable replacements with the Commission. The identity of the initial 7 Directors was approved by the Commission in May 1996 and notified to the Q.P.F.C. Committee in October 1996.

In summary, Section 14.11 of the Grant Agreement was specific in removing control of the appointment of Directors to the National Stadium plc from Queen’s Park F.C.; degree to which control of the Board was removed from Q.P.F.C. is confirmed by the default provisions in Schedule 9. Effectively, through the Grant Agreement the Millennium Commission replaced Q.P.F.C. as the organisation with power to control the Board of Directors.
The Re-structuring of the National Stadium plc (August/December, 1999)

In August 1999, the Commission had received a consultants’ report that it was in breach of its obligations to Q.P.F.C. – under the Management and Licence Agreements. Nevertheless, the Commission entered into direct discussions with a new Chair and authorised the company to proceed with a re-structuring. Consultants were remitted to undertake duties in vacant management posts, even although the co-funders were on the point of deciding that new management arrangements had to be introduced.

Q.P.F.C. Regain Control of the Board of Directors (from March 2000)

In early March 2000, Mr Bert Cromar, one of the two Q.P.F.C. nominees on the Board met with the President of Q.P.F.C. to express his concern that Messrs Samuel, Baxter, Clydesdale and Walker had intimated their resignations since September 1999. No replacement Directors had been proposed to the Board and agreed with the Commission. There was evidence shown to Q.P.F.C. to suggest that the then Chair was not committed to any new management structure involving the S.F.A. Following a meeting of office-bearers of Q.P.F.C. with Mr Cromar, a letter was sent by fax by Q.P.F.C. to the Joint Administrators to secure the appointment of 4 further Q.P.F.C. nominees to the board of the National Stadium plc to replace the Directors who had resigned. The Joint Administrators obtained the consent of the Solicitors to the Millennium Commission to this course of action as it involved waiver of the conditions in the Grant Agreement on the structure of the Board of the National Stadium plc. Effectively, it was direct action by Q.P.F.C. that regained management control of the National Stadium plc by the parent company in early March 2000. With a new negotiating team representing Q.P.F.C./T.N.S. during March 2000, progress was made to achieve an interim settlement in early April 2000.

In paras 42-47 of this Memorandum, Q.P.F.C. move away from governance issues. QPFC draw the attention of the Inquiry to concerns on key issues of the process with the evidence and views on the responses by Funding Agencies and how these impacted on problems.

ASSESSMENTS OF THE PROJECT FUNDING GAP

42. The scale of the financial problems (the funding gap) was difficult to quantify due to the uncertain nature of projecting income/expenditure impacts arising from issues such as the settlement of disputed claims with the management contractors; the income to be generated from the sale of debentures by 31st March 2000, after which date the underwriting from the Royal Bank would have to convert to a Term Loan; the net income/profit being generated from stadium management; and identified (but uncertain) shortfalls in funding contributions due to the refusal of the S.F.A. to meet the in principle commitments given by their former Chief Executive to Q.P.F.C. and a Parliamentary Committee; and the funding difficulties of the S.F.A. Museum Trust with both E.R.D.F. and the Heritage Lottery Fund.

Reliance was placed on imprecise assessments of past difficulties and the scale of future problems – based on qualified and unclear assumptions on timescales for resolving the problems – produced by consultants (K.P.M.G. for the National Stadium plc; and Deloittes for the Commission and co-funders).

From September, 1999, the scale of the project funding deficit became impossible to quantify as different management options produced different financial projections of costs for each solution. No agreement was reached as to when the new arrangements were to be introduced – until March, 2000.

An analysis based on fact and certified statements of project income and expenditure was not obtained from Q.P.F.C. and our Auditors until May 2000.
WARNING SIGNALS; (September 1998 to July 1999)

43. The Working Capital Board Memorandum (September, 1998)
The Debuture Prospectus (November, 1998)

To comply with the Grant Agreement between Q.P.F.C. and the Commission, a provisional
project audit report had to be completed in September, 1998. Q.P.F.C. and its project
managers, the National Stadium, plc, did more than fulfil this condition. Two significant and
detailed publications were prepared – and the prospectus was issued to the general public.
They set out clearly the risks and difficulties which might prevent a successful completion.
These were realistic and professional publications – but they would not assist the marketing –
specifically to the well informed Business Sector - of the more expensive Gold/Silver
Debentures.

Appropriate diligence by the Millennium Commission and the co-funders should have set a
number of alarm bells ringing as to the difficulties which were likely to emerge in 1999.
These should have been well known to all of the funders as they were set out in detail in the
Debouture Prospectus of late November, 1998:

- The total cost of the project (excluding VAT) now being estimated at £55.3m.
- A maximum statement of income generation of £54.9m, but heavily qualified in
  income from the Strathclyde European Partnership Fund; the capital leasing facilities;
  the income likely to be generated from the debentures scheme; application of BT
  sponsorship money.

THE "COMPLETION" STRATEGY

44. Efforts to Restrict Project Expenditure by Q.P.F.C.;
January 1999: Approach agreed with a Commissioner by the National Stadium, plc

Q.P.F.C. studied these figures in detail and decided in December 1998 not to uplift, as
requested by the National Stadium plc, the project expenditure cost ceiling from £51.2m.
Q.P.F.C. considered that the income generation actually delivered by the project was likely to
fall well short of the £54.93m target set out in the debenture prospectus on behalf of the
National Stadium plc.

In late January 1999, a Commissioner and the Depute Director of Projects met with 3
Directors of the National Stadium, plc in Glasgow. The outcome of that meeting was
recorded in a paper to the Board of the National Stadium plc prepared by the non-executive
Directors. It states:

"The Board was comforted, and has remained so, by the view expressed by Lord Dalkeith
that the Commission would not see the Project fail and, further, that the matter would be best
addressed at the end of the construction programme, which would avoid the need for
subsequent requests and allow for a full and final assessment. It is clearly the perception of
the Board of T.N.S. that these are solid assurances."

As lead funder, it is clear that the Commission’s strategy was that the stadium should proceed
to completion – at which time the final income and expenditure position would be known and
"a final grant adjusted" rather than addressing and resolving individual issues by a series of
smaller scale additional grants from time to time. Effectively, the Commission encouraged a
process which would result in the National Stadium plc breaching the project expenditure
ceiling set by the parent company. With the benefit of hindsight, this was a major tactical
error which should have been resisted. A more sensitive “serial” approach tackling individual problems through to March 2000 should have been adopted.

**Efforts to Maximise Funding Contributions;**

**July 1999: Initial Meeting of Co-Funders**

By end June 1999, key problems which should have been known to all parties were:

- £22.7m of the £23m grant committed by the Millennium Commission had been paid to Q.P.F.C. by late May 1999.

- Q.P.F.C. Reserves of £0.5m had been fully spent on events and operational/staffing expenditure to ensure the safe operation of the new Stadium from May 1999.

Claims from the Management Contractor – and other unpaid creditors – who had accelerated works programmes to achieve Stadium Operation in May 1999 would exceed £6m. There were no resources available to meet these costs.

With the above range of problems – and real difficulties arising with the E.R.D.F. and the Scottish National Museum of Football Trust regarding the fitting out of facilities within the new South Stand - there was a need for urgent negotiations between the Commission and the other co-funders to ensure that the emerging cash flow and funding gap problems were addressed sensitively. No meeting of co-funders was convened by the Millennium Commission until late July, 1999. Prior to that date, individual approaches by Q.P.F.C. for additional funds to the Scottish based funders were rejected – as they felt that the lead funder, the Millennium Commission, must clarify its position.

**ADDITIONAL FUNDING APPLICATIONS TO THE MILLENNIUM COMMISSION**

**JANUARY TO OCTOBER 1999**

45. From January 1999, there was a hectic period of operational activity to get the Stadium fit for purpose by the Scottish Cup Final of May 1999.

The meeting of 29th January 1999 had been held to warn the Millennium Commission of likely funding problems associated both with projected expenditure exceeding targets – and funding contributions being lower than expected. Additional grant assistance of £1.8m was required. Agreement was reached to proceed to complete the Stadium element – and review how expenditure and income payments/receipts and forecasts developed. A Commissioner re-assured T.N.S. Directors that the Commission “would not allow the project to fail”, although he could not give any binding commitments at this stage.

During April and May 1999, requests were made for additional grant assistance towards a funding deficit of £1.8m. These produced no positive response from the Commission. The financial/cash flow problems gradually grew:

Project expenditure increased due to the efforts to achieve a conditional Stadium Safety Certificate to host the 1999 Scottish Cup Final.

Project income failed to meet targets through low take up of Gold and Silver Debentures; and problems with contributions anticipated from the S.F.A. and the Museum Trust/E.R.D.F.
A specific funding application for £3m towards a projected deficit of between £4.5m and £6.5m was fully developed and submitted on 5th July 1999. T.N.S. were advised that this would be considered by the Commission at their meeting on 14th July 1999.

No decision was taken. Instead, Deloitte & Touche were instructed to provide an independent assessment for the Commission in mid July 1999. Their report confirmed an anticipated funding deficit of £6.5m – excluding certain costs – against a projected completion cost of £60.5m (excluding any provision for the introduction of new management arrangements – and without any audit of actual expenditure incurred by both Q.P.F.C. and T.N.S. in making the stadium “fit for purpose” in the hectic period leading up to the Scottish Cup Final of May 1999). An Arrestment Notice was served by the Management Contractor on 26th July 1999. Inevitably, this attracted adverse publicity. The possibility of additional commercial sponsorship/commercial income ceased. The co-founders met on 27th July 1999. T.N.S. were requested to supply a split of the latest projection of the funding deficit of £6.2m amongst the co-founders pro-rata as per their original contributions. This was supplied on 30th July 1999.

No decisions were taken.

In August 1999, further consultant reports were commissioned from K.P.M.G. (T.N.S.) and Deloittes (co-founders). These were all available at the next Commission meeting on 8th September 1999.

Again, no decision was taken. The Commissioners indicated that “they would be prepared to consider a formal recommendation for an increase in grant”.

In early October 1999, the Commission agreed to offer an additional £1.2m to a £4.4m package against a projected deficit £6.2m, excluding sums required to settle with Sir Robert McAlpine.

The speed and nature of the Commission’s Responses to Q.P.F.C. in the first 10 months in 1999 – should be contrasted with responses by the Commission to applications for additional funds by the New Millennium Experience Company at the Dome in London in the first 10 months of 2000. Lessons for complex projects which run into financial difficulties:-

- Responses by agencies within 8 days – as at the Dome – when “trading wrongfully” risks emerge.
- Approve funds “up to £X” – with the actual sum confirmed in subsequent detailed appraisal of application for grant payment – as at the Dome.
- Grant payments should be paid/advanced against identified topics/issues which must be resolved with additional funds.
- Clear conditions need to be applied to influence on-going negotiations on unresolved issues.

46. ABSENCE OF CONDITIONS IN GRANT PAYMENT of £250,000 in OCTOBER, 1999 to THE NATIONAL STADIUM, plc TRUST FUND to be administered by DUNDAS & WILSON

- The Millennium Commission paid on 15 October 1999 £250,000 capital grant due to Q.P.F.C. direct to a Trust Fund created by Resolution of Board of The National Stadium plc to be administered by legal advisers Dundas & Wilson against cash flow schedules produced by financial advisers K.P.M.G. – separately for revenue and
operational expenditure incurred/to be incurred by The National Stadium, plc and Q.P.F.C., respectively.

- This Trust Fund was established to avoid any risks of wrongful trading to enable non-project related expenditure to be met – without prejudicing other unpaid creditors.

- Q.P.F.C. and our Auditors could not trace any Application for Payment of the special grant of £250,000 to meet short term operational and revenue funding in the 7 week period to 31 October, 2000. This was raised with the Commission. According to a response received from the Depute Director of Projects on 8 August, 2000, the payment of £250,000 to the Trust Fund was made in partial release of a Grant Application for £300,000 submitted on behalf of Q.P.F.C. on 24 September, 1999.

- It would appear that there were no specific conditions imposed by the Commission to this payment (e.g. “to conclude Heads of Terms/Agreement with the Scottish Executive and the S.F.A. by 31 October, 2000” to negotiate partial and early termination of the Management and Licence Agreements between Q.P.F.C. and the National Stadium plc – and enter into missives with the S.F.A. which would protect the interests of Debenture Holders”).

- More careful attention to detail in these appraisal and approval arrangements by the Commission could have avoided significant costs incurred in progressing two rescue deal proposals and two new management arrangements for the future operation of the Stadium.

- In the Final Account, the £250,000 grant payment must be regarded as a separate grant payment by the Commission to the National Stadium plc as a contribution towards the costs of introducing new management arrangements.

47. UNDERSTANDING PROBLEMS; INTRODUCING SOLUTIONS FROM EARLY JULY 1999

A more sensitive approach by co-funders from early July, 1999

Q.P.F.C. must reiterate our views that additional grant monies should have been directed to resolve individual problems which had arisen in completing the South and West Stand re-development. An early “in principle” award of grant of “up to £6m” to:

- “settle with the main contractor Sir Robert McAlpine and the design team by 31 October, 2000”
- “to re-arrange the banking facilities for the project, including the Debenture Scheme (closing the present issue as at 31 December 1999)”

would have been a sensitive, purposeful and less costly approach to achieve financial settlement by negotiation against agreed timescales. Specific solutions to identifiable problems could have been linked to a requirement to bring back new management arrangements by 30 November 1999 – with an estimate of the costs and risks inherent in the negotiations if new management arrangements were to be introduced by 31 March 2000.

As to the level of additional grant offered, the project funding deficit – excluding the settlement with the contractors and the design team – was assessed in early September, 1999 at £6.2m. This assessment did not include any projection for costs involved in developing new management arrangements, involving the S.F.A.
Level of additional Grant (£1.2m) from the Commission: (under 25% of additional funds)

As to the level of funding offered, the latest Application for Additional Funding from Q.P.F.C. for £6.2m had been sent, as requested by the Co-Funders at the meeting on 27 July, 1999, to the Millennium Commission on 30 July, 1999 (copy with key correspondence folder). The request was a pro-rata assessment based on the original project budget/original funding contributions. With additional partnership funding contributions from the Scottish based agencies of £3.35m, a minimum uplift in the Commission’s contribution of “up to £3.35m” could have been anticipated. Q.P.F.C. raised these issues on p.23 or our initial Submission. Q.P.F.C. would urge that the Commission are questioned carefully on this issue – as they had received directions on their approach to such issues in 1999/2000 from the Secretary of State, as follows:

"The need to require an element of partnership funding and/or contributions in kind from different sources, commensurate with the reasonable ability of different kinds of applicants, or applicants in particular areas, to obtain such support”.

In late July, 1999, the Scottish based agencies do not appear to have received a detailed briefing note on the contractual and financial background to the project from the lead funder, the Millennium Commission. There was no assessment of the risks/benefits from adopting a phased approach to the tackling of individual problems - and the introduction of new management arrangements - against a jointly agreed Management Plan. The attempt to improve co-ordination amongst the main co-funders failed. Individual funding agencies supported different “rescue” options proposing different management arrangements.

48. ANALYSIS OF OUT-TURN COSTS AND INCOME

One of the most surprising aspects of the approach by the Millennium Commission and its co-funders to the difficulties at Hampden was the absence of scrutiny of agreed schedules of project income and expenditure. As the re-construction contracts were entered into by Q.P.F.C. and, as grants (with the exception of E.R.D.F.) were paid to Q.P.F.C., such schedules would have been readily available from our auditors, Hardie Caldwell.

Nevertheless, the co-funders relied on assessments and projections of income, expenditure and potential liabilities from their own consultant teams and K.P.M.G., the then auditors of the National Stadium plc, Q.P.F.C. and our auditors, Hardie Caldwell, were ignored.

Q.P.F.C. have met the cost of audit work from our guaranteed income stream in 2000/01.

The three Schedules attached to the Memorandum allow discussion of the following:-

COSTS INCURRED in RE-CONSTRUCTION WORKS

£54.25m was the cost incurred in the re-development of the South and West Stand against an original target of £51.00m.

Taking account of the under-provision for inflation; contingencies; landfill tax and design team fees this represents a good performance.

COSTS INCURRED in MEETING CONTRACTUAL and STATUTORY OBLIGATIONS

An additional £4.75m of costs were incurred – of both a capital and operational nature – to meet essential costs involved in meeting contractual obligations, i.e.:
The launching of the Debenture prospectus (£1m);
Ensuring E.R.D.F. Grant Conditions were met by the SFA Museum Trust (£2.1m);
The fitting out of Hospitality Suites and the Media Centre (£0.6m); and
Of specific concern to Q.P.F.C. is the essential costs, £0.5m, incurred to meet statutory
obligations associated with the granting of Stadium Safety Certificate in 1999. Q.P.F.C. have
issued a formal complaint to the Commission, which is presently under internal investigation.
Hopefully, this will be resolved, shortly.

COSTS OF INTRODUCING NEW MANAGEMENT ARRANGEMENTS

Only some of the £4.7m additional costs incurred in the prolonged negotiations to effect new
management arrangements for the project – could have been foreseen by the Commission, the
co-funders or Q.P.F.C. prior to September, 1999.

These were costs which arose as a result of the grant conditions, and should be taken into
account in the Final Account negotiations.

SHORTFALLS IN INCOME/FUNDING CONTRIBUTIONS

The shortfall, in funding contributions arising from the failures in the Debenture Launch (over
£4m net); the withholding of E.R.D.F. Grant Payment to the Museum Trust (£0.21m) and
S.F.A. contributions (£2.5m) were set-off by the Football Trust (£2m additional funding
before problems arose). Commercial sponsorship (£1.2m) and Additional grants conditional
on new arrangements (£5.75m).

A financial settlement was only possible due to the funding (£9.4m) obtained from Q.P.F.C.
and the McAlpine Trust Fund arrangement (a contingent £0.9m contribution)

These issues need to be reviewed in the Final Account and Grant Determination process. Our
views on the elements which need to be addressed in a more equitable settlement are set out
in the next 1 paragraph of this Memorandum.

48. THE NEXT STEPS ON PROJECT ISSUES

The FINAL ACCOUNT/GRANT DETERMINATION should put Q.P.F.C. as the owner/head
landlord of the National Stadium on a more secure financial footing. Parliamentary
recommendations to the funding agencies (ERDF and the Commission) would, hopefully,
generate amore equitable final settlement. Agencies should be asked to bring back final
reports to a further Parliamentary Committee hearing in June 2001. These would clarify the
final decisions on:-

- The grant payment due by the E.R.D.F. to the Scottish Football Association Museum
Trust; and the settlement of the debt due to Q.P.F.C. by the Trust (and the agreement on
timescales, processes and further funding required to make the Museum, Library and
Archives fit for purpose)

- The Final Account and additional grant agreed by the Millennium Commission with
Q.P.F.C. within its 50% ceiling to contribute towards:
  - A full settlement with Sir Robert McAlpine in terms of the agreement of October,
1999.
  - Costs incurred by Q.P.F.C. in making the Stadium fit for purpose in May 1999
  - Costs incurred by Q.P.F.C. in negotiating the new management arrangements of
March 2000.

QPFCInquiryDoc.doc
Parliamentary recommendations are required to ensure that an appropriate context is set for the Final Account process. The Commission should be reminded of the specific undertaking given by its former Chief Executive to a Parliamentary Committee to treat additional grant applications on their merits.

For the avoidance of any doubt, Q.P.F.C. must emphasise that we are not intent – through the Final Account process – upon re-negotiating the Framework Agreement and Lease with the S.F.A.

50. **SUMMARY**

Q.P.F.C. have submitted evidence to show that the absence of an overall regeneration initiative has hindered progress at Hampden, Glasgow – contrasted to the support provided to similar initiatives elsewhere in the UK.

Q.P.F.C. have submitted evidence to show that the responses of the Millennium Commission, in particular, contributed to the nature and scale of the difficulties incurred in the project to complete the National Stadium at Hampden to a standard consistent with a F.I.F.A. and U.E.F.A. 5 Star Listing. There were also problems between the S.F.A.M.T. and their funding bodies, E.R.D.F. and the Heritage Lottery Fund, which remain unresolved. Private sector commitments from the S.F.A. and the Debenture Prospectus were not realised. The co-funders, in the final account, need to resolve their contributions to the distinctive elements of the project; specifically the costs involved in meeting contractual and statutory obligations and introducing new management arrangements.

Q.P.F.C. acknowledge the assistance of many agencies, Ministers in the Scottish Executive, our local MP and MSP to resolve some of the problems which arose. Q.P.F.C. now seek assistance from the Parliamentary Committee to ensure that the funding agencies address the outstanding project issues and the strategic issues upon which we have submitted evidence.

Q.P.F.C. look forward to receipt of the report and recommendations of the Inquiry and the publication of evidence on which the findings are based.
The Queen's Park Football Club Limited
Inquiry into Hampden Key Documents to Supplementary Memorandum

The Queen's Park Football Club Limited

Supplementary Memorandum: Parliamentary Inquiry

Schedule 1.1 Statement of Co-funding Contribution

Summary of Out-Turn of Funding/Income Contribution as at December 2000
Summary of Financial Settlement Income and Total Contribution from all Sources

<table>
<thead>
<tr>
<th></th>
<th>Targets (Nov 1996) £m</th>
<th>Out-Turn (Dec 1999) £m</th>
<th>Financial Settlement Funding £m</th>
<th>Total Funding (Apr 2000) £m</th>
<th>Total Funding (Dec 2000) £m</th>
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<td><strong>Public Sector</strong></td>
<td></td>
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<td></td>
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<tr>
<td>The Millennium Commission</td>
<td>23.00</td>
<td>22.95</td>
<td>1.20</td>
<td>24.15</td>
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<td>The Football Trust</td>
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<td>7.00</td>
<td>0.00</td>
<td>7.00</td>
<td>7.00</td>
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<td>The Scottish Sports Council (Lottery Sports Fund)</td>
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<td>3.75</td>
<td>0.50</td>
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<td>4.25</td>
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<td>European Regional Development Fund</td>
<td>2.10</td>
<td>1.89</td>
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<tr>
<td>The Scottish Office</td>
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<td>2.75</td>
<td>4.75</td>
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<td>Glasgow Development Agency</td>
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<tr>
<td>City of Glasgow/Strathclyde Regional Council</td>
<td>1.00</td>
<td>1.00</td>
<td>0.80</td>
<td>1.80</td>
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<tr>
<td><strong>Total</strong></td>
<td>38.45</td>
<td>40.19</td>
<td>5.75</td>
<td>45.94</td>
<td>45.94</td>
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</table>

| **Private Sector**      |                       |                        |                                |                            |                            |
| Debenure Issue          | 6.00                  | 2.20                   | 2.20                           | 2.20                       | 2.20                       |
| The Scottish Football Association | 2.50 | 0.00 | 0.00 |
| Private Sponsorship     | 4.05                  | 5.10                   | 5.10                           | 6.30                       | 6.30                       |
| **Total**               | 12.55                 | 7.30                   | 0.00                           | 7.30                       | 8.50                       |

| Queens Park Football Club |                       |                        |                                |                            |                            |
| Royal Bank of Scotland Loan | 0.00 | 4.60 | 3.10 |
| Sovereign Finance        | 0.00                  | 2.50                   | 2.50                           | 2.50                       | 2.50                       |
| Club Reserves            | 0.00                  | 0.70                   | 0.70                           | 0.80                       | 0.80                       |
| TNS / Dundas & Wilson Trust Fund (SFA Rental / Stadium Income) | 0.00 | 0.80 | 0.80 |
| Creditors Settled by Gift of Debenures | 0.00 | 0.00 | 2.20 | 2.20 |
| **Notional Funding**    | 0.00                  | 0.00                   | 0.90                           | 0.90                       | 0.90                       |
| McAlpines Settlement Negotiated Contribution | 0.00 | 8.60 | 10.20 |
| Less Notional Funding   | 0.00                  | 0.00                   | (0.90)                         | (0.90)                     | (0.90)                     |
| **Total**               | 51.00                 | 56.09                  | 5.75                           | 63.44                      | 63.84                      |

Certified as extracted from the books and records of The Queen's Park Football Club Ltd

[Signature]

Hardie Caldwell

31st January 2001
The Queen's Park Football Club Limited

Inquiry into Hampden Key Documents to Supplementary Memorandum

The Queen's Park Football Club Limited

Supplementary Memorandum: Parliamentary Enquiry

Schedule 1.2 - Analysis of Project Expenditure

Sources: Club audited accounts for 1998 and 1999 and unaudited accounts for 2000.

COST OF SOUTH AND WEST STAND REDEVELOPMENT WORKS

Decent Costs

Principal Contractor - Sir Robert McAlpine - Value of Payments and Settlement

Project Engineers/Surveyors/Design Team Fees
Thorburn Coquhoun
Percy Johnson - Marshall & Partners
Hutley & Kirwood
Gardiner & Theobald
Others

Consultant's Costs (inc. Stadium Director) and Legal Advice

COSTS INCURRED IN MEETING CONTRACTUAL AND STATUTORY OBLIGATIONS
(INCLUDING STADIUM SAFETY CERTIFICATE AND DEBENTURE ISSUE)

Debenture Launch and Marketing Costs

Specialist Contractor Packages
Pitch by Souters of Stirling
Museum Fit-out by Silver Knight
Fit-out of Hospitality Areas & Media Centre

Essential Safety and Staff Training Costs
Phillips Lighting Equipment
Other Small Contractors re: Safety Issues
Costs of Celebrity All Star Trial Opening Event
Staff Salaries/Training to make Stadium Operational/Safe

COSTS OF INTRODUCING NEW MANAGEMENT ARRANGEMENTS

Level 6 Fit-out (Assingtion of sponsorship money)

Royal Bank Loan Capital and Interest Repayments
From QPFC Income
From Financial Settlement Grant
Arrangement Fee

New Management Arrangements
Professional fees re work out
Joint Administration fees

QPFC Trading Expenses August 1999 - 10 January 2000
TNS Trading Expenses August 1999 - 10 January 2000

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Hardie Caldwell

2001
## Schedule 1.3 Comparison of Original Cost Estimate and Actual Cost

**Sources:** Original Funding Papers and Club audited accounts for 1998 and 1999 and unaudited accounts for 2000

<table>
<thead>
<tr>
<th></th>
<th>Original £</th>
<th>Original £</th>
<th>Actual £</th>
<th>Actual £</th>
</tr>
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<tbody>
<tr>
<td>Capital Costs, Cost of Supplies &amp; Inflationary Allowance</td>
<td>44,771,000</td>
<td></td>
<td>48,724,847</td>
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<tr>
<td>Professional Fees and Contingencies</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Initial Fees</td>
<td>170,000</td>
<td>279,980</td>
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<td></td>
</tr>
<tr>
<td>(ii) (a) Construction Design Fees and Other Related Costs</td>
<td>3,378,500</td>
<td>4,314,672</td>
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<td></td>
</tr>
<tr>
<td>(b) Other Fees</td>
<td>400,000</td>
<td>3,948,500</td>
<td>907,070</td>
<td>5,501,722</td>
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<tr>
<td>(iii) Contingencies @ 5%</td>
<td>2,280,500</td>
<td>2,280,500</td>
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<td></td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>51,000,000</td>
<td></td>
<td>54,226,569</td>
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</tbody>
</table>

Certified as extracted from the books and records of The Queen's Park Football Club Ltd

Hardie Caldwell

3 January 2001
8 February 2001

Mr Martin Verity
Clerk to the Committee
Education, Culture & Sport Committee
The Scottish Parliament
EDINBURGH
EH9 1SP

Dear Martin

INQUIRY INTO HAMPDEN

Many thanks to yourself and your staff for the speed with which the Official Report of the Hearing on 6 February 2001 was finalised and made available today.

Following our telephone conversation on 7 February 2001 discussions have been held between the Office-holders and Auditors of Q.P.F.C. I have been asked to request you to ensure that the schedules of project income and expenditure submitted with both our initial submission (May 2000) and our supplementary memorandum (January 2001) be made available to the Parliamentary Committee, on the website and to the wider public, as soon as possible. They are, no longer “confidential”.

At the Hearing on 13 February, 2001, Q.P.F.C. will lead evidence through myself, the President Jim Nicholson and Ken Harkness of our Auditors, Hardie Caldwell. Two members of our Club’s Committee, Malcolm Mackay and David Gordon also hope to be in attendance. I shall be grateful if you will book two seats for them. As part of our Opening Statement I shall request our Auditors to set out our understanding of the following financial issues:-

1. **TNS-Accounts to 31 December 1998**
   
   Draft Accounts to 31 December 1998 for the National Stadium plc were presented by KPMG to the Board in April 1999 and were approved at that meeting.

2. **Q.P.F.C. - Income and Expenditure on the Re-development Project - to April 2000 - to December 2000**

   All project expenditure (over £55M) paid under contracts for the South & West Stands redevelopment project (and the new management arrangements) was paid for by QPFC (or by Trust Funds to avoid “wrongful trading”) - and not by the National Stadium plc.

   All grant contributions (over £45M) with the notable exception of the ERDF arrangement with the Scottish Football Association Museum Trust - were also paid directly to QPFC associated with the redevelopment project.
Schedules from QPFC Finance Personnel and Auditors on these issues have been made available to the Inquiry, individual funders and to all of the various Consultant Teams when ever requested. The quality or accuracy of this data has never been questioned by the co-funders or their advisers. QPFC held the key baseline data for projecting the "funding gap".

3. TNS - Management Accounting: Trading Profit/Losses from Stadium Operation in 1999

Under the 1996 Management and Licence Agreements between QPFC and TNS associated with stadium operation, TNS were obliged to remit any income generated to QPFC within four days of its receipt. The stadium only became operational on 21 May 1999. Alleged weaknesses in baseline data and accounting for stadium income and expenditure by TNS in 1999 did not have any significant impact on the assessments of the funding gap.

4. The Financial Costs of Introducing New Management Arrangements from April 2000

These were not known and were not estimated in July 1999. The details of the new arrangements only became clear between November, 1999 and February 2000. The costs of introducing the new arrangements fell on QPFC, SFA and the co-funders - but were a much heavier liability on QPFC due to our central role in the contractual arrangements which had to be re-negotiated. We are unaware of the costs incurred by the SFA and the Co-Funders. The costs detailed in the Schedule attached to our Supplementary Memorandum show the costs incurred by QPFC and TNS. Some were approved at the Creditors Meeting of March 2000.

As mentioned in our Supplementary Memorandum, QPFC are compiling a Supporting Volume of documentary evidence which may assist the Inquiry to address its three remit. I aim to deliver the following volumes to our Parliament on Friday 9 February, 2001.

Volume 1: Applications, Agreements and Contracts
Volume 2: Correspondence, Minutes on Governance, Problems and Solutions

These complement our Supporting Volume of extracts of Parliamentary Committees, reports relevant to Hampden, (which include copies of the Ministerial Statements on Hampden, but focuses mainly on "strategic issues". The above Volumes will deal with "project issues".

I would be grateful if you would arrange to circulate this letter with the papers for the Hearing on 13 February, 2001. A copy of this letter, together with our submissions, has also been sent to Mike O'Connor as Director of the Millennium Commission and Patrick Andrews as Solicitor to the Co-Funders for their information.

Best wishes.

Yours sincerely,

Jim Haste
Development Convener

c.c.

Mike O'Connor, Director, Millennium Commission
Patrick Andrew, Shepherd & Wedderburn, Solicitors to Co-Funders
Ken Harkness, Messrs Hardie Caldwell
Messrs Nicholson, Mackay & Gordon, Q.P.F.C.
Dear Martin

INQUIRY INTO HAMPDEN STADIUM

I refer to Mr Galbraith attendance at the ECS Committee meeting on Tuesday 13th of January and I enclose a copy of the Post Completion Hamden Stadium Report, which the Committee might find helpful prior to the Minister’s attendance.

The Report was produced by Patrick Andrews who led the consulting team employed by the co-funders. The Minister had given a commitment in his parliamentary statement in December 1999 that he would obtain this report and provide a copy to the Committee.

I can confirm that the Minister will be accompanied by John Gilmour and Patrick Anderws next week.


STEVEN SZYMOZOWSKYJ
Private Secretary
1. **INTRODUCTION**

In July/August 1999 the extent of the cost overrun and funding difficulties in respect of the National Stadium Project at Hampden began to become clear. At that time the public sector bodies that had previously provided funding and support for Hampden Stadium (the Co-Funders) agreed to work together in an effort to understand and resolve the difficulties.

The Co-Funders comprised:

- The Millennium Commission
- The Scottish Executive
- sportscotland (the Scottish Sports Council)
- Glasgow Development Agency/Scottish Enterprise
- The Football Trust
- The Scottish Football Association
- Glasgow City Council

In the period from 12 August 1999 until 3 April 2000 when the rescue package for Hampden Stadium was finally completed the activities of the co-funders can be described with reference to three distinct phases:

- **13 August 1999 to 9 September 1999**: A due diligence instigated by the co-funders to assess objectively the nature and extent of the problems at Hampden Stadium and the escalating dispute with the main contractor Sir Robert McAlpine ("McAlpines") and to identify possible solutions.
- **9 September 1999 to 9/10 January 2000**: An agreement in principle with The National Stadium plc ("TNS"), Queens Park Football Club ("QPFC") and their
advisers Dundas & Wilson and KPMG to work with the co-funders in order to identify and implement a rescue package on an agreed basis ("the Workout").

- **10 January 2000 to 3 April 2000**: The Administration of QPFC following the petition lodged by the Directors of QPFC on 10 January 2000.

The role of the co-funders changed with each phase. Although involved in the initial meetings when the Football Trust made it clear that there were no further funds available for the Project the Football Trust ceased to be actively involved. The role of the SFA in the rescue package also evolved. Initially the co-funders had hoped that in addition to the SFA's pre-existing contractual commitments the SFA would contribute funds towards the Project. When it became clear that such additional funds were not available the SFA were encouraged to consider other ways in which they could contribute towards a rescue package.

This report gives a brief overview of the efforts of the co-funders and the consultants appointed to act on their behalf. It is not intended to summarise every detail of the protracted and difficult negotiations which lasted over 7 months nor does it give details of commercial terms which are confidential as between the parties.

2. **DUE DILIGENCE 13 August 1999 to 9 September 1999**

2.1 **Remit**

By letter of instruction dated 13 August 1999 the Millennium Commission on behalf of the co-funders instructed Shepherd & Wedderburn, Deloitte & Touche and Currie & Brown as Consultants to undertake jointly an investigation in order to determine the exact extent of and the reasons behind the cost over-run in the construction of the National Stadium Project at Hampden.

In summary the remit was as follows:-

- to establish the full extent of the cost over-run and provide an estimate of the capital cost of completing the Project;
- to identify the underlying reasons for the cost over-run;
• to establish the extent of the shortfall in the capital funds available to TNS to complete the Project and to investigate and propose ways in which the funding gaps could be filled;
• to propose any changes to the management, governance or ownership of Hampden Stadium that might improve and further secure its long-term viability.

2.2 Input from Consultants

The due diligence was co-ordinated by Shepherd & Wedderburn. Our principal role in the due diligence was to review the contractual arrangements in place at Hampden Stadium including the commercial arrangements which TNS/QPFC had in place with each of the sponsors and the contracts placed for the Project itself. The co-funders specifically asked us to review and report on the corporate governance of TNS and the contractual arrangements between TNS and QPFC. We also examined and reported on the Consultancy Agreement between QPFC/TNS and AR Limited (Austin Reilly).

Deloitte & Touche focused on the financial position of both QPFC and TNS in an attempt to identify the extent of the funding shortfall and the costs which had been incurred and required to be incurred in order to complete the Project.

Currie & Brown concentrated their efforts on determining the out-turn costs for the Project examining both the management contract with McAlpines and the position in relation to professional team fees. Currie & Brown were asked specifically to:
• analyse the reasons underlying the cost over-run;
• identify the works which required to be completed in order to complete the Project and ignoring non-essential items;
• report on the works which fell outwith the scope of the management contract.

The Consultants received co-operation from both TNS/QPFC and their advisers Dundas & Wilson and KPMG. We also received significant co-operation from McAlpines and the professional team.
2.3 Summary of Initial Findings

2.3.1 Extent of cost over-run

The due diligence undertaken on behalf of the co-funders confirmed that the Project costs had escalated from an initial budget of £51 million to costs estimated to complete the Project in excess of £61 million. Some of the cost increases such as the provision for landfill tax and inflation were identified at an early stage in the Project but the majority related to a range of variations in design introduced during the course of construction.

2.3.2 Corporate structure/governance

With the benefit of hindsight whilst the corporate structure for the Project was not unworkable it contributed to the problems associated with the Project as a result of a failure in the checks and balances that were introduced at the outset.

The key issues seemed to be that:

- The same postholder occupied both positions of Chairman and Chief Executive of TNS. He was also employed on a consultancy basis firstly by QPFC and latterly by TNS under a consultancy agreement with AR Limited.
- There was the need for the TNS board to meet more frequently and for requests for information from non-executive members of the board to be met more effectively.
- Actions taken away from board meetings could have been dealt with more effectively.
- There was the need for more effective reporting both to the board of TNS and QPFC and between TNS and QPFC.

2.3.3 Management of Project

We consider that there are a number of issues in relation to the Project and the management contract with McAplines which contributed to the cost overrun to a material extent. In essence, these were:
There seemed to be a lack of control over the issuing of instructions and the absence of critical project procedures. There was limited validation of changes prior to implementation and in general the Project was driven by product and programme with insufficient regard for the cost implications and the correlation between expenditure and the finances available.

- The Chief Executive and Chairman was overloaded, with responsibilities covering the construction of the project; the negotiations to secure funding, sponsorship and the commercial agreements in place with the SFA and others.
- An undue reliance was placed upon unsecured promises of funding.
- The lack of sufficient expertise in relation to the management contract. When such expertise was secured it was late in the life of the project.
- The absence of clearly defined responsibilities and controls for the issue of instructions to McApines.

2.3.4 Financial information/management

The financial information in relation to the Project was wholly inadequate and misleading. At the time of our instruction by the co-funders the accounts for TNS in respect of the last financial year had not been signed off by the auditors KPMG and there were no management accounts or cash flow projections available for the company. Unbelievably at that time there had been no postings to the ledger for TNS since December 1998.

The absence of proper accounts for the Project made it impossible for the co-funders to quickly assess the options and expedite a solution. The lack of accurate financial information was compounded by irregularities surrounding the administration of the ERDF grant in respect of the Museum of Football and which were the subject of an ongoing investigation by the fraud squad.
2.3.5 Conclusion

The co-funders considered a number of options including possibly withdrawing further support from the Project. This final option was rejected because it would have led to the forced sale of Hampden Stadium with no clear prospect of a purchaser, or any assurance that it would remain as a national football stadium and a venue for significant football matches. In a forced sale any purchaser would not have been bound by the conditions attaching to the public funding of the Project. There would also have been the insolvency and probable demise of QPFC.

In all the circumstances, however, the co-funders concluded that no further funds could be made available to the Project unless and until certain key issues were addressed by TNS/QPFC and resolved to the satisfaction of the co-funders. The co-funders could have reached no other conclusion.

3. WORKOUT 9 September 1999 to 9 January 2000

3.1 Objectives

At a meeting of the co-funders on 9 September 1999 agreement was reached with TNS/QPFC and their advisers to explore the resolution of the funding deficit through an agreed workout rather than through the appointment of an administrator.

The objectives agreed at that time were completion of the Project, securing Hampden as Scotland's national football stadium and the preservation of the conditions attaching to the public funding of the Project and the underlying purposes of that funding.

Due consideration was also given to the survival of QPFC, Scotland's oldest football club.

The co-funders were concerned to ensure that the public funds required to support any rescue package were kept to a minimum and further that there was an equitable share of the costs borne by the private sector involved in the Project.
The workout was funded with specific provision for the professional fees due by QPFC/TNS to both Dundas & Wilson and KPMG. The co-funders wished to ensure that QPFC/TNS received best advice and did not wish any rescue package to prejudice the existing debenture issue. The co-funders were also mindful that the weight of professional fees could itself make the rescue of the Project more difficult or impossible.

3.2 Conditional Offer of Funding Support

By letter dated 1 October 1999 TNS/QPFC were advised of the funds provisionally available from the co-funders to support a rescue of the Project. In summary the funds identified were:-

(i) Scottish Executive £2,000,000
(ii) Millennium Commission £1,200,000
(iii) GDA £500,000
(iv) sportscotland £500,000
(v) Glasgow City Council £200,000

In each case the funds provisionally offered by the co-funders were subject to conditions, the principal conditions being:-

1. a final and agreed estimate of the out-turn costs for the Project and evidence of 100% funding to complete (there being doubt on the part of the co-funders as to whether any further capital debt could be carried forward).
2. a new structure for the management and governance of the Stadium (the preference of the co-funders being that the SFA should play a key role in this).
3. a business plan which had regard to the position of the SFA and was robust and demonstrated that the Stadium was viable as a going concern that secured the Project purposes.

In the case of sportscotland the initial offer of award of £3.75 million to QPFC was withdrawn and a revised offer of award of £4.25 million was issued in its place.
It was made clear to QPFC/TNS that unless and until each of these pre-conditions had been met none of the funds provisionally committed would be released to the Project.

In order to meet the pre-conditions set by the co-funders a number of issues required to be addressed and resolved. Those issues included:

(a) agreement on a revised structure for the management and governance of Hampden Stadium. (The proposed solution which emerged envisaged the SFA assuming responsibility under a full repairing and insuring lease with a rent providing both debt service and income for TNS/QPFC).

(b) negotiation of a settlement with McAlpines so as to achieve a substantial reduction in the final contract sum. (An in principle agreement was concluded following a meeting on 5 October 1999 but it was some weeks later before the list of snagging defects was agreed).

(c) negotiation of a settlement with each member of the design team so as to achieve a substantial reduction in the provision for professional fees. (This could not be achieved until the list of snagging defects had been agreed and an agreement with each member of the professional team was not concluded until 10 November 1999).

(d) determination of the out turn costs for the Project and the projected costs of fitting out the office suite in Level 6 of the South Stand.

(e) agreement with the Royal Bank of Scotland plc ("the Royal Bank") to provide a term loan in respect of the unsold debentures replacing the existing funding arrangements which were due to expire and fell to be repaid in March 2000. (An in principle agreement to provide funding support was reached at a meeting on 5 October 1999 but due to the nature of the funding package the detail was not finalised until immediately prior to completion).

(f) production of a viable business plan for Hampden Stadium.

(g) negotiation of a settlement with A R Limited/Austin Reilly given the entitlement to a year’s consultancy fees in place of notice.

(h) resolution of the position of individual sponsors and co-funders.

(i) negotiation of the contractual arrangements for transfer of the management and control of Hampden Stadium to the SFA.
(i) determination of the financial position of both QPFC and TNS.

At a meeting on 5 October 1999 with McAlpines, Dundas & Wilson, Royal Bank of Scotland and for part of the time representation from Directors of TNS/QPFC, the principles of many of these issues were agreed with the co-funders and their advisors. A timetable of early November was established for them to be finalised. At this meeting Dundas & Wilson advised that QPFC/TNS needed funds in order to honour commitments to creditors. Outstanding grant payments from the co-funders and a loan from the Royal Bank were made available in trust to Dundas & Wilson for use on behalf of QPFC/TNS such that they could continue to trade solvently through the work-out period.

3.3 Input from Consultants

During the period of the workout the role of the Consultants changed to reflect the actions required to meet the co-funders pre-conditions and to resolve the issues highlighted in paragraph 3.2. During this period for the most part instructions were given on behalf of the co-funders by the Millennium Commission and the Scottish Executive.

Once agreement in principle was reached on the proposed structure for the management and governance of Hampden Stadium the SFA were separately represented by Burness and Grant Thornton and ceased to be a party to the co-funders discussions (except where this was appropriate).

During the period of the workout Shepherd & Wedderburn continued to perform a co-ordinating role, co-ordinating input from the consultants and reporting to the co-funders. On the basis of instructions received from the Millennium Commission and the Scottish Executive we played an active role in the negotiation of the issues highlighted in paragraph 3.2 and where there was deadlock between parties we sought to broker a solution.

We prepared a draft structure for the management and governance of Hampden Stadium which was tabled for discussion in September 1999. Subsequently we prepared first drafts of certain key documents in order to establish a constructive starting point for
negotiations (these included the draft Lease and financial heads of terms between QPFC/TNS and the SFA).

Deloitte & Touche actively supported the negotiations with McAlpine and the Royal Bank. Otherwise the activities of Deloitte & Touche centred around the preparation of a draft business plan for Hampden Stadium which was submitted to QPFC/TNS and their advisers for comment/input. The draft business plan was prepared to demonstrate the parameters within which Hampden could be operated as a viable concern but it was not tailored to fit any particular operator. In addition Deloitte & Touche continued to try and make sense of the financial information made available by QPFC/TNS.

When the draft business plan was finalised it was submitted to the SFA who undertook their own due diligence with input from Burness and Grant Thornton.

In the same period Currie & Brown sought to provide the co-funders with a more detailed analysis of the cost over-run and a more refined estimate of the final out turn costs. Currie & Brown gave input to the snagging works which had to be agreed as part of the settlement with McAlpine and also provided a detailed analysis of the projected costs for the fit out of the office on Level 6 of the South Stand.

3.4 Conclusion

The workout to agree a rescue package for Hampden Stadium was severely hampered by the lack of accurate financial information and the contradictory figures produced by/on behalf of QPFC/TNS. By early December, if not before, the co-funders and the Consultants had no confidence in the financial position as disclosed for both QPFC/TNS and the co-funders doubted whether further due diligence on the figures would give the comfort required.

On 16 December 1999 we sought to broker a deal amongst McAlpine, the Scottish Executive and the Royal Bank of Scotland to bridge the residual funding gap as disclosed at that time by QPFC/TNS and their advisers. The deal was deliberately structured so as to leave a deficit with QPFC to resolve for themselves given our lack of confidence in the figures and the potential for them being over-stated.
A week later on the evening of 21 December 1999 a further Schedule of Figures was tabled by Dundas & Wilson on behalf of QPFC/TNS indicating an additional deficit in excess of £500,000.

At that point in time significant progress had been made in the negotiations between QPFC/TNS and the SFA. Although there were a number of issues outstanding in relation to the proposed transfer of Hampden Stadium and the underlying leasing arrangements we were confident that those issues could be resolved among the parties. However, given the size of the residual funding gap the SFA and their advisers were stood down from negotiations on the evening of 22 December 1999.

On 23 December, Dundas & Wilson fronted discussions among the Royal Bank of Scotland, Sovereign and McAlpines which left the parties by the end of that day believing that the funding gap had been resolved. Although Dundas & Wilson asked the SFA to resume negotiations with a view to taking over Hampden Stadium prior to Christmas there was no prospect of this with less than 12 hours' notice. In the circumstances there was agreement to resume negotiations on 6 January 2000 and an informal agreement from McAlpines to provide QPFC with financial support over the festive period.

Prior to the Christmas break, at the request of the SFA and their advisers, we made it clear to Dundas & Wilson that the SFA would not resume negotiations until the draft loan documentation in respect of the Royal Bank funding was available. The SFA were concerned to ensure that the terms of the funding arrangements to be put in place with the Royal Bank were agreed before the financial terms as between the SFA and QPFC/TNS were finalised.

In early January although there were telephone discussions between various parties negotiations did not resume as anticipated and any prospect of a resumption in the negotiations was overtaken by the appointment of the Administrator on 10 January 2000.
4. ADMINISTRATION  10 January 2000 to 3 April 2000

In response to a Petition lodged on behalf of the Directors of QPFC, Gordon Christie and Ian Watters, partners of Arthur Andersen were appointed as Interim Managers on 10 January 2000. The action to petition for the appointment of Interim Managers was taken without any consultation with the co-founders or the other parties involved in the workout.

Against the background of the workout and given the absence of consultation, the co-founders did not believe the Directors of QPFC and their advisers to be acting in good faith. This concern was heightened by the fact that the Directors of QPFC continued discussions with sportscotland regarding the revised Lottery Fund Award from sportscotland. The Directors concerned signed the award acceptance after the Interim Managers' appointment.

In addition, the co-founders were concerned at the retention of Dundas & Wilson as legal advisers to the Interim Managers given the duplicity of interests and the fact that TNS were not themselves the subject of any administration proceedings.

On the instructions of the co-founders we met with Gordon Christie on 11 January 2000 in order to outline the position of the co-founders and to confirm that no additional funds would be made available by the co-founders to support the Project. We sought to review the current position in relation to the negotiations with the SFA and emphasised the willingness on the part of the SFA to participate in further negotiations with QPFC through the Interim Managers. We stressed our own view that the difficulties identified by Dundas & Wilson on behalf of QPFC in relation to the issues which were then outstanding in the negotiations with the SFA had not been properly tested through discussions and negotiation with the SFA and were capable of resolution. At our suggestion a meeting between Gordon Christie and the SFA and their respective advisers was convened on 13 January 2000. At that meeting we demonstrated that each of the outstanding issues should be capable of resolution. The only issue on which we could not assist the Interim Managers was the assessment of whether QPFC could afford to meet the financial commitments as a consequence of the proposed rescue package. That itself
was a matter on which advice should have been given to QPFC in the period immediately prior to the Christmas break.

The Interim Managers did not involve the co-funders further until early February when they invited us to consider proposals from Glasgow City Council to provide additional funding for Hampden Stadium on the basis of restructuring TNS but otherwise leaving the existing contractual arrangement in place. The Glasgow City Council proposals were themselves the subject of various meetings and discussions involving amongst others the co-funders (represented by the Scottish Executive) and the SFA. The proposal from Glasgow City Council was subject to a number of pre-conditions which included those set by the co-funders on 1 October 1999 and following the discussions with the Scottish Executive, Glasgow City Council concluded that those pre-conditions could not be met.

By letter dated 17 February 2000 the Interim Managers indicated that the funding gap then stood at between £1,000,000 and £1,800,000. The Interim Managers also indicated a willingness on their part and on the part of the Directors of TNS to resume negotiations in the hope of completing the deal as envisaged by the workout subject to additional funding being made available.

By letter dated 28 February we were instructed by the Scottish Executive to make a conditional offer of £600,000 as further funding in support of the rescue package. The offer was made in contemplation that Glasgow City Council would match the Scottish Executive's contribution which they subsequently did.

By early February a number of the non-executive board directors of TNS had resigned leaving effective control of TNS with Austin Reilly and Gordon McDiarmid. Further Directors were appointed to the board of TNS from QPFC and this proved to be a catalyst to the constructive progress of the negotiations which followed.

There was an intensive period of negotiations in March which led to settlement on 3 April 2000.
4.1 Input from consultants

During the period of administration our principal role was to represent the co-funders in the discussions with the Interim Managers. We continued to co-ordinate matters between the co-funders, the SFA, McAlpine's and other interested parties and we sought to resolve difficulties which might otherwise have de-railed the rescue package.

Immediately prior to settlement we co-ordinated the provision of funds from the co-funders and liaised with the individual co-funders and respective advisers to ensure that the requirements of the different co-funding organisations were met.

In the same period Deloitte & Touche continued to provide the co-funders with support on financial matters analysing the schedules of figures produced on behalf of the Interim Managers.

Whilst Currie & Brown remained available to the co-funders to give ad hoc advice they were not actively involved in the negotiations during the period of administration.

4.2 Conclusion

The rescue package which was finally put in place on 3 April 2000 was substantially the same as the deal contemplated in the workout. The administration proceedings instigated by the Directors of QFFC prevented the deal from being finalised in early January.

The period of administration and the deal as re-structured by the Interim Managers altered certain of the financial parameters of the rescue package to the benefit of some and the detriment of others. Overall the rescue package was rendered more expensive by the process which resulted in:

(i) an astonishing provision for professional fees made by the Interim Managers;
(ii) a deterioration in the terms of the funding package available from the Royal Bank;
(iii) the loss of the benefit of deferred lease payments through the passage of time;
(iv) a deterioration in the settlement terms agreed with A R Limited/Austin Reilly;
(v) a marginal improvement in QPFC's position as a result of a reduction in the debt carried forward;
(vi) additional concessions made on the part of the SFA and British Telecom to facilitate settlement;
(vii) a significant increase in the financial contribution made by McAlpines towards the rescue package;
(viii) the additional contribution from the Scottish Executive and Glasgow City Council.

Shepherd & Wedderburn
August 2000
CULTURE AND RECREATION BILL: CONSENT OF SCOTTISH PARLIAMENT TO UK PARLIAMENT LEGISLATION IN A DEVOLED AREA

I am writing to ask the Education, Culture and Sport Committee to consider the enclosed Memorandum. This concerns a power being taken in the Culture and Recreation Bill at Westminster to give effect to structural changes in a number of public bodies sponsored by the Department for Culture, Media and Sport. The Memorandum sets out the position in more detail.

If it is convenient, I would be happy to attend the Committee and answer any questions on the Memorandum. I understand that a date has been arranged - Tuesday 13 February at 3.15 pm.

For the Committee information I have set out below the terms of a Motion which the Executive intends to lodge for consideration by the Scottish Parliament, but which will not be considered by the Parliament until after the Committee has had an opportunity to consider the Memorandum. The draft Motion is as follows:

“That the Parliament endorses the principle of gaining efficiency and effectiveness in relation to public bodies by means of structural change to the Film Council and to Resource. The Council for Museums Archives and Libraries as set out in the Culture and Recreation Bill; also endorses the provision of a simplified procedure for the making of Parks Regulations for application in Scotland; and agrees that the relevant provision to achieve this end in the Bill should be considered by the UK Parliament”

ALLAN WILSON
MEMORANDUM

CULTURE AND RECREATION BILL

Background

1. The Culture and Recreation Bill was introduced in the House of Lords on 14 December 2000. The Bill has its origins in A New Cultural Framework published in 1998 by the Secretary of State for Culture Media and Sport in which he announced the outcome of his Comprehensive Spending Review. The report concluded that benefits would be gained in terms of efficiency and effectiveness by means of a number of structural changes in the way the Department of Culture, Media and Sport (DCMS) provides funding and support to culture, media and sport, particularly in relation to the public bodies sponsored by the Department.

2. Much has already been done to implement A New Cultural Framework. However, some measures could not be implemented without primary legislation, and a number of the DCMS sponsored public bodies lack a proper statutory basis for providing them with funds. The Culture and Recreation Bill provides the opportunity to address these matters. The main provisions of the Bill are set out in the Annex.

3. Scottish interests in the Bill are relatively minor. They are limited to provisions which provide a statutory basis for 2 DCMS-sponsored public bodies, the Film Council and Resource: The Council for Museums, Archives and Libraries; provisions which delegate to another body the power of the Secretary of State for Culture, Media and Sport to designate a film as British; and a technical measure to provide a simplified procedure for the making of Parks Regulations in Scotland. The consent of the Scottish Parliament is required for these provisions as described in paragraphs 4-11 below.

Film Council

4. Film in Scotland is a devolved matter. Scottish Screen carries out most film-related functions in Scotland but the Film Council, an executive non-departmental public body established by administrative means, exercises some functions on a UK basis. The Bill allows the conversion of the Film Council from private company to statutory body, either by conversion of the existing company or by the creation of a new public body, and provides a statutory basis for making grants of public funds to the Council.

5. The Bill also enables the Secretary of State for Culture, Media and Sport to delegate his power to certify a film as a British film for purposes relating to taxation. At present film makers may apply to the Secretary of State for certification of their work as a British film for the purposes of gaining tax and other benefits. Assessing applications for certification requires a great deal of work with lawyers and accountants in the film world, and familiarity with the way in which film finance works. A high level of expertise in these complex areas is required and the Bill makes provision for the Secretary of State to appoint a person – intended to be the Film Council – to undertake, or assist him with, the task of certifying a film as a British film. Scottish Screen is content that the Film Council should be appointed to advise on the certification of a film as a British film, which confirms the existing arrangements.
6. Museums, archives and libraries in Scotland are devolved matters. As explained below, under longstanding arrangements some museum and library matters have been handled by organisations operating on a UK-wide basis. These arrangements, which take account of Scottish interests, are so far still in place following devolution although organisational changes have been recently been made.

7. Resource was established by administrative means on 1 April 2000 as a non-departmental public body. On that date Resource subsumed the functions of the former Museums and Galleries Commission and the Library and Information Commission, and acquired new functions in relation to Archives. The Bill allows the conversion of Resource from private company to statutory body, either by conversion of the existing company or by the creation of a new public body, and provides a statutory basis for making grants of public funds to Resource.

8. The Museums and Galleries Commission exercised certain of its functions in relation to Scotland, for example the provision of advice to Government on museum and gallery matters; the operation of the Acceptance of Works of Art in lieu of Tax Scheme; the Government Indemnity Scheme for works of art on loan to museums and galleries, and the Museums and Galleries Registration Scheme; and the provision of advice on security and other matters to museums and galleries. The Library and Information Commission's functions in relation to Scotland were restricted to research and development and international library business, but it also played a leading role in co-operation with the Scottish Library and Information Council in the development of The People's Network, the public libraries IT network.

9. With Scottish Ministers' agreement, Resource has taken over these functions of the Museums and Galleries Commission and the Library and Information Commission, but it has no functions in relation to archives in Scotland. Resource will continue to exercise the former Commissions' functions in relation to Scotland until such time as the Scottish Ministers may determine otherwise. On the recommendation of the Scottish Ministers, Scottish interests on the Board of Resource are represented by the Director of the Scottish Museums Council. The Director of the National Museums of Scotland is also a member of the Board. The National Cultural Strategy for Scotland published in August 2000 identifies the need for a review of the framework for museum and gallery provision in Scotland in due course.

Parks

10. The primary legislation for the Royal Parks in Scotland and England are the Parks Regulation Acts 1872 to 1974, all of which relate to both countries. These Acts are the main enabling mechanisms by which managers of the Parks can introduce local regulations. Management of the Royal Parks in Scotland is devolved to the Scottish Ministers, and in practice falls to Historic Scotland.
11. Clause 18 of the Bill provides for a simpler procedure in the making of Parks Regulations. In place of the previous requirement that Regulations can only be made after a draft of them has been laid before the Parliament for at least 21 days (without an Address against the draft being presented), there will be substituted a requirement for Parks Regulations to be subject to normal negative resolution procedure before the Parliament. Clause 18(2) deems that clause to be a pre-commencement enactment for the purposes of the Scotland Act. This has the result that the reference to "either House of Parliament" (being inserted in the Parks Regulation (Amendment) Act 1926 by the Bill) will, by virtue of section 118 of the Scotland Act, be read as a reference to the Scottish Parliament as far as Regulations made by the Scottish Ministers are concerned.

Conclusion

12. The Executive believes that it would make sense to take the opportunity offered by the Bill to enable the Film Council and Resource to continue to carry out limited functions in relation to Scotland; to enable the Secretary of State for Culture, Media and Sport to delegate his power to designate a film as a British film; and to simplify the procedure for making Parks Regulations in Scotland.

SCOTTISH EXECUTIVE
January 2001
CULTURE AND RECREATION BILL

The Bill's main effects will be to

- reconstitute the Football Licensing Authority as the Sports Ground Safety Authority;

- introduce new fixed penalty regulations for the Royal Parks and provide a simplified procedure for the making of Parks Regulations;

- enable the merger of English Heritage and the Royal Commission on Historic Monuments in England (RCHME) by providing English Heritage with powers to undertake functions relating to underwater archaeology formerly carried out by the RCHME. The Bill also expands the powers of English Heritage so that it can carry out trading activities overseas;

- enable the creation of a new organisation, to be known as Culture Online, whose job will be to make performing arts activities and treasures from cultural institutions available to the public in digital form on the Internet or via other forms of digital technology;

- provide a statutory basis for making grants to the Arts Council of England;

- allow the Film Council, the Commission for Architecture and the Built Environment and Resource to become statutory bodies and provide a statutory basis for making grants to them;

- enable the Secretary of State to appoint a person to undertake, or to assist him with, the task of certifying a film as a British film for purposes relating to taxation;

- abolish the Library Advisory Council for England;

- enable the Secretary of State to make an order, following consultation with the governing bodies concerned, to amend legislation in relation to appointments to the governing bodies of various national museums and galleries;

- enable the British Library to establish subsidiary or trading companies;

- end the obligation to use parts of Osborne House and grounds for the benefit of members of the Armed Forces and the Civil Service;

- remove the requirement for the Secretary of State to give written consent for the erection of a public statue in a public place in Greater London;

- formally change the name of the English Tourist Board to the English Tourism Council (ETC) and vary, or gives power to vary, the membership of the ETC and other national tourist boards; and

- enable the staff and former staff of a number of public bodies sponsored by the Secretary of State to be transferred to the Principal Civil Service Pension Scheme.
EDUCATION, CULTURE AND SPORT COMMITTEE

Appointment of Adviser to Children’s Commissioner Inquiry

1. The committee agreed at its meeting of 6 February 2001 to conduct an inquiry into the question of the appointment of a Children’s Commissioner in Scotland. The aim of the inquiry is to establish whether there is a need for a Children’s Commissioner post to be established in Scotland and, if so, what its roles and responsibilities should be.

2. The committee agreed that there should be a general invitation to submit written evidence for the inquiry, and that additionally a number of organisations should be approached directly. The committee agreed to take oral evidence after Easter and to establish the experience of Northern Ireland and Wales and of other countries.

3. The committee is invited to consider whether to seek the approval of the Parliamentary Bureau to enable the committee to issues directions to the Parliamentary corporation to appoint an adviser to the committee on the inquiry. If appointed, an adviser would prepare background briefing papers, advise on the selection of appropriate witnesses and assist in the preparation of a draft report. On the basis of the previous experience of the committee in using advisers, it is suggested that an appointment, if approved, should be for a period of 20 days.

Martin Verity
Clerk to the Committee