



House of Commons  
Committee of Public Accounts

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# The English national stadium project at Wembley

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**Eighth Report of  
Session 2003–04**

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

*Ordered by The House of Commons  
to be printed 19 January 2004*

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## The Committee of Public Accounts

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Mr Nick Gibb MP (*Conservative, Bognor Regis and Littlehampton*)  
Mr George Howarth MP (*Labour, Knowsley North and Sefton East*)  
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### Committee staff

The current staff of the Committee is Nick Wright (Clerk), Christine Randall (Committee Assistant), Leslie Young (Committee Assistant), and Ronnie Jefferson (Secretary).

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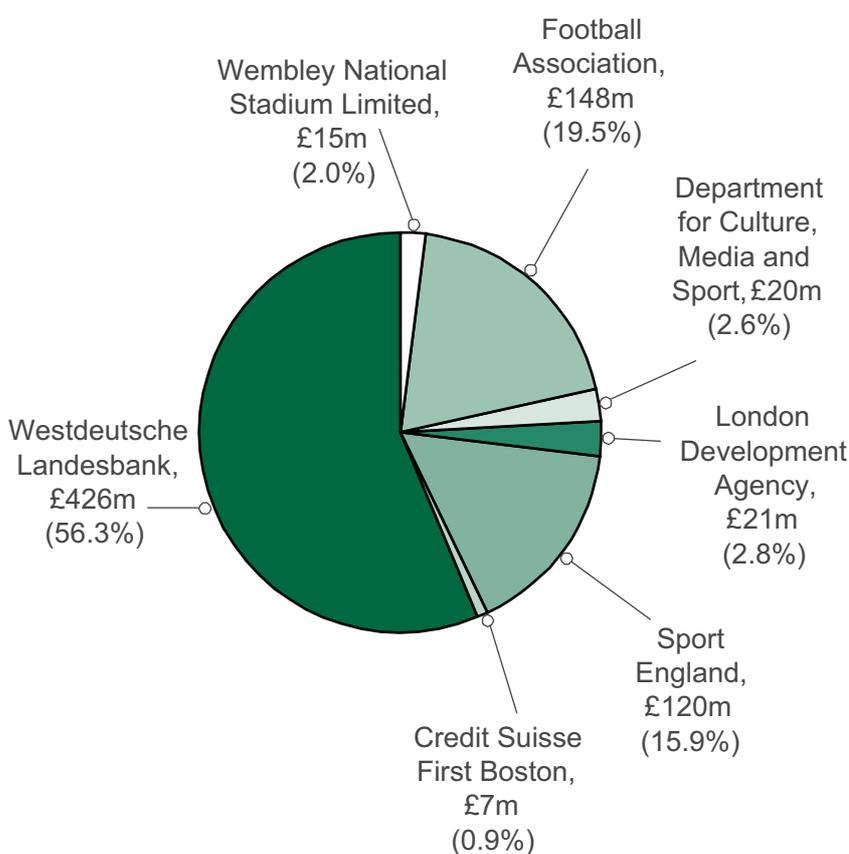


## Summary

### Introduction

The project to build a new English national stadium at Wembley is expected to cost £757 million and is scheduled for completion early in 2006. The project is being led by the Football Association and will be delivered by its subsidiary, Wembley National Stadium Limited. The public sector is contributing £161 million towards the cost of the project: £120 million of lottery money from Sport England, £20 million from the Department for Culture, Media and Sport (the Department) and £21 million from the London Development Agency (Figure 1).<sup>1</sup>

**Figure 1: How the project is being funded**



Source: National Audit Office

On the basis of a Report from the Comptroller and Auditor General,<sup>2</sup> we took evidence from the Department and Sport England on getting value from the public money now invested in the project, the handling of the original lottery grant, and provision for athletics.

<sup>1</sup> C&AG's Report, *The English national stadium project at Wembley* (HC 699, Session 2002–03), Figure 1

<sup>2</sup> *ibid*

## Conclusions and recommendations

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1. The Football Association's request in 2001 for further public funding triggered a detailed review of the financing and viability of the project, and the corporate governance and accountability arrangements. These matters should have been dealt with at the outset of the project before any public money was committed.
2. In handing over £120 million at the very beginning of the project without requiring the Football Association either to contribute funding itself or to provide a guarantee to underwrite the grant, Sport England left itself exposed. Had the project collapsed, it is doubtful that the lottery money would have been recovered.
3. Sport England's position was further weakened by the closure of the old stadium, which reduced the value of the assets acquired with the lottery funding and cut off a source of revenue which could have financed repayment of the grant. The old stadium should not have been allowed to close until the financing package for the project had been secured.
4. Now the decision has been made, after much toing and froing, to include athletics provision, it is not clear that the new stadium will ever actually be used to stage a major athletics event. It seems to us therefore that the decision to restore provision for athletics was little more than a device to keep in the project the £20 million that the Football Association would otherwise have had to repay.
5. Best procurement practice has not been followed on what is a high profile project with significant public sector financial support. Organisations responsible for managing projects which are supported with public money should be expected to set out a formal procurement process, which treats all bidders equally to avoid giving any one a potential advantage over the others, and to adhere to it.
6. The cost increases on the project are being borne directly by the Football Association and not the public purse. But ultimately the value for money from the public sector contribution depends on a successful project and the cost increases can only serve to make the delivery of a financially viable stadium less certain. To protect the public interest, the Department and Sport England should obtain regular and comprehensive information on the progress of the project and be ready to act as soon as they become aware of concerns or difficulties.
7. In the event that the stadium is financially successful, the Football Association will receive all the profits even though the public sector is providing a fifth of the funding. The Department, in conjunction with the Treasury, should develop guidance for its sponsored bodies on providing for the public sector to share in the financial gains generated by ventures that have received public money.
8. The number of public access seats (which has already been reduced once to help make the project viable) and the restrictions on anchor tenancy and the sale of naming rights to the stadium are real public benefits. These benefits have been secured with public money and any proposal to diminish them as a way of providing

further support for the project if it gets into financial difficulty should be considered as if it were a request for additional funding.

9. It is surprising that the Department and Sport England seemed unable to provide us with meaningful information comparing the costs of this project with those of new stadiums in other countries. Benchmarking of this kind would have been helpful in making an assessment of the value for money of the project.
10. Departments and their sponsored bodies should apply the lessons drawn from this project—including the need for straightforward management structures, strong corporate governance and trust with other stakeholders—in taking forward other large publicly funded ventures, including the forthcoming Olympic bid.



# 1 Getting value from the public money now invested in the project

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1. Following a national competition, in 1996 Sport England selected Wembley as the preferred site for a new English national stadium and in 1998 it awarded lottery funding of £120 million for the project. At this point the new stadium was to be completed in 2002 at a cost of £320 million. The project is now expected to be completed in 2006 and to cost £757 million, the public sector contribution having risen to £161 million.<sup>3</sup>

2. By late 2000 the Football Association had been unable to secure the commercial financing it needed and in April 2001 it requested further public funding. In the light of that request, the Secretary of State for Culture, Media and Sport asked Mr Patrick Carter to review the project. The Department and Sport England also sought a variety of other consultancy, financial and legal advice and commissioned a review of the framework of public accountability for the project. In total £1.6 million was spent on reviewing the project. While acknowledging that this was a large amount, the Department considered that, at 1% of the public money invested in the project, it represented value for money.<sup>4</sup>

3. As the review was progressing, the Department became aware of concerns about aspects of the management and oversight of the project by Wembley National Stadium Limited, a subsidiary of the Football Association, which is responsible for constructing and operating the new stadium. There was particular concern about the procurement process which led to the appointment of Multiplex as the main contractor to build the stadium. The then Chairman of Wembley National Stadium Limited asked Mr David James CBE to investigate. Although he found no evidence of impropriety, Mr James raised serious concerns about whether there had been a level playing field for bidders and concluded that the procurement process had not met the highest industry standards. Specifically, Wembley National Stadium Limited failed to follow a detailed formal procurement process; ran two separate parallel tendering processes on different terms but for the award of the same contract; and had dialogue with Multiplex prior to starting the formal procurement process.<sup>5</sup>

4. In the light of Mr James's findings, the Secretary of State for Culture, Media and Sport announced that any further public funding would be dependent on the Football Association and Wembley National Stadium Limited meeting a number of tests (**Figure 2**). A key decision for the Department was whether to require Wembley National Stadium Limited to re-tender the construction contract as a condition of further support. In the event, the Department concluded that there was no likelihood of savings to the public purse from re-tendering and that it would have jeopardised the project to do so.<sup>6</sup>

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3 C&AG's Report, paras 1.2, 1.5

4 C&AG's Report, paras 1.4, 3.2; Q 73; Ev 24

5 C&AG's Report, paras 3.6–3.10; Qq 208–209, 213

6 C&AG's Report, para 3.19; Qq 212, 216–17

**Figure 2: The four tests set by the Secretary of State for Culture, Media and Sport**

1. An independent value for money assessment of the proposed contracts with Multiplex had to be commissioned and conducted by an appropriate company with no previous or likely future involvement in the project.
2. At the Secretary of State's request, Wembley National Stadium Limited had ensured that papers relating to the matter were available to the Comptroller and Auditor General so that he could decide whether to look into the matter further.
3. The Government sought confirmation that corporate governance changes would be made to produce a management structure capable of delivering a complex project within procedures acceptable to the public sector.
4. The Government sought confirmation that financial support was adequate and fully committed, after all relevant factors had been taken into account in a process of due diligence.

*Source: National Audit Office*

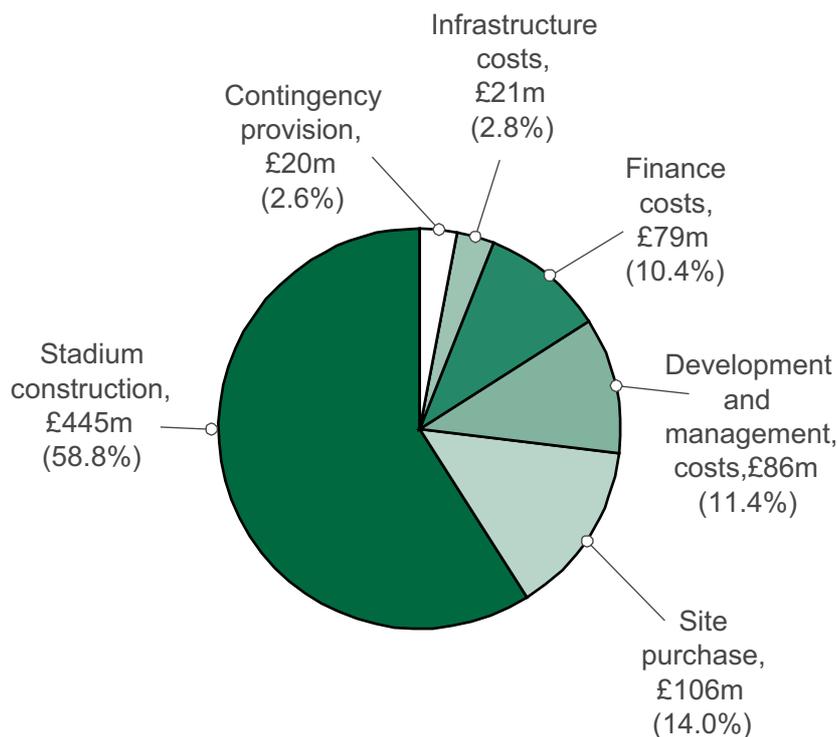
5. In September 2002 the Department concluded that the four tests had been met and the project was worthy of further support. The Secretary of State for Culture, Media and Sport and the Football Association announced that the project would proceed with additional public funding of £41 million—£20 million from the Department for non-stadium infrastructure costs and £21 million from the London Development Agency. The Department told us that it had been clear that the banks had wanted a signal that the Government had confidence in the project and that otherwise the £433 million of commercial loans would not have been forthcoming. Before committing further public money, the Department had required a detailed assessment of the project's viability and insisted on improvements to the management and corporate governance of the project. It was at this stage that the number of public access seats was reduced to allow for more premium seats as these are expected to generate the bulk of the project's income.<sup>7</sup>

6. We asked how the delays and difficulties during the course of the project had impacted on the cost (**Figure 3**). The Department considered that two particular cost elements had been affected—the £86 million for development and management costs and the £79 million for finance costs. The financing for the project had become very expensive but this cost was being borne by the Football Association and not by the public purse.<sup>8</sup>

<sup>7</sup> C&AG's Report, paras 10, 1.4; Qq 102, 132–136, 182, 190; Ev 26

<sup>8</sup> Q 158

**Figure 3: Costs of the project**



Source: National Audit Office

7. We asked about the cost per seat in the new stadium and how that compared with other stadiums. We were initially told that the cost per seat was £4,500 but this was subsequently changed to £8,410. Asked about the cost per seat in the Millennium Stadium in Cardiff, Sport England told us it was £2,200 although, on the basis of information subsequently provided to us, the cost per seat appears to be £1,900. The Department acknowledged that Wembley was expensive though not beyond comparison with other stadiums such as the Stade de France or those built in Japan for the 2002 Football World Cup.<sup>9</sup>

8. In return for the funding that has been provided, the project is expected to deliver a range of public benefits. For example, Wembley National Stadium Limited has to make a minimum number of seats available to the general public and is not allowed to sell naming rights to the stadium or take on an anchor tenant who would use the stadium as its home ground. The Secretary of State for Culture, Media and Sport has made clear to Parliament that there will be no more public money for the project. But in the event of the project getting into financial difficulty, it is possible that Sport England could agree to some of the benefits being lost. For example, extra income could be generated by allowing a football club to become an anchor tenant or by reducing the number of public access seats to allow for more premium seats. The Department told us that the benefits could be regarded as additional protections from any further call on public funds as they offered a way of providing further support to the project without committing extra public money.<sup>10</sup>

9 Qq 148, 158, 238–239; Ev 25

10 C&AG's Report, para 4, Figure 8; Qq 89, 180

9. Wembley National Stadium Limited's financial projections show that in certain circumstances the new stadium could generate substantial profits. And, as Wembley National Stadium Limited is expected to have the opportunity to secure improved financing terms once the stadium has opened and the risks associated with the project have reduced, there is also the prospect of significant refinancing gains. The public sector funders put in place mechanisms designed to prevent the Football Association from profiteering, or destabilising the project, by taking windfall gains, leaving it with no long-term capital commitment to the project. For example, the Football Association must retain for 50 years an investment of at least £100 million in the project and a controlling interest in Wembley National Stadium Limited.<sup>11</sup>

10. However, any profits from the project will go to the Football Association to be used for the benefit of football and there is no scope for the public sector to share directly in the financial gains. Sport England told us it had been decided that all profits should go to the Football Association as it was bearing the major risk. The Football Association was responsible for 80% of the funding and the viability of the project was dependent on those funds.<sup>12</sup>

11. The Department acknowledged that it would have been possible to set up arrangements for the public sector to share in any profits, as was the case with some other lottery grants, but said the Football Association would use the money in accordance with its objectives, which include supporting the development of the game at grass-roots level. Although there was no formal agreement with the Football Association, the Department expected that if Wembley generated a lot of money, football's call on public funding would be reduced and money could be diverted to other sports that needed it more.<sup>13</sup>

12. In the event of the project getting into serious financial difficulty, the interests of the public sector funders would be heavily subordinated to those of the senior bank – but ahead of those of the Football Association—in terms of recovering their money. As the biggest lender, the senior bank would have control of the project's assets and would be able to take the steps it needed to maximise the chances of recovering its investment. But if the bank opted for a different kind of stadium, or a different kind of project altogether, the public sector funders would be entitled to get their money back.<sup>14</sup>

13. The Department said that it had drawn a number of lessons from this project and the Millennium Dome before it, and from more successful ventures such as the Commonwealth Games and the Golden Jubilee. In the future, the Department would seek to keep management structures clear and straightforward, ensure that organisations had strong and effective corporate governance, and build and sustain trust with other stakeholders.<sup>15</sup>

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11 C&AG's Report, para 4.7–4.9; Qq 80, 86

12 C&AG's Report, para 4.10; Qq 76–78

13 Qq 82–83, 87–88

14 C&AG's Report, paras 4.4, 4.16; Q125

15 Q 14

## 2 The handling of the original £120 million lottery grant

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14. The £120 million grant for Wembley was the largest that Sport England had ever made, representing around 7.6% of its total lottery spending. Most of the money was paid in March 1999 when Wembley National Stadium Limited purchased the existing Wembley stadium and business. Unusually, the grant was paid before any partnership funding had been secured from other sources. Sport England said that at the time the Football Association had not had sufficient funds to finance the project and public money had therefore been needed to enable the project to secure the Wembley site and allow it to move forward.<sup>16</sup>

15. Sport England had considered the option of requiring the Football Association to provide a parent company guarantee to Wembley National Stadium Limited to safeguard the lottery money in the event that the project did not proceed. But it had concluded that the Football Association did not have sufficient resources to make a guarantee meaningful.<sup>17</sup>

16. In Sport England's view, the security package it had put in place had been more robust than a parent company guarantee. The package had comprised a legal charge on the assets acquired with the lottery grant and an agreement which obliged the Football Association to stage its flagship events at Wembley stadium for 20 years. The staging agreement was worth about £13.5 million a year and would have provided Wembley National Stadium Limited with a revenue stream to enable it over time to repay the grant.<sup>18</sup>

17. However, the lottery money had been at greater risk once the old stadium had closed in October 2000 and the value of the assets acquired with the grant had fallen to potentially as little as £30 million. Sport England had allowed the stadium to close because it had assurances that the project was on track to secure commercial financing within a matter of weeks, with construction work due to start soon afterwards. In the event the financing deal then on the table had collapsed and financial close was not reached until September 2002, nearly two years later.<sup>19</sup>

18. Sport England told us that, before agreeing to the closure, it had secured additional commitments which required the Football Association to provide around £350,000 a month to ensure that Wembley National Stadium Limited remained solvent and meant that if the project did not proceed it could have compelled the Football Association to stage matches at a re-opened Wembley stadium. Sport England considered it could legally have obliged the Football Association to reinstate the existing stadium so that it was fit for use, although in practice Sport England might have sought to use this as a basis for re-negotiating the terms of the staging agreement. For example, Sport England could have

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16 C&AG's Report, paras 2.3–2.4; Qq 4, 22–23, 31–32

17 Q 5

18 Qq 5, 18

19 Qq 7–10, 45, 53–55

allowed the Football Association to continue to stage its matches around the country and required repayment of the grant from the income generated.<sup>20</sup>

19. However, Sport England agreed that recovering the grant would not have been straightforward once the old stadium had closed and accepted that it should have considered not allowing the stadium to close until the financing for the project was secure.<sup>21</sup>

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20 Qq 168–169

21 Qq 56, 168

### 3 Provision for athletics

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20. Lottery funding was provided on the basis that, while the stadium would primarily be used for football and rugby league, it would also be capable of hosting major international athletics events via the installation of a temporary platform on which a track would be laid. However in December 1999, in the light of concerns about the viability of the proposed design, athletics was withdrawn from the plans for the stadium, only to be reinstated later in the project.<sup>22</sup>

21. The Department acknowledged that the temporary removal of athletics had been a controversial event in the history of the project and attributed the difficulties to the technical and commercial challenge of accommodating the three sports within the same stadium. In early 1999 it had appeared that the proposed design would be acceptable but later that year the British Olympic Association and others had raised concerns about viability, particularly in relation to the sightlines for athletics. It had also become apparent that it would take a long time (up to 52 weeks) to build and dismantle the athletics track. The Department had therefore decided that accommodating athletics was too challenging and it was removed from the plans.<sup>23</sup>

22. The Department explained that subsequently, while the project as a whole was being reviewed, there had been technical improvements which meant that the platform solution to accommodate athletics could be implemented more quickly and cheaply than had previously been the case. Rather than having to erect a concrete platform on site in the middle of the stadium, it was now possible to build a modular steel construction off site. Sport England confirmed that it would now take a total of 17 weeks to convert the stadium to and from athletics mode (11 weeks to construct the platform and six weeks to dismantle it), at a cost of around £12 million. During this time the stadium would not be available for football or rugby league and events might need to be rescheduled accordingly.<sup>24</sup>

23. When the original decision to withdraw athletics from the plans for the stadium was made, the Football Association agreed to repay £20 million of the lottery grant to Sport England. Sport England explained that the amount of £20 million had been negotiated between the Department and the Football Association and had not been related to the cost of providing for athletics within the stadium. The Department said that the proposed repayment had been regarded as compensation for the loss of the capability to hold major athletics events at Wembley. In the event the question of repayment was superseded when athletics was subsequently restored to the project.<sup>25</sup>

24. We asked how often the new stadium would be used for athletics and whether it was possible that it would never host a major athletics event. Sport England expected the stadium would be used for athletics once or twice in the next 20 years. The Department

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22 C&AG's Report, paras 2.6–2.7, 2.10

23 Q 11

24 Qq 11, 192, 195; Ev 26

25 C&AG's Report, para 2.7; Qq 247–252

said that no decision had been made on whether Wembley would be used for athletics if London were chosen to host the Olympic Games in 2012.<sup>26</sup>

# Formal minutes

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**Monday 19 January 2004**

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon  
Jon Cruddas  
Mr Frank Field

Mr Brian Jenkins  
Jim Sheridan  
Jon Trickett

The Committee deliberated.

Draft Report (The English national stadium project at Wembley), proposed by the Chairman, brought up and read.

*Ordered*, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 24 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

*Resolved*, That the Report be the Eighth Report of the Committee to the House.

*Ordered*, That the Chairman do make the Report to the House.

*Ordered*, That the provisions of Standing Order No. 134 (Select Committees (Reports)) be applied to the Report.

Adjourned until Wednesday 21 January at 3.30 pm

## Witnesses

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**Monday 16 June 2003**

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**Sue Street**, Department for Culture, Media and Sport, and **Mr Roger Draper**,  
Sport England

Ev 1

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Sport England and the Department for Culture, Media and Sport

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The reference number of the Treasury Minute to each Report will be printed in brackets after the HC printing number



# Oral evidence

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## Taken before the Committee of Public Accounts

on Monday 16 June 2003

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon  
Mr Ian Davidson  
Geraint Davies  
Mr Nick Gibb  
Mr George Howarth

Mr Brian Jenkins  
Mr David Rendel  
Mr Gerry Steinberg  
Jon Trickett  
Mr Alan Williams

**Sir John Bourn KCB**, Comptroller and Auditor General, further examined.

**Mr Brian Glicksman**, Treasury Officer of Accounts, HM Treasury, further examined.

### REPORT BY THE COMPTROLLER AND AUDITOR GENERAL:

#### The English national stadium project at Wembley (HC 699)

##### Examination of Witnesses

*Witnesses:* **Ms Sue Street**, Permanent Secretary, Department for Culture, Media and Sport, and **Mr Roger Draper**, Chief Executive of Sport England, examined.

**Q1 Chairman:** Good afternoon, welcome to the Committee of Public Accounts. Our hearing this afternoon concerns the English National Stadium project at Wembley, and we welcome Sue Street, who is the Permanent Secretary at the Department for Culture, Media and Sport, and Roger Draper, who is the Chief Executive of Sport England. Mr Draper, could I ask you a few questions to start with. Why was any public money needed for this project?  
**Mr Draper:** First of all, there was clear demand for a new national stadium. Wembley was in a poor state of repair and then back in 1994 Sport England undertook a review of major events and stadia. Tennis had Wimbledon, Rugby Union had Twickenham, Cricket had Lord's and other Test venues, and out of that review came an express demand for a stadium for three sports, for football, for rugby league and for athletics. A competition was held around the country and Wembley was chosen—

**Q2 Chairman:** We know all that. I was asking why public money was needed.

**Mr Draper:** As we are the third most successful sporting nation in the world it was felt that we should have a national stadium to stage major events.

**Q3 Chairman:** I know that but why was public money needed? This is a big money industry, apparently footballers are going to be transferred for £30 million, so why was it necessary for public money to be involved?

**Mr Draper:** In terms of the public benefits what we wanted to do was secure a number of public benefits, including obviously a 90,000-seat stadium with more

public access seats than any other stadium in the country, 71,200 general access seats. Spectators will also have far higher quality—

**Q4 Chairman:** I know all that, I know what the project will deliver, I am now asking you for the fourth time why was public money needed for this project?

**Mr Draper:** There is a financial need in terms of securing the site and securing the project and that £120 million of Lottery funding secured the site and secured that project.

**Q5 Chairman:** We are getting there. Thank you. Other colleagues may pursue that if they so wish. Why did you not insist that the Football Association provide a guarantee for the grant before handing over £120 million of Lottery money?

**Mr Draper:** The parent company guarantee was considered as one of the options but FA finances at the time were insufficient to underwrite the grant and the Council at the time took all the appropriate steps, took advice, and felt that a more robust package was offered by a first charge on the stadium and the WNSL business and also through the 20-year staging agreement with the FA to ensure that flagship events were held at the stadium over a 20-year period.

**Q6 Chairman:** But the lack of guarantee left you exposed, did it not?

**Mr Draper:** We certainly had the legal right through the staging agreement to ensure that events were held at the stadium over a 20-year period and, as I say, at the time it was felt that that was a more robust way of securing the repayment on the grant.

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 Department for Culture, Media and Sport and Sport England
 

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**Q7 Chairman:** But you had to go to the Department for another £20 million. What would have happened if at that stage the Department had said, “No, we will not give you another £20 million”, and the whole thing had gone wrong and there was no guarantee? What position would you have been left with, with £120 million effectively of public money coming from the Lottery?

**Mr Draper:** There was a legal right as regards to the staging agreement, there was a first charge on the stadium and a first charge on the WNSL business, and it was felt that that was the most appropriate security package at the time. Obviously the project was at risk when the stadium closed but it was felt that nevertheless Sport England had the legal right to insist that the FA/WNSL reinstate the stadium and that they should meet the cost of reinstatement, not Sport England. We put in additional protections at the time which required the stadium to be reinstated following closure.

**Q8 Chairman:** Why did you allow the stadium to be closed in October 2000, a full two years before the deal was finalised so a major national resource was lying empty for two years longer than was necessary?

**Mr Draper:** At the time assurances were given that the project was on track to reach financial close.

**Q9 Chairman:** Our information was that you were nowhere near closing the deal at that moment, and you closed the stadium in October 2000. It would have cost maybe up to £40 million to re-open it so you were left closing it two years early. Why did you do so when you knew that you were not close to closing the deal?

**Mr Draper:** As I say, the project was on track to reach financial close—

**Q10 Chairman:** Two years later?

**Mr Draper:** And commencement to construction would have followed on speedily. I think it is worth pointing out that at that time before agreeing to the closure Sport England did insist on not only maintaining its existing protection but it also secured additional commitments from the FA and from WNSL, and that required WNSL to reinstate the stadium should the new project not proceed.

**Q11 Chairman:** Can I now turn to Sue Street. Athletics was in the plans for the stadium, then it was out, then it was in again. Can you tell us briefly what was going on?

**Ms Street:** I will do my best. Of course I do not disagree with the comments in the Report that the temporary removal of athletics was, as I think the Report says, a controversial event in the history of this project. It certainly was problematic. I have looked at what I think was at the bottom of it and I think it is the technical and commercial challenge of accommodating the rectangular pitch for rugby league and football with the oval track for athletics, and of course football and rugby league make money and athletics only makes money for the big events. So there was a genuine design difficulty

which a number of stadia around the world have encountered. As I understand it, in the early part of 1999 the design which was produced did seem to offer exactly what the objective of the project was, which was a stadium capable of accommodating three sports, but in the latter part of 1999 as the actual technical challenge became clear, the BOA and others raised their concern about whether it was viable, particularly in relation to the sight lines for athletics. It was also apparent that it would take a long time on that original model, up to 52 weeks, to construct and dismantle the athletics track, so there was a genuine difficulty there. The result of that after a solution was arrived at, as you know, over this period from December to the following year, was that athletics was removed from the stadium as being too challenging and £20 million was agreed to be repaid to athletics for the loss of that capability. In the interim, and lots of other things happened, as the Report makes clear, as we reviewed the whole project, the actually technical solution had moved on, so rather than having a concrete platform that had to be erected on site in the middle of the stadium what we are now able to go forward with is a modular steel construction which can be constructed off-site, will take around 17 weeks as opposed to 26, and is cheaper.

**Q12 Chairman:** So 17 weeks to put this raised track in place, six weeks for decommissioning. In light of the Olympic bid and the possible new stadium in the East End of London, is it possible that after all this saga this stadium in Wembley will never in fact host a major athletics event?

**Ms Street:** I have learned that everything is possible, Chairman, but we are on schedule in every particular, including the athletics capacity, so that is what we expect to deliver. I am sure questions will come up on the Olympics but no decisions have yet been made about the legacy for an Olympic athletics capability.

**Q13 Chairman:** But if you have got a purpose-built athletics stadium in the East End of London, nobody is going to start going back to Wembley to spend 17 weeks to construct a raised platform, are they? There is a possibility that you have got to accept that this will never ever be used for a major athletics event?

**Ms Street:** There are some years between Wembley’s target date for completion and we are also quite a long way from winning the bid to host the Olympic Games, which would, if we win, take place in 2012.

**Q14 Chairman:** Let me ask you a different question. Are there any lessons you can draw from this project that you should bear in mind in taking forward other large Lottery-funded ventures such as the Olympic bid? Having seen what has happened with this bid, what lessons have you drawn?

**Ms Street:** I draw a lot of lessons both from the Dome and also, if I may say, some successful projects like the Commonwealth Games and the Golden Jubilee which we are carrying forward, some of which were carried forward with the

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Commonwealth Games. Essentially the lessons are the generic lessons offered by the NAO in their previous Report on the Dome but also by the Office of Government Commerce which, I have said to the Committee before, I consider to be my best friend, quite a critical friend but my best friend in delivering big complex projects. The things I look for for the future are the following: I look for keeping management structures clear and straightforward, and that is why I asked Sir Christopher Kelly to make clear the accountability lines for me in this project, and I exchange regularly with the Chief Executive, who is our compliance officer. I look for strong and effective corporate governance and we have introduced some pretty tough changes into this project, particularly to ensure that the public standards of doing business are observed. I look to build and sustain trust with the other stakeholders. That is not always easy because these are complex relationships. Roger and I have worked very hard on the Sport England/Departmental communication, which is excellent, but there are many other stakeholders, and that is essential.

**Q15 Chairman:** On that point, in this project was it sensible to have so many people involved? There are echoes of the Dome here where a lot of time was spent with various organisations second-guessing each other.

**Ms Street:** I believe now we have the public sector funders united and we had one negotiating arm last year, and that helps. Of course there are a number of banks but the hierarchy is clear between the senior bank and the rest, and there is WNSL and the FA, so it is manageable and it is the consequence of people bringing different funds to the project. What I think is very helpful, and I think paragraph 16 of the Report makes clear from memory (I will check) is that we all share the same goal now. Because we have all got our investment in the project, it is much easier to maintain trust because we all genuinely want this to happen.

**Chairman:** Thank you very much for that, I will stop you there and I had better pass on to Mr Gerry Steinberg.

**Q16 Mr Steinberg:** Can I first of all say I have read the Report and I find the way the public funding of this project has been done is quite unacceptable as far as the taxpayer is concerned. We had £120 million of public money given to a private company and spent before anybody else had agreed to match or even part match that funding. What would have happened to the £120 million if the project had failed?

**Mr Draper:** Obviously the best way of making this project a success is to literally make it a success.

**Q17 Mr Steinberg:** I am not really asking that. I am asking you how you would have got your £120 million back if this project had failed?

**Mr Draper:** We had first charge over the stadium and the WNSL business. We had put the staging agreement into operation.

**Q18 Mr Steinberg:** Would that have been worth £120 million?

**Mr Draper:** The stadium agreement was worth about £13.5 million a year and obviously we did put in the additional protections to reinstate the stadium following closure.

**Q19 Mr Steinberg:** So that would have cost more money?

**Mr Draper:** In terms of the reinstatement of the stadium, yes it would.

**Q20 Mr Steinberg:** That would have been £120 million given to a private company and then you would have had to pay money to reinstate the stadium. It was not a very good deal, so it was a good job it came off, was it not?

**Mr Draper:** In terms of the £120 million the risk was very much with the FA so the agreement with the FA on the staging agreement was that they would have had to repay that funding.

**Q21 Mr Steinberg:** The FA would have had to pay back the £120 million?

**Mr Draper:** Over a period of time, yes.

**Mr Steinberg:** I am glad you have mentioned that because what responsibilities do the FA have or did they have and why are they not here this afternoon? You are not here to answer that but can I ask why are they not here this afternoon?

**Mr Draper:** I do not know is the answer to that. We do not know the answer, we will come back to you.

**Q22 Mr Steinberg:** It seems to me that we are having an inquiry this afternoon and the people who should be sitting there are the FA. Why was the FA not obliged to contribute before any progress was made?

**Mr Draper:** Again I think it comes back to the earlier point with regards to financial need. The project could not have been financed through the FA finances.

**Q23 Mr Steinberg:** Why not?

**Mr Draper:** Because there were insufficient finances.

**Q24 Mr Steinberg:** How much are the FA worth?

**Mr Draper:** The FA are now contributing—

**Q25 Mr Steinberg:** No, no, how much are the FA worth? What are their assets? I presume you would know because you have given them £120 million so you should know what their assets are. They should be sitting here this afternoon to tell us what their assets are. What do you suppose the FA's assets are?

**Mr Draper:** The FA's assets have obviously changed over time because the Wembley project was brokered before the advent of the TV deal.

**Q26 Mr Steinberg:** What is the FA worth, do you reckon, as a rough guess?

**Mr Draper:** I could not possibly guess, I would have to put that in writing to the Committee.<sup>1</sup>

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<sup>1</sup> Ev 24.

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**Q27 Mr Steinberg:** Very interesting, okay, do that. Tell us exactly how much the FA are putting into this.

**Mr Draper:** £148 million, £110 million has already been committed with a further £38 million to be committed before August.

**Q28 Mr Steinberg:** Would you agree that football in this country is worth hundreds of millions of pounds?

**Mr Draper:** Yes, it is a major spectator sport in this country.

**Q29 Mr Steinberg:** Do you agree with me that some of the money that is talked about these days is, frankly, obscene?

**Mr Draper:** There is obviously a lot of money generated in football.

**Q30 Mr Steinberg:** Why did the English FA not arrange this scheme themselves, why has public money got to be involved here?

**Mr Draper:** At the time—

**Q31 Mr Steinberg:** Why should the taxpayer fork out for English football?

**Mr Draper:** There were insufficient finances within the FA at the time. I think you have got to look at the project in balance. For the £120 million of funding from the public purse we are now going to get one of the finest stadiums in the world. If you compare that with the Stade de France 80% of that was funded from public funding with an on-going subsidy of £7 million over 50 years.

**Q32 Mr Steinberg:** We have not got the French FA in front of us this afternoon, we have not even got the English FA! You are, in effect, the head of general sport in this country, are you not? What could you have done with that £140 million? Could you not have put in the grass-roots support and could you not have got to some of these kids who sit in front of computers all day getting fatter and fatter and fatter because they do no exercise? Could that not have been given to grass-root sport instead of giving £140 million to presumably the richest sporting organisation in this country?

**Mr Draper:** To put the overall Lottery funding in perspective, of the £1.6 billion that has been invested by Sport England the Wembley project relates to about 7.6% of overall spend. It has been a balanced strategy. Over 80% of that £1.6 billion has indeed gone to grass-roots community projects at a local level with around 20% going to national projects such as Wembley, the successful Commonwealth Games and other major national projects, so on balance over 80% of the funding has gone to grass-roots community projects.

**Q33 Mr Steinberg:** £120 million has gone to the FA.

**Mr Draper:** No, has gone to—

**Q34 Mr Steinberg:** Has gone to subsidise the FA.

**Mr Draper:** £120 million has gone to develop a national stadium.

**Q35 Mr Steinberg:** Do you think it is right that the British taxpayer, for that matter, not even the English taxpayer, should subsidise mega-rich sportsmen who run around swearing and snarling and spitting at each other? Do you think the taxpayer wants to subsidise that? Why should they subsidise that?

**Mr Draper:** Again this is a stadium for the public. There are more public access seats in this particular stadium than in any other stadium in the United Kingdom. I think stadia like Wembley do inspire people to get involved in sport, and inspire lots of people around the country, particularly young people, to get involved. Indeed, one of the other benefits that was secured as part of the Lottery funding agreement is that after five years from opening 1% of the turnover of Wembley goes into—

**Q36 Mr Steinberg:** That is really leading with your chin because it is one of the questions I want to ask you and I will come on to that. That seems rather pathetic to me. Why did you give up the opportunity of deciding where the profits should go? Why did you allow the FA to decide profits should go into football? Why did you not insist if there are any profits in the next few years after the stadium opens that that money should be distributed to sport generally? Why did you allow the FA to keep hold of that money?

**Mr Draper:** Because the major risk was borne by the private sector and 80% of this project is largely being funded by the private sector. With 20% of public sector funding we feel we have secured some robust public benefits for the nation.

**Q37 Mr Steinberg:** Following on the track that I have been going on, people in this country watch the television and they watch these mega-rich sportsmen, and I just wondered to myself do the taxpayers really want to subsidise a sport where these days a manager of a football team has to be a probation officer rather than a football manager? We only have to look at the North East for that. I am not biased but managing Newcastle, for example, these days needs a probation officer's certificate. Why should the taxpayer subsidise this sort of behaviour and these sort of antics? Why if the private sector wanted a football stadium could it not be provided by the private sector and the Football Association?

**Mr Draper:** The objectives of the Football Association are also to go into grass-roots development at the local level and, indeed, in the new national game plan developed by the FA a significant proportion of the profits go into grass-roots projects. That is one of the reasons why we have seen a significant surge in the number of young girls playing football in recent times. So it is not all going to rich footballers. In fact, a large proportion of the profits do go towards the development of the game.

**Q38 Mr Steinberg:** Why do we need a national stadium? Why can we not have the situation continue which we have seen in the last couple of

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years where the football team has gone round the country and performed in local areas—for example, the Stadium of Light, Ewood Park, Old Trafford—where people who live in those areas can see their international football team without having to be dragged down to London every time they want to see a football match? What was wrong with the system that generated itself by the failure of having a national stadium as quickly as we expected? What is wrong with the system we have now?

**Mr Draper:** Again, it was part of the review of major events and stadia that took place in 1994. All the key stakeholders were involved. This is a stadium for football, rugby league and athletics, and Wembley will also require no on-going subsidy. Obviously the FA and all the key stakeholders felt that this nation needed a national stadium if it was to attract national events such as the World Cup Final, the World Athletics Championships and the World Rugby League Final and obviously, at cost, Wembley could also host events such as the Olympics as well.

**Mr Steinberg:** I have run out of time but tell me, why is it the English FA and yourselves have taken such a long time to get a decision or what looks like a result and the Welsh national stadium is up and running and quite successful? Why could they do it so quickly and we in England have fuffed around—I will be very careful what I say—and are still years behind? Why were the Welsh so good when we were so bad?

**Q39 Geraint Davies:** Genetics!

**Mr Draper:** Again it comes down to the fact that this is a very complex and unique project. It comes back also to the point of lessons learnt.

**Q40 Mr Steinberg:** It was not complex in Wales?

**Mr Draper:** I am sure all major capital projects are complex. With hindsight, obviously the Office of Government Commerce and the Gateway reviews we now put into operation on a large proportion of our major capital schemes, at that time the OGC was not around to assess the business case. There were a lot of different interested parties involved in this project, a lot of different stakeholders and I think, as Sue has identified, there are the lessons we have learned in terms of having clear management structures in place, having robust corporate governance structures in place, and making sure the project is monitored at all times.

**Mr Steinberg:** In the meantime the English Cup Final is played in Cardiff. Thank you, Chairman.

**Chairman:** Thank you, Mr Steinberg. I have checked with the NAO, the answer is we do have the two relevant accounting officers here who are responsible for the public money being spent, that is why the Football Association was not asked, but they could have been asked. In answer to Mr Steinberg's question, you did say, Mr Draper, as a matter of pride that the public sector contribution was down to 20%. Of course, that could be read both ways, that perhaps a further effort could have been made to close the gap as you were already up to 80%

from the private sector, but no doubt other Members can pursue that later if they wish. Mr Richard Bacon.

**Q41 Mr Bacon:** Mr Draper, you used the word “reinstated” a number of times in relation to the stadium being closed. What do you mean by reinstate? Do you mean open again?

**Mr Draper:** Yes.

**Q42 Mr Bacon:** So you sought to open it again?

**Mr Draper:** That was one of the options.

**Q43 Mr Bacon:** It did not actually happen?

**Mr Draper:** No, it did not.

**Q44 Mr Bacon:** In paragraph 2.19 of the Report on page 18 it says that: “. . . once the stadium had closed in October 2000 the value of the physical assets acquired with the lottery grant was possibly as low as £30 million.” How much money had you put in by October 2000?

**Mr Draper:** The £120 million.

**Q45 Mr Bacon:** And yet with a closed stadium, the value of the asset, your first charge that you referred to a number of times, was potentially as little as £30 million?

**Mr Draper:** Yes.

**Q46 Mr Bacon:** Why then in the first place did you allow the stadium to close, to get into a position where you had to start talking about reinstatement? It was because of your decision to allow the stadium to close that we had this “as little as £30 million valuation”, was it not?

**Mr Draper:** Again, I think Sport England did consider—

**Q47 Mr Bacon:** First of all, was it the case that as a result of your decision to allow the stadium to close—I am asking you do you agree with paragraph 2.19?

**Mr Draper:** Yes.

**Q48 Mr Bacon:** So it was your decision that caused the valuation to be as low as £30 million?

**Mr Draper:** Yes.

**Q49 Mr Bacon:** Why did Sport England make that decision?

**Mr Draper:** Because at the time Sport England insisted on some additional protection and secured additional commitments.

**Q50 Mr Bacon:** You made the decision to allow this £90 million gap to emerge because you insisted on additional protection?

**Mr Draper:** At the time—

**Q51 Mr Bacon:** Why did you not just insist that it stay open as an operating concern that could produce revenue?

**Mr Draper:** Because at the time the project was close to reaching financial close.

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**Q52 Mr Bacon:** You said that before and I wrote it down. Assurances were given that the project was near to financial close. What did you mean by “near”?

**Mr Draper:** Was close to securing—

**Q53 Mr Bacon:** How near? I used to work in a bank. If you are thinking that something is near to financial close, you have a rough date in mind, the week after next or in four weeks’ time. What did near mean to you?

**Mr Draper:** Within a matter of weeks.

**Q54 Mr Bacon:** Within a matter of how many weeks?

**Mr Draper:** I am sorry, I could not answer the exact detail in terms of how many weeks.

**Q55 Mr Bacon:** But it did not financially close, it took two years?

**Mr Draper:** No, because the Chase deal collapsed at that time.

**Q56 Mr Bacon:** Would it not have been better to have waited until you got financial close and then to have happening at the same moment on the same day as financial close the closure of the stadium? Would that not have been better?

**Mr Draper:** With hindsight, that was one of the considerations that should have taken place.

**Q57 Mr Bacon:** Ms Street, it says in the Culture, Media and Sport Select Committee Report, a Report with which I am sure you are painfully familiar, in paragraph Q: “Sport England’s projection of £120 million, the largest single Lottery grant ever awarded to a sporting project, entirely fails to meet the standards expected of such a public body.” Do you agree with that sentence?

**Ms Street:** Not entirely, no.

**Q58 Mr Bacon:** No, so you think it did meet the standards to be expected of such a public body?

**Ms Street:** I think we were all lacking the business case review that we now have.

**Q59 Mr Bacon:** I am asking about your view as the Department of Sport England’s meeting or failing to meet its responsibilities. That is what this sentence is about “entirely fails to meet the standards to be expected of such a public body”. That is what the DCMS Select Committee said. You are saying you disagree with that?

**Ms Street:** I do not agree with it entirely.

**Q60 Mr Bacon:** You think it met the standards required of a public body?

**Ms Street:** I think it was very unusual. I have made it clear for the future that Lottery grants need to have the kind of Gateway process I have indicated and to that extent I think it was unusual, it was the largest one they had ever done, it was all paid up-front, but it was properly made within their policy and financial directions.

**Q61 Mr Bacon:** One of the things that Mr Draper said was the lesson he had learned was that you needed to have robust management structures in place and you needed to make sure it was monitored at all times. Am I to take it from that that there were not robust management structures in place and that it was not monitored at all times? Is that a fair interpretation?

**Ms Street:** I think it is entirely fair to say that the monitoring procedures did not alert all of us as early as they should have done.

**Q62 Mr Bacon:** You just said they met the policy guidelines that were laid down. You mean laid down by the Department?

**Ms Street:** They were made properly in the policy and financial directions where the—

**Q63 Mr Bacon:** Who gave Sport England its policy and financial directions?

**Ms Street:** That is a framework set out by the Secretary of State.

**Q64 Mr Bacon:** So it is given by the Department to Sport England?

**Ms Street:** May I clarify because we might misunderstand each other. The framework is laid down by the Secretary of State and I am accountable for that. It makes clear that the decision on the merits of each individual Lottery grant is a matter for the Lottery distributor.

**Q65 Mr Bacon:** The money was paid over in November 1998 I think, was it not? You said that the technical and commercial challenge of accommodating the rectangular pitch for rugby and football with the oval requirements caused you in 1999 to have second thoughts and I think the Department requested a review of the technical merits of the case; is that right?

**Ms Street:** Yes.

**Q66 Mr Bacon:** How was it you handed over all this money in 1998 and then only a year later noticed that football and rugby have rectangular requirements and athletics have oval requirements? Would it not have been better to have noticed that beforehand? Does not anybody know that rugby and football are rectangular and athletics is oval? How much of a genius do you have to be to notice that is the case? Why did nobody notice?

**Ms Street:** Of course I understand the question. It was not that nobody noticed. There was a difference between the design, and that looked entirely viable, it was always designed to have an oval track overlaying the rectangular pitch, everybody knew that, but the fact that it was a concrete structure that had to be created inside, as it developed and as the consequences for sight lines and the time taken became apparent the operational aspects began—

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**Q67 Mr Bacon:** Surely to goodness, it was the largest single item of public money which had ever been handed over, do you not think about things like sight lines in a fair degree of detail before you hand over the money?

**Ms Street:** I do not think it is not the largest amount of public money ever handed over in any capacity but it was the largest grant for sport.

**Q68 Mr Bacon:** That was what I was referring to. If a village football club came up to you and said, “We want £250,000 for our clubhouse,” you would not say, “Here’s the money and show us the plans when you feel like it,” would you? Why did you do it, which is essentially what you did, on such a large project, that is what I do not understand?

**Mr Draper:** At the time Sport England considered that the original athletics design did provide an innovative solution to addressing this difficult mix of sport in terms of football, rugby league and athletics. All parties acknowledged that in July 1999 but obviously there were some discrepancies with some of the key stakeholders in terms of the optimum design in terms of the Olympic village and so on, because all the key stakeholders were involved—the BOA, UK Athletics, UK Sport, Sport England, as well as the Department

**Q69 Mr Bacon:** I am running out of time, Ms Street, and I would like to ask you about paragraph 4.21. It says the amounts paid out included nearly £900,000 relating to Mr Patrick Carter’s review of the project, although Mr Carter himself gave his time for free and was reimbursed for his expenses only. I have got a copy of the Carter review here. It certainly does not look like 900,000 quids’ worth of work. Can you account for the fact that it cost so much, especially as he gave his time for free?

**Ms Street:** Firstly, I want to accord my thanks to Mr Carter for the work that was done, which I think has been invaluable to the Department. There were two parts, there was an interim report in December—

**Q70 Mr Bacon:** Was it a lot fatter than this?

**Ms Street:** It was not fatter but it was of excellent quality and very important, so there were two.

**Q71 Mr Bacon:** How many pages was the interim report?

**Ms Street:** I can tell you in a minute.

**Q72 Mr Bacon:** The final report was 22 pages.

**Ms Street:** 30.

**Q73 Mr Bacon:** So a total of 52 pages cost £900,000. The National Audit Office do these incredibly thorough studies, they take about a year and they cost £180,000. I would like to repeat my question: given that he gave his time for free, how on earth did this cost £900,000?

**Ms Street:** Patrick Carter did take expert advice from lawyers and accountants and I think quantity surveyors but I will verify that. Overall I know this is a large amount of money—£1.6 million altogether—but that is about 1% of our public sector investment

in a big project. I have asked for comparisons and often such expenditures can be as high as 12% for big projects, so it is not cheap but it is certainly value for money, in my opinion.

**Q74 Mr Bacon:** Was the £82 million figure for professional fees referred to in the *Evening Standard* on 26 September 2002 accurate?

**Ms Street:** I am very sorry, I am advised that we do not know.<sup>2</sup>

**Q75 Mr Bacon:** You do not know whether it was accurate or not? Is it possible to send the Committee a note listing all the professional fees broken down by topic and discipline?

**Ms Street:** We can certainly do that.<sup>3</sup>

**Chairman:** Thank you, Mr Bacon. Mr Jon Trickett.

**Q76 Jon Trickett:** I want to focus my questions on the paragraphs around 4.7 and onwards where we learn that if the stadium is highly profitable, by one means or another, that all of the super-profits effectively will go to the Football Association; is that right?

**Mr Draper:** At an early stage in this project development it was acknowledged that in a project where the majority of the funds would be intended to come from the private sector and where the viability of the project was dependent upon those funds, then the public sector would subordinate their grant to the private sector, and obviously the project has now moved on, it is ahead of schedule, planning consent has now been given, the finances are in place, the construction is in place at fixed cost and the seats are selling well, and so on.

**Q77 Jon Trickett:** I think you are answering the reverse question, which is what happens if there is a failure. I am assuming for once that the English make a success of something. It might be a surprise to you that a member of this Committee would use that as a premise but on the assumption we make higher profits than might otherwise be expected, you would think the first call on the super profit would be the public purse and yet you seem to have entered into an agreement where the only call on any super-profits is going to be from the Football Association. Am I reading that correctly?

**Mr Draper:** That is correct.

**Q78 Jon Trickett:** Why?

**Mr Draper:** Because at the end of the day the private sector are the major risk bearers. They invested around 80% of total project costs.

**Q79 Jon Trickett:** The way I see it scenario two talks about failure, which we ought not to speak about, but if failure were to occur, the first call would be the private sector, and if there is to be success the first call would be the private sector?

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<sup>2</sup> Ev 24.

<sup>3</sup> Ev 25.

*Mr Draper:* That is correct.

**Q80 Jon Trickett:** So we stand to lose whether there is failure or success as representatives of the public purse? Whichever scenario happens, success or failure, we will lose all our money and either it will go to the banks' first call, or if there is a super-profit it will go to the Football Association's first call, so we have been ripped off for £120 million, have we not, and there is no way that money is coming back?

*Ms Street:* That money is the nation's public money contribution to this but there are a lot of protections in place which the Report identifies and some of these are recent, so for example the FA have to keep £100 million in this project for 50 years. All the protections are set out so what we have sought to do within the commercial realities is to say obviously those who have taken the big risk have to protect themselves.

**Q81 Jon Trickett:** We have risked all our money, in fact our money is gone. Nobody can take a bigger risk than saying whatever happens we will not see a penny of that money back. We are taking the biggest risk because our money has been sunk.

*Ms Street:* If, for example, the project got into trouble—

**Q82 Jon Trickett:** I want to talk about success. I will ask one or two questions and lead you in the direction I want to go. 4.7 talks about Wembley National Stadium Limited's financial projections showing that in certain circumstances the new stadium could generate substantial profits for distribution to the FA. So at one end of the spectrum in terms of the projections there were going to be super-profits by holding events and by sponsorship and TV income and all the rest of it. Why did we not say that we wanted a share in profits above a certain percentage?

*Ms Street:* It was a policy decision, but the policy directions for Lottery grants prohibit speculative investment. There would have been a way, indeed when I was before this Committee last we explained that with some grants to the Film Council where they get a block buster they use the money to top up the grant, but here the view was that actually the FA would properly use their money for the kind of grass-roots football that Mr Steinberg was referring to and we want to see that money going to the Football Foundation.

**Q83 Jon Trickett:** The Report does not say that. It says it will be retained by the FA for football, which may well be exaggerated salaries for so-called star players.

*Ms Street:* The FA is non-profit making and its objectives as set out are very much focused on grass-roots football.

**Q84 Jon Trickett:** If we pay ourselves large amounts of money that will diminish the amount of profits we make. I simply do not accept that as an argument. I want to try to find out where this decision was taken but before we do I want to talk about re-financing

because this Committee has discussed many times the possibility of re-financing projects, for some projects which cost hundreds of millions of pounds in financing, the building cost was quite small and then we discovered subsequently that the builder then went and re-financed the project and made a huge amount of money. This Report is clearly pointing this Committee to the possibility that the FA or somebody will re-finance this project and make a massive windfall gain. That could well be in tens of millions of pounds, given this Committee's experience. Do you feel it may well be in the tens of millions of pounds? Secondly, why is it the public purse is not even going to share in that windfall since it will not have been through the results of the FA or anybody else, it would have simply been a windfall through refinancing. Firstly, could it be the tens of millions I am speculating and secondly why are we not going to share in that re-financing gain?

*Ms Street:* I do not think I would be wise to speculate on what it could be. Obviously we all hope that it is a success, but I do not think I could confirm that.

**Q85 Jon Trickett:** I wonder if I could ask Sir John, this Report points in the direction of possible re-financing windfalls, have any scenarios been produced which might indicate what the scale of re-financing savings might be to the FA?

*Sir John Bourn:* We have not got and did not do any scenarios of that kind. We were concerned to point out the fact that if it is a success where the money goes.

**Q86 Jon Trickett:** Then I think it would be helpful, I do not know quite who to ask, if somebody could have a look at the rates of interest that are being charged and the risks and so on being taken. If there is one thing we do have it some expertise on, surely it is windfall gains and refinancing. I think it would be useful to establish whether it is tens of millions, as I suspect, and if so since we knew it was a possibility, certainly HMG knows because we have gone through this many, many times, why was a decision taken at least not to say we should share and perhaps even take all of any windfall gains from re-financing because this could be in the order of tens of millions of pounds. It might well have repaid the Lottery grant.

*Ms Street:* Paragraph 4.9, and any further expansion I can give you on that, sets out the Government's position which was that we are concerned to prevent the FA from profiteering from windfall gains and we have set down a number of quite tight protections. Not only the £100 million stake but the restrictions on the FA to sell shares to WNSL, restrictions on any but the most arms' length contracts, the accounting standards controls and so on, but you are right the policy decision is that if the FA, which has the largest single stake in this, does make money, then it is to be used (it is a non-profit making organisation) for the benefit of grass-roots sport.

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**Q87 Jon Trickett:** Well, it does not say that. What it says is that it will be used for football in England. The final bullet point under paragraph 4.9 says: “The Football Association’s own profits”—this is this tens of millions of pounds potential windfall profit, and I ask somebody to demonstrate I am wrong in that—“. . . must be used in accordance with its objects for the benefit of football in England.” We know that football in England is already the most wealthy sporting activity in England and really obscene amounts of money are being paid to footballers in transfer fees and salaries and to football managers, and others, administrators as well. I do not see any evidence of this going to community sport. My final theme is to find out how such a decision was taken. How is a decision taken to give £120 million knowing that there might be windfall gains of tens of millions of pounds maybe and we decide to forego the possibility of sharing the super-profit. How is such a decision taken administratively?

**Ms Street:** I think you will see from Patrick Carter’s Report that he spells out the clear possibility that if the FA make a lot of money from this, which they are obliged by their objectives to put into both grass-roots and international football, then the call upon public sector funding for football is reduced and we can divert our money into other sports. So that is how it was arrived at.

**Q88 Jon Trickett:** I was trying to find out where and how the decision was taken. I have been told my time is up but I do want to just try to see whether we can understand how it will be the case that the FA will receive less money if it were to achieve windfall profits of millions of pounds maybe. What will be the mechanism for that? Is there a formal agreement anywhere with the FA we can see in relating to that matter?

**Ms Street:** No, but what would happen is that Sport England and UK Sport take a strategic view of how best to spend the grant in aid that we give to them, and if they see that other sports need it more then that would be likely to affect their distribution of funds.

**Mr Draper:** We would not fund as many football initiatives because funds would be coming through.

**Jon Trickett:** I feel we are being suckered. If there are windfall profits we do not take them and if there are windfall losses we lose them.

**Q89 Chairman:** Just to complete Mr Trickett’s questioning, he asked you about the financial consequences of success or failure. Colleagues should also be aware of page 9, the eighth bullet, where if we have financial failure there are some public benefits that could be lost. We see in the eighth bullet, which is the second last bullet: “The loss or diminution of any of these benefits (for example, any further reduction in the minimum number of public access seats, the sale of naming rights or the relaxation of the conditions relating to anchor tenancy)...” To put it in terms that the public could understand, if we get into financial difficulty we could have a situation in which there are fewer

seats for the public, in which the stadium has to be called the “Coca Cola Stadium” or something like that and that some local football club, Arsenal or somebody else, gets an annual tenancy. That is a possibility, is it not?

**Ms Street:** A number of these things—public access seats and so forth—are what are classed fundamental events which trigger protections for us as set out in the Report. Overall I do not know whether the Committee would share this view but we see a case for saying that these provisions are actually additional protections from any further call on public funds. This is actually something that can be done without further public funding if the project were in dire straits.

**Chairman:** Whether the public would really approve of it is another question. Anyway we pass on to our next questioner who is Mr Ian Davidson.

**Q90 Mr Davidson:** I wonder if I could go back to the very beginning and the spending of the Lottery grant. As I understand it, there was a competition between various English cities and presumably costs were calculated for each. How accurate was the estimate of the costs of acquisition at Wembley?

**Mr Draper:** The value of the land and the business was £103 million plus £3 million Stamp Duty, which was independently verified by three consultants.

**Q91 Mr Davidson:** That is not what I asked. What I asked was how accurate was the final cost as compared to what was in the competitive bid?

**Mr Draper:** I know the information I have got is with regards to the site at Wembley, which was valued at £106 million by three independent consultants. I would have to go back to look at the other four cities which are—

**Q92 Mr Davidson:** No, no, how accurate was the £103 million as compared to Wembley’s bid?

**Mr Draper:** It was accurate.

**Q93 Mr Davidson:** It was absolutely spot on?

**Mr Draper:** Well, yes.

**Q94 Mr Davidson:** That is just what I wanted to clarify because one of the things that concerns me slightly, and I do not understand how this came to pass and maybe you can explain it to me, looking at the same paragraphs that you are referring to, there the existing stadium and the assets were bought for around £103 million yet in paragraph 2.19 we are told that the value of the site was £30 million and presumably the balance was the buying out of all the events that were timetabled for that time. Can I clarify whether or not all of that was estimated at the time of the issued bid? If so, why were all these events allowed to be booked because some of them must have been booked between 1996 and 1999? Why was that allowed to happen?

**Mr Draper:** Again, that was part of the protection that was actually put into place at the time of the Lottery agreement.

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**Q95 Mr Davidson:** Maybe I do not understand my own question, I certainly do not understand the answer. If you spend the majority of £100-odd million buying out events—can I put it another way: when were these events booked?

**Mr Draper:** It was the site and the business.

**Q96 Mr Davidson:** I understand that, but the value of the site we are told here was £30-odd million. I am therefore presuming that the value of the business, which is the events, was the balance. Is that a reasonable assumption to make?

**Mr Draper:** The value of the site on closure was £30 million.

**Q97 Mr Davidson:** Yes.

**Mr Draper:** Possibly, that was obviously anywhere between £30 million and £50 million. That was identified in the Carter review but at the time the site and the WNSL business was valued at 100.

**Q98 Mr Davidson:** As a national stadium?

**Mr Draper:** Yes.

**Q99 Mr Davidson:** Are you saying to me that had the national stadium gone to, say, Birmingham or Manchester or anybody else, that the bid would still have been worth £103 million?

**Mr Draper:** No, not necessarily.

**Q100 Mr Davidson:** So some of the cost is the value of the site, which I am taking as £30 million, but you are saying it might have been more, and some of it was obviously the value of the events. Were any of these events that were bought out allowed to go ahead after the decision was made in 1996 and before the purchase price in 1999?

**Mr Draper:** Yes, obviously there were events that took place between 1996 and 1999. You had events such as the English Cup Final and England home international events which all took place at Wembley stadium.

**Q101 Mr Davidson:** So there were events booked between 1996 and 1999 in the knowledge that it was going to be bought over and closed and remodelled at some stage. How sensible was it to allow the people from whom you were going to buy the stadium to book events that you were then going to have to close?

**Mr Draper:** That was part of the staging agreement and the added protections that were put in place at the time under the Lottery funding agreement. Obviously we took a first charge over the stadium and the business as well as putting in a 20-year staging agreement.

**Q102 Mr Davidson:** I suspect I am not going to get further progress on that. Can I clarify on the question of the Lottery money, why was the additional £20-odd million that came in from the Department not funded through the Lottery? That is perhaps a question for Ms Street.

**Ms Street:** I think it was clear from Patrick Carter's Report that in order to give the banks the confidence to put in their very substantial hundreds of millions of pounds investment they wanted a signal from government that a very small amount of taxpayers's money, 2.6% overall, was there as "an earnest of intent", a signal that the Government had confidence in this project, so that is why it was done that way.

**Q103 Mr Davidson:** They were not satisfied by the Government's assurance standing behind the Lottery Commission putting in the initial £120 million?

**Ms Street:** That was clearly a Lottery investment but the fact that subsequently the original deal collapsed meant that it was not of itself sufficient to reconstruct the future of this stadium.

**Q104 Mr Davidson:** One of the issues for me is the way in which the departmental money and Lottery money almost seem to be interchangeable in these circumstances. I worry about the question of additionality. Presumably had the Lottery not been there the Government would have had to pay the whole of the public sector contribution. To what extent therefore can this be seen as a misuse of Lottery money?

**Ms Street:** I do not think it can be seen in that way but if I try and elucidate, the Lottery grant was made by Sport England, as the Lottery distributor having received an application in the way it is set out.

**Q105 Mr Davidson:** I understand that. Had the Lottery not been there, are you saying that the project would not have gone ahead because the Government would not have financially supported it?

**Ms Street:** I am not able to say how that would have come about. The purpose of the Lottery is to make things happen which would not otherwise happen.

**Q106 Mr Davidson:** That is my point. It was government policy, was it not, though, to have an English national stadium?

**Ms Street:** It was certainly of interest to Sport England in its Lottery distributing capacity.

**Q107 Mr Davidson:** That is not the question I am asking. It was government policy to have an English national stadium and had the Lottery not been in existence then the Government would have coughed up the money, which means that this is not so much additionality as the diversion of Lottery money for government purposes?

**Ms Street:** I really do not think that argument can be made because the money we have put in is very explicitly for non-stadium infrastructure.

**Q108 Mr Davidson:** I was not asking about the money you put in, I understand that. Had the Lottery not been there, are you saying that no money would have been forthcoming from your Department at all and this project would not proceed?

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**Ms Street:** I am afraid I am genuinely not able to say but it was not a proposition that the Government was considering at that time.

**Q109 Mr Davidson:** There are issues about additionality, Chairman, which I think we ought to be considering at some stage. Can I ask about the haste with which some of these decisions were made. Am I right in thinking at some point during this whole schedule England were going to host the World Cup?

**Mr Draper:** That is correct.

**Q110 Mr Davidson:** To what extent did that act as a stimulus to decision making and essentially lead to decisions being made which might not otherwise have been taken?

**Mr Draper:** It certainly was a stimulus. Not only was the United Kingdom bidding for the 2006 World Cup, they were also bidding (indeed we were a front-runner) for the 2003 World Athletics Championships at the time as well, so clearly that was one of the considerations.

**Q111 Mr Davidson:** In whose view was England a front-runner?

**Mr Draper:** A front-runner for the World Athletics Championships and it was certainly the International Association of Athletics Federations' view that the UK was a strong front-runner to host the Athletics Championships.

**Q112 Mr Davidson:** Can you clarify one point for me. You have mentioned on a number of occasions public access seats. What is the difference between public access seats and normal seats?

**Mr Draper:** It basically means in terms of the viability of the business plan at Wembley around 20% of the seats are corporate seats which in essence subsidise the public seats, so members of the general public can have access to Wembley stadium and there are 71,200 public access seats at Wembley stadium, which is more than any other stadium certainly in the United Kingdom and certainly comparable worldwide as well.

**Q113 Mr Davidson:** Is that different in percentage terms to, say, the Millennium stadium, or Murrayfield, or Hampden? You obviously get more seats if you have a bigger stadium, and therefore saying it is a higher number of public access seats does not necessarily mean anything in itself?

**Mr Draper:** Certainly there are more public access seats at Wembley than there are at the Millennium stadium.

**Q114 Mr Davidson:** As a percentage?

**Mr Draper:** I could not give you the percentage—

**Q115 Chairman:** That is precisely what he asked you.

**Mr Draper:** I can give you the percentage at Wembley. It is 71,200 general access seats and 18,000 premium seats.

**Q116 Mr Davidson:** But you said it compares well with international comparisons. That is presumably because it is a bigger stadium.

**Mr Draper:** That is right.

**Q117 Mr Davidson:** How does it compare with the Japanese stadium that I had the opportunity of seeing before the recent World Cup?

**Mr Draper:** There are more public access seats at Wembley than there are at the Yokohama stadium which hosted the World Cup final.<sup>4</sup>

**Q118 Chairman:** As a proportion?

**Mr Draper:** As a proportion.

**Q119 Mr Howarth:** I just have two questions. First, Mr Draper, in the interregnum that occurred between 2000 and 2002, did you make any assessment of whether or not it was necessary to have an English national stadium?

**Mr Draper:** Yes. The Carter review clearly took the project back to basics, and there was a reassessment of everything relating to the stadia, including a reassessment of the site location as well.

**Q120 Mr Howarth:** And what do you take to be the benefit, irrespective of where it is, of having a national stadium?

**Mr Draper:** Well, again, not only will we have a national stadium which will bring huge economic benefit in terms of the ability to host world events in the future—the ability to host potentially a World Cup final, World Athletics Championships or, at cost, other events such as the Olympics—but you have to look at the evidence from around the world in terms of the knock-on effect that a national stadium can have in terms of inspiring lots of people to get involved in sport, particularly young people.

**Q121 Mr Howarth:** How do you make a connection between young people getting involved in sport and the existence or otherwise of a national stadium?

**Mr Draper:** Because people are generally inspired by their sporting heroes—

**Q122 Mr Howarth:** How can you assess that? Their sporting heroes perform every week, either at Old Trafford or Enfield or—I will forgo to mention any other clubs, but it is a fairly glib assertion, is it not? You see David Beckham or somebody else play at Wembley stadium and suddenly a light goes on and you think, “Oh, great, I will become a footballer”. It is very glib.

**Mr Draper:** I think that is one of the reasons why over the period of the Lottery there has been a strategy to invest around 80% of the Lottery funds down to grass roots community projects. It has to be twin-track investment.

**Q123 Mr Howarth:** Mr Draper, it is very kind of you to tell me that but I am not asking you about that. I am asking you what the connection is between a young person seeing somebody play at Wembley

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stadium or the new stadium and then becoming inspired—this is something you said repeatedly—to become a professional footballer or some other kind of athlete. I cannot understand what that connection is.

**Mr Draper:** There is a knock-on effect in sport. You only have to look around Wimbledon time at the local authority park courts at the number of people playing tennis in and around the Wimbledon period. Every tennis court in the country is packed out with people playing tennis, and we have certainly seen a knock-on effect, if you look at the Stade de France in France, the impact that has had on sporting provision around the country. In this country we are the third most successful sporting nation across all sports but only the tenth most successful sporting nation in terms of those sports which people want to see us successful in, and clearly those sports are sports like football, rugby league, athletics, tennis and so on.

**Q124 Mr Howarth:** I will leave it at that but I would simply comment that I do not think the comparison between Wimbledon fortnight and a footballing event of any description is valid. Football is played pretty well all the year round with a short break now, and I think young people's sporting heroes, and even those of us who are getting older's sporting heroes, are more to do with clubs than watching them play. We enjoy watching international games but the inspiration comes from somewhere different in football than I think it does in tennis. I think you ought to be a bit more careful in making these glib assertions in the future. Getting back to the subject of the on-going finances of a new stadium, I do not know whether this is more appropriate for Ms Street or Mr Draper—you can decide, what evidence is there that it will not be a financial drain?

**Mr Draper:** It is clear that there is no on-going public subsidy to this stadium. The major risk lies with the FA and WNSL.

**Q125 Mr Howarth:** Well, let me just exercise a little bit of imagination here. If the national stadium, once it is built, was in trouble, presumably central government would be called to do something about it. Would you accept that that would be certainly a theoretical possibility, or even probability?

**Ms Street:** Perhaps I could take the question. I think perhaps the first thing is to say that if the banks have put £433 billion of loan into this then it is because they expect to make some money out of it, and they have taken a big judgment about that, so that is quite a big signal. If the project gets into trouble then something that is made clear in this Report is that there is a hierarchy of people who look to remedy the situation and the senior bank being the biggest lender will take the steps it needs to take. There is no way, and I checked this at the weekend, that they could come back to government under any agreements that we have signed for any more money. What they would have is control of the asset but with certain protections built in for our money. So if, for example, they decided on a different kind of stadium and a different plan and that was successful we

would get our money; if they decided to do something differently which resulted in a profit we would get our money; so I think we have built in within the commercial realities of who is really putting the money in very big protections for the taxpayer.

**Q126 Mr Howarth:** I know it was a completely different financial set of arrangements for the Millennium stadium but have you any knowledge of how financially successful, or otherwise, that is?

**Ms Street:** I do not have the figures in front of me. I think that all of these projects have risks associated. It is always a difficult balance.

**Q127 Mr Howarth:** It is losing a lot of money.

**Ms Street:** Well, it is certainly being audited, I am aware of that. Mr Chairman, would you allow me to say something about inspiring young people, just for fun really?

**Q128 Chairman:** Sure.

**Ms Street:** I think it is unusual for the National Audit Office to use the word "iconic". They talk here about the bulldozers starting work on one of British sport's most enduring icons. Of course, it is a matter of judgment how you feel about this but I tell you I have been there; I have tramped around in size 8 boots for size 4 feet; you tramp around and talk to the construction workers and they are working on Wembley because it is Wembley and the kids in every school know about Wembley. I do not know if this is appropriate for a Public Accounts Committee, but there genuinely is something that caused the National Audit Office to use the word "iconic".

**Q129 Mr Howarth:** I think I have reached the end of my time but I do want to take issue with that. I can understand that certain sporting events have great significance in terms of particular stadia—Wimbledon is perhaps a good example for tennis—but football is completely different from that. You see interviews with young footballers and they do not say, "I watched an event at Wembley stadium and that made me . . ."—they are inspired by club heroes and that is the way it works in this country. Whilst I am sure we all hope it will be a great success, and if it is not it will be a great credit to everybody concerned, that is just not the way young people are inspired in this country.

**Mr Draper:** Just to come back, that is why it is important we do have the twin-track investment strategy at a local level within clubs but also that we do invest in national projects such as Wembley and the Commonwealth Games which were a big success, not just for the north west but for this country as a whole.

**Chairman:** Let me assure you that we are not killjoys in this Committee; we are stern guardians of the public purse.

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**Q130 Mr Gibb:** If it is so “iconic” I am surprised that the design could not incorporate the two towers which are the key iconic symbols of Wembley stadium. Why were you not able to do that?

**Ms Street:** It is the FA’s project. They obviously took the decision—

**Q131 Mr Gibb:** You were the one defending the word “iconic”. I will move on then.

**Ms Street:** Perhaps—

**Q132 Mr Gibb:** Can I ask you whether the project was viable without the £161 million of public money?

**Ms Street:** The reason that Sport England originally made the Lottery grant has been already talked about. On the additional £20 million, we relied on Patrick Carter’s review and his advice was that in order to bring the banks to the level of assurance needed for their very considerable stake, £20 million—

**Q133 Mr Gibb:** £20 million sounds like a rounding figure and you did say earlier that the banks have taken a dispassionate judgment that the project will make money. So I am asking you again, on a project-by-project basis, was this project unviable without the £161 million—as a project?

**Ms Street:** As a project our judgment was that the £433 million would not have been there without our £20 million.

**Q134 Mr Gibb:** Why not? If something is viable it is viable, so why was it unviable with the £20 million and unviable without the £20 million?

**Ms Street:** I genuinely think, having studied the reports, that this was a matter of confidence.

**Q135 Mr Gibb:** £20 million gave confidence?

**Ms Street:** Yes.

**Q136 Mr Gibb:** Why? Why would that small sum of money give confidence?

**Ms Street:** Because, in putting the £20 million forward, government was also insisting on serious conditions relating to governance and standards of accounting going forward—

**Q137 Mr Gibb:** So all the other private sector projects in Britain do not have these corporate governance rules? There is no integrity, no thoroughness to those projects? Only this one has those conditions and that is because of £20 million of government involvement?

**Ms Street:** I certainly would not suggest it was anything like as simple as that.

**Q138 Mr Gibb:** Can I get off the original question? Forget that report. Was this project viable as a project? Forget about whether the banks would have come on board—we could have got the money from some other private sector, or it could have been floated on the Stock Exchange. Would this project have been viable without the £161 million worth of public money, ie would it have been viable with £596

million which is the cost without the £161 million? Would it have revenues given the return on the £596 million debt which most private sector risk taking investors would have thought worth the risk?

**Ms Street:** Firstly, I certainly do not mean to suggest that other projects are not entirely solid. This was turbulent and that had an effect. The original financial deal collapsed. There would have been no project without a review of what was needed which includes, for example, and I know people are very interested in this, the number of public access seats, the premium seats, but that was something that had to be reworked. The money we put in has not started to flow and will not for years but it will go to things like more entrances and exits in Wembley Park station, non stadium infrastructure which I think would not have been part of any arrangements which did not include public money.

**Q139 Mr Gibb:** I am afraid you are not convincing me. I am more alarmed by your accounting as the accounting officer of this sum of money than I was before the questions started. This was going to be an opening question; this was not my whole *raison d’etre*—

**Ms Street:** I am not sure why you are alarmed—

**Q140 Mr Gibb:** Because you cannot answer the simple question about this project, was this viable? Forget the £161 million. Is this project viable?

**Ms Street:** There was no financial support for this project at the point at which Patrick Carter was asked to review the difficulties, so it was not. It had collapsed. He came back and said, “You need more premium seats: you need some kind of earnest of intent from government and you need a number of other things”, so I hope that is clear.

**Q141 Mr Gibb:** Not really because what we are talking about is money. You did say the banks have taken a dispassionate judgment that the project will make money, i.e. they would not be losing their £400 million odd ceiling of debt, so surely they have taken the view that this project is viable?

**Ms Street:** That was after we brought our £20 million to the table.

**Q142 Mr Gibb:** £20 million is hardly here or there. How much was the stadium going to cost? What is the figure for the stadium?

**Ms Street:** It is £757 million of which the taxpayer is paying £20 million.

**Q143 Mr Gibb:** And the Lottery payer is paying £20 million and another state-funded body is paying £21 million for infrastructure.

**Ms Street:** It is a total of 21%.

**Q144 Mr Gibb:** Tell me what the cost of the Millennium stadium was. We have had that mentioned before.

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*Mr Draper:* If you look at it on a cost per seat basis—

**Q145 Mr Gibb:** No. The cost of the stadium, please.

*Mr Draper:* For the Millennium stadium the construction costs were £130 million whereas Wembley is £445 million.

**Q146 Mr Gibb:** No. I want the total cost of the Millennium stadium.

*Mr Draper:* I am sorry, I have not got the total cost with me.

**Q147 Mr Gibb:** So you have no idea. You were involved with this project; you have no idea what the total cost of the Millennium stadium is. I would have thought you two were the two people in Britain who would have known these figures off the top of your head, and the FA. We should have the FA here but we do not.

*Mr Draper:* We have the construction costs and the costs per seat.

**Q148 Mr Gibb:** Let us take the construction costs. £130 million compared to £445 million.

*Mr Draper:* And the cost per seat of Wembley is £4,500 per seat compared with £2,200 for the Millennium stadium.

**Q149 Mr Gibb:** Why is there such a big discrepancy? Why is it more than double the cost per seat and even more than that, three times per cost or more, for the construction for Wembley?

*Mr Draper:* The key issue is that at the end of the day Wembley will be the finest stadium in the world.

**Q150 Mr Gibb:** Is that totally the reason?

*Mr Draper:* Also, as the Carter review highlighted, in terms of corporate seats that subsidise the public access seats as well, obviously the more you spend on that project the more return you are going to get in terms of profits as well.

**Q151 Mr Gibb:** So the false starts and all the messing around that has been happening, the problems with this project—none of that is fed into these costs?

*Ms Street:* No. Of course, the delays have cost money—

**Q152 Mr Gibb:** How much?

*Ms Street:*—but not public money.

**Q153 Mr Gibb:** They have not been fed into this. I am interested in that issue at the moment. I am interested in the costs of this project, £757 million. How much of the messing around and delays and false starts and reports and all this kind of thing has contributed to the excesses and the costing of this project, the £757 million? £300 million?

*Ms Street:* I would not say it was £300 million. We are looking at, giving you the breakdown, the £106 million for the site purchase. £445 million—

**Q154 Mr Gibb:** All of these are in the Report; I do not need those repeating. My contacts in your Department do say that these figures are in the hundreds of millions of pounds and that the messing around has cost this project hundreds of millions of pounds in excess cost, and that is why you find a huge discrepancy between this stadium and the Millennium stadium, and no doubt if we were to ask you the cost of the Saitama stadium in the suburbs of Tokyo—what was the cost of that stadium?

*Ms Street:* The Sapporo dome I can tell you is £255 million. I probably cannot tell you the cost of every stadium.

**Q155 Mr Gibb:** You know, these figures are getting nowhere near the cost of Wembley stadium.

*Ms Street:* But that was half the size. That is 42,000 seats.

**Q156 Mr Gibb:** But whether we go cost per seat, whether it is construction cost, this project is way above any comparable project in the world.

*Ms Street:* I have to disagree.

**Q157 Mr Gibb:** Well let's go back—

*Ms Street:* I want to get these figures on the record.

**Q158 Mr Gibb:** Not yet, no, because they are in the Report. What is your estimate of the costs of this project of all the delays and incompetence and mal-administration that has taken place in the setting up of this project? It is not £300 million which is the figure that I believe it might be. What is your estimate?

*Ms Street:* I would pick out two elements and I would not agree that 100% of those is due to delays but I think you have to look at the £79 million finance cost. The finance has become very expensive as a result of the delays but none of that, and I do have to put it on the record, is for the public purse. That is the FA's cost. The second factor is £86 million management and other costs and fees, of which—I do not know how much time the Committee want me to take—£11 million is legal and other professional fees, £39 million in WNSL additional costs, and £19 million WNSL management fee which is not part of this because that was about staging events during the interim and there was some revenue from that. That is honestly my best understanding and I have analysed the figures very closely. I would just like to mention for the record that from our calculations on the Sapporo dome, which has 42,122 seats, 100% of public funding is near £6,000—£5,839—per seat and the Wembley stadium will be under £4,000. So I am not saying it is not expensive but it is not beyond what the world had to offer.

*Mr Draper:* Can I add to that because obviously the Carter review and the Sweett Report both concluded that this stadium was good value for money. There are a number of factors in terms of cost. Obviously the size of Wembley stadium is a factor. This stadium is being constructed four years after the Cardiff Millennium stadium, and also I think London construction costs are a factor.

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**Q159 Mr Gibb:** I am not very happy with any of these responses. If we could have a note about the Department's estimate of the cost of the delays and the change of plans that occurred, I can then get it verified by people who know a lot more about this project than I do. Would that be possible?

**Ms Street:** Certainly.<sup>5</sup>

**Q160 Mr Jenkins:** I thought it was rather alarming—£4,000 a seat? The project is nearly £800 million. Is it a 200,000 seated stadium you are building?

**Ms Street:** 90,000.

**Q161 Mr Jenkins:** So it is the construction cost you are talking about, not the total cost then?

**Ms Street:** We are talking about all the costs—the site purchase, the construction. Demolition alone is nearly £100 million.

**Q162 Mr Jenkins:** The total cost is nearly £800 million?

**Ms Street:** £757 million.

**Q163 Mr Jenkins:** So £4,000 a seat?

**Mr Draper:** That is based on construction costs.

**Q164 Mr Jenkins:** How many seats are in the stadium at £4,000 a seat?

**Mr Draper:** Are you asking how many other stadia around the world have that?

**Q165 Mr Jenkins:** No, just Wembley. You just said to my colleague, Mr Gibb, that the cost of the Wembley stadium is £4,000 a seat.

**Ms Street:** The construction cost, stripping out, demolition and—hang on a minute—

**Mr Draper:** I think this is where we get into the vagrancies of comparison—

**Q166 Mr Jenkins:** No. There is no vagrancy. He asked you for total cost and you have come back with £4,000 a seat. How many seats in the stadium at £4,000 a seat? Divide it into £750 million. It has to be like 180,000 seats. Well, it is not, is it?

**Ms Street:** I am misunderstanding you. 90,000 seats, total cost of £757 million.

**Mr Jenkins:** Multiply that by £4,000.

**Mr Gibb:** £360 million.

**Q167 Mr Jenkins:** Well, the cost is not £360 million.

**Ms Street:** That is why I was explaining that that was the construction, demolition—

**Q168 Mr Jenkins:** Mr Gibb asked you for total cost and you come back with a figure and that is the difficulty. We seem to be in slight difficulties here because earlier on, Mr Draper, in reply to Mr Steinberg you said that the FA, if the deal did not come off, would have picked up or replaced the £120 million, and when I looked at it I thought we give this £120 million to buy what was going to be a derelict stadium, so we bought the business, etc, and

if it did not come off you said that we could restage events—that was the package. All right, to restage events we are going to put this stadium back in order, so that is an estimate now of another £40-50 million to put the stadium back in order. Where would that £40-50 million have come from to put the stadium in order?

**Mr Draper:** Obviously it was clear at the time that to recover the ground once the stadium had been closed would not have been straightforward. That is highlighted in the National Audit Office's Report but obviously what we would have done at the time is go back into re-negotiation. We did have the legal right to do that but clearly, from a common sense approach, we would have gone back and re-negotiated the staging agreement with the Football Association should the Football Association have decided, for example, to have staged events around the country. The staging agreement would have been renegotiated in that light.

**Q169 Mr Jenkins:** So when you read the Report and you got to page 17, paragraph 2.13, it clearly states that the Football Association has set up Wembley National Stadium Limited as a private limited company, arm's length, so the Football Association were not liable, and then later on when you asked the Football Association for a parent company guarantee they turned it down and refused to do it. So you had no call on the Football Association?

**Mr Draper:** That is why the council at the time felt that a more robust security package was to enter into a staging agreement with the Football Association and WNSL, and at the point of closure the council also insisted on these additional commitments such as re-instatement of the stadium requiring the Football Association to hold events at the reinstated stadium, and also at the time we put in the additional commitment which required the Football Association to commit around £350,000 a month to ensure that WNSL remained solvent during that period.

**Q170 Mr Jenkins:** It would have been impossible to get this money back, would it not? The £120 million?

**Mr Draper:** Well, again, that is a hypothetical question because in terms of the success of this project, as I said earlier, the best way of securing the £120 million certainly of Lottery funding was to make the project a success. Of course, there are many lessons to learn and it would not have been straightforward to get a return of that grant. However, Sport England did have the legal rights on a number of protections but obviously we would have gone back and re-negotiated with the Football Association, as I stated earlier, in terms of other arrangements.

**Q171 Mr Jenkins:** You could have tried to have gone back but they told you once they were not prepared to enter into that agreement?

**Mr Draper:** Well, not in terms of the parent company guarantee.

<sup>5</sup> Ev 25.

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**Q172 Mr Jenkins:** So the £40 million would have come from where, the Football Association, to re-establish this staging agreement?

**Mr Draper:** If necessary we had the legal rights to do that, yes.

**Q173 Mr Jenkins:** And you would have taken the Football Association for £40 million, you feel?

**Mr Draper:** Obviously that was one of the considerations at the time. That was clearly one of the options. The others related to going back and re-negotiating with the Football Association over the staging agreement.

**Q174 Mr Jenkins:** So the company we are dealing with, Wembley National Stadium Limited, if you look at paragraph 4.9, it says that the Department were concerned about aspects of the management or an oversight into the project of the Wembley stadium. The Department felt that they were not really in a position at that stage to run this project. Did you believe they were? Did you believe that Wembley National Stadium Limited could oversee and run this project when you had entered into this agreement with them?

**Mr Draper:** Well, obviously this is where the James Report highlighted the fact that key decisions were being taken without the knowledge of, indeed, the WNSL board and the stakeholder, so monitoring events was not easy and whilst neither the Carter review nor the James report highlighted any impropriety or fraud at Wembley, obviously new things were put into place, a new board came into operation, a new corporate governance structure, a board that is now skills-based rather than representational based, and we now have obviously adopted joint monitoring processes between Sport England and the Department, and obviously the Office of Government Commerce were now at the stage for gateway review to make sure we were on track in making this happen.

**Q175 Mr Jenkins:** I accept it is with hindsight, and that is why we have this lovely luxury of having hindsight with the Report before us, but what you are saying in effect is that you put £120 million of public money into a project which you had got no hope of getting back if it was not a success with a company which was not fraudulent or anything else but just had sheer competence of running this project, and there were no checks and no assurances before you gave them the money?

**Mr Draper:** Well, the council at the time took, or felt they took, all the appropriate steps to ensure that the £120 million grant was secure.

**Q176 Mr Jenkins:** Do you accept with hindsight the council maybe could have done more?

**Mr Draper:** Yes. I think with hindsight there are many aspects of this project that could have been done better and that is certainly part of the lesson learned not just from Sport England but also jointly with the Department as well.

**Q177 Mr Jenkins:** Ms Street, on page 17, figure 5, the first line says, "Under lottery legislation the Department has no role in decisions about individual lottery projects". What do you understand by that?

**Ms Street:** That the formal decision must be taken by the Lottery distributor.

**Q178 Mr Jenkins:** Once the formal decision has been taken, and it was in this case, who is responsible for calling in the surveys to have a look at the stability of the Wembley National Stadium Limited company? Was it Sport England or the Department?

**Ms Street:** The responsibility for accounting for how a Lottery grant is used on a specific project does fall to the accounting officer for Sport England. What we have now is a much more constructive relationship between all the stakeholders that means, particularly since we have been negotiating jointly, that this is very transparent and it is entirely possible for me to see how everything has been done. But under the legislation it is a matter for the Lottery distributor.

**Q179 Mr Jenkins:** So you have no part to play in the decision-making on this project as a Department?

**Ms Street:** There is no formal decision-making power, that is correct. I would not say we have no part to play. When things are working well, we understand. After all the Department issues the policy and financial directions and I appoint Roger as the accounting officer. When things are working well I think it is normal to have on-going consultations and discussions, but the formal decision is not for the Department.

**Q180 Mr Jenkins:** I would just like you to reiterate that one promise you gave us that there will be no more public money into this project.

**Ms Street:** The Secretary of State has made it very clear to Parliament, and I have it somewhere here, that there will be no more public money invested in this project.

**Mr Jenkins:** We just cannot hear it often enough!

**Q181 Mr Rendel:** Can I get one or two things clear which are not clear in my own mind at present? The original project was due to cost £320 million. The project now is due to cost £757 million. What is the increase due to?

**Ms Street:** I suppose this is a different way of coming at this same question. There are a number of things. The design and the specification has changed so there has been a development of design and specification: there are certainly, as I have said, expenses for the new financial arrangements and in the legal and other fees, and it is a combination of those things that have added to the cost, and of course there are delays themselves when you add in the cost of supporting the project planning and so on—all of that adds to the cost.

**Q182 Mr Rendel:** The project at the lower cost was not viable. It went up in price by 130% or so, and it became viable. That to a layman, on the face of it,

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looks very strange. Why did that happen? How come it was much more viable when it was much more expensive?

**Ms Street:** I think it is about the judgment made on the revenue streams and what they might yield. Patrick Carter said in December 2001 rather plainly, “The original project failed because in short the stadium was too expensive, the income stream too insecure and the management unconvincing”. What therefore had to be done was putting in the right management crucially and—and this is why the seats are so important—making sure that the premium seats which now account for 70% of the revenue, although they are only 20% of the capacity, would bring in the money. Very quickly, it is very encouraging to see that expressions of interest in premium seats are well ahead of the business plan at the moment, so this may be a correct diagnosis.

**Q183 Mr Rendel:** You said there were three things that were said to be wrong: one was that it was too expensive. Well, clearly it is no less expensive now so the new project has not altered that difficulty. Secondly, it needed new management: it could have had that without presumably having any greater expense. So presumably it is just the income stream which has effectively made the new system much more viable. Is the expected income stream going to be 200% higher than the old? It would have to be to overcome those extra problems and to overcome the increasing costs?

**Ms Street:** Certainly the judgment of the biggest stakeholders, the banks, has been, given the comfort that was referred to earlier of a government—

**Q184 Mr Rendel:** The banks obviously think there is a difference. In terms of the income stream, what estimates were made of the income stream originally and the income stream under the new project? Am I right in saying that the new income stream must be at least 200% bigger than the old one?

**Ms Street:** I would need to check exactly but—

**Q185 Mr Rendel:** Could we have a note on that?

**Ms Street:** Certainly.<sup>6</sup>

**Q186 Mr Rendel:** That would be helpful. What extra benefits does the public get from the second scheme as opposed to the first one?

**Ms Street:** There are a number of benefits that flow. I have talked about the non-stadium infrastructure—upgraded stations and access roads and so on—which should be better. A lot of attention has been paid—

**Q187 Mr Rendel:** They were not in the first scheme?

**Ms Street:** No. There is the disability access and the arrangements that have been made not only for wheelchairs but for the visually and hearing impaired; the way in which the athletics track can be constructed off-site I have referred to; I understand the sight lines are much better; I have got deep into

the details of a retractable roof that covers the spectators but not the pitch which I can go into if you wish—there are a number of design features.

**Q188 Mr Rendel:** And these changes would account for the increase in the public sector involvement of £41 million extra?

**Ms Street:** The additional expense for the upgraded design is not being paid for by the £41 million apart from the non-stadium infrastructure, so if you like my money, the money I need to account to you for, the £20 million, is going to Wembley Park tube station and two other railway stations, access roads, CCTV—

**Q189 Mr Rendel:** So the only extra money the public is putting in is directly concerned with extra benefits the public will get?

**Ms Street:** Yes.

**Q190 Mr Rendel:** And what disbenefits, what reductions in public benefits, are there in the second scheme?

**Ms Street:** I am not aware of any disbenefits other than the slight reduction in public seating which we have referred to which is essential for the income stream.

**Q191 Mr Rendel:** If we can have a note on the income stream, that will answer that.<sup>7</sup>

On a different subject, I am not sure I picked up what you were saying earlier about how long it takes to make the change between an athletics stadium and a football stadium. If it is in, so to speak, football mode, how long does it take to get it into athletics mode?

**Ms Street:** Now, under the new structure, I understand around 17 weeks.

**Q192 Mr Rendel:** And during that time can it be used for football at all, or is it, so to speak, out of action for 17 weeks?

**Ms Street:** It is out of action during that time.

**Mr Draper:** That is also construction and dismantling. It takes 11 weeks to construct and six weeks to dismantle, so 17 weeks in total at a cost of around £12.9 million.

**Q193 Mr Rendel:** That was going to be my next question, thank you. £12.9 million, eleven weeks to put it up, and six weeks to take it down, and during the whole of that period it is out of action?

**Mr Draper:** No.

**Q194 Mr Rendel:** For football.

**Mr Draper:** Just football, yes.

**Q195 Mr Rendel:** And presumably out of action for athletics until you have got it up. So the time out of action, every time you want to have an athletics event there, is a total of 17 weeks, part of it before and part of it after, and during that time presumably you are not earning an income? Nobody is watching

<sup>6</sup> Ev 26.

<sup>7</sup> Ev 26.

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anything if you have not got athletics on and football on. They do not come in there just to look at the stadium, do they?

**Mr Draper:** I am just thinking about the other events that will be staged. Obviously there are 26 events to be held every year at Wembley stadium, 19 of which are football and rugby league, but it is my understanding that the stadium would be out of action during that time and that would be factored into the event scheduling period.

**Q196 Mr Rendel:** Right. Do you mean by that that you would be able to get, even in a year in which you have this—because by the time you have had the athletics event you are talking at least 18 or 19 weeks or so that you are out of action for anything else. Are you saying that for the remaining weeks of the year, which is not much more than half the year, you are going to put in all the other events?

**Mr Draper:** Not necessarily. I am just saying in terms of the event scheduled. Obviously those events, if there were to be a World Athletics Championships or any other major event in terms of the Olympics or anything like that, would be factored into the schedule at the time and obviously we would plan round that.

**Q197 Mr Rendel:** In how many of the next twenty years do you expect there to be an athletics event such as you have to take it out of action for 17 weeks?

**Mr Draper:** Looking at the schedule, probably once or twice.

**Q198 Mr Rendel:** Once or twice in twenty years?

**Mr Draper:** Yes.

**Q199 Mr Rendel:** And that is the only use you are making of this athletics track?

**Mr Draper:** In terms of the World Athletics Championships, in terms of major—

**Q200 Mr Rendel:** In terms of anything? You are going to use the athletics track once or twice in twenty years?

**Mr Draper:** That is correct in terms of the viability, yes.

**Q201 Mr Rendel:** And how much cheaper would it have been to build a stadium without a track?

**Mr Draper:** Well, the stadium obviously does not have the track in. It is at cost to put the platform in.

**Q202 Mr Rendel:** You can build exactly the same stadium without having the athletics track there at all, is that what you are saying?

**Mr Draper:** Well, the stadium is being built without the athletics track within the stadium.

**Q203 Mr Rendel:** So the cost of building the track—when you said £12.9 million, I assumed that that was just putting it in?

**Mr Draper:** To put the platform in and to take the platform out.

**Q204 Mr Rendel:** So how much is the cost of the track you have to put in? How much are you spending on a track to put in twice in the next twenty years?

**Mr Draper:** Sorry, we are including that within the athletics platform. So to put in place an athletics event it will take around 17 weeks and cost nearly £13 million.

**Q205 Mr Rendel:** So you have not got a track ready to put in? Each time you stage an athletics event you build the track, put it in, and all that costs you £13 million, is that what you are saying?

**Mr Draper:** No, because in terms of flexibility, and this is one of the lessons we have learned from, for example, the Commonwealth Games, you must think about facilities and legacies so the track that was used at the Commonwealth Games was used at other athletics events around the country including the World Indoor Athletics Championships in Birmingham recently. So in terms of facilities we must always think legacy and the on-going effect of the use of the equipment as well.

**Q206 Mr Rendel:** So can I just get this absolutely clear: if the decision had been not to make this stadium ever useable for athletics, would it have been any cheaper to build?

**Mr Draper:** It would have been the same cost.

**Mr Rendel:** You would have built exactly the same stadium whether or not you put the athletics track in, so the only decision you have to take when you decide whether or not to put the athletics track in is whether the value of £13 million is worth it if it means you have to take this stadium out of use for nearly half a year? I think the conclusion I am coming to, and I do not know about other members of the Committee but the Chairman said, or somebody said and was absolutely right, that frankly this stadium is never going to be used for athletics. I would have thought it was almost inconceivable.

**Chairman:** I did make that suggestion. I made it in the context of an Olympic bid but the answers Mr Rendel is receiving are that it may not happen anyway.

**Q207 Mr Rendel:** It sounds as if nobody actually has any plans to use it for athletics, or not many.

**Mr Draper:** Obviously it has the capability, for example, to host the 2009 World Athletics Championships.

**Q208 Mr Williams:** Following up on the point that Mr Rendel made, let's go back to the figures to refresh memories. The original project was going to cost £320 million, the project we now have is £757 million which is virtually 2.5 times the price of the original one—an extra £437 million. That is correct, is it not? That is a pretty massive increase. Now, I see that Mr David James in his report confirmed the existence of serious concerns relating to the tendering process which led to the appointment of the main contractor to build this stadium. What was that all about?

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**Ms Street:** That was a point that was made in the David James report about there not having been a level playing field which would meet public sector standards of doing business—

**Q209 Mr Williams:** I am sorry, but I cannot hear you.

**Ms Street:** Mr James raised serious concerns about whether there had been a level playing field—I cannot avoid the sporting metaphors—at the time the contract was let, and he said that this would not have met the highest industry practice standards.

**Q210 Mr Williams:** How did that come about?

**Ms Street:** That was not something that the Department can account for in terms of how the contract between the Football Association and Multiplex was let originally.

**Q211 Mr Williams:** You had no involvement in it at all?

**Ms Street:** Not in the letting of the contract at that time.

**Q212 Mr Williams:** But were you not concerned when you found that there were serious concerns?

**Ms Street:** Mr Williams, I was hugely concerned. I joined the Department on 3 December 2001; I met Mr James the following week in another context; I saw his report on 15 December in draft and four days later the Secretary of State stood up and put extremely tough conditions on any further public money in this project, and those conditions went directly to the highest standards of—

**Q213 Mr Williams:** But that does not undo the situation, does it? That accepts the situation despite the fact that there are serious shortcomings. Who was responsible for the serious shortcomings? Did other people make a loss? Did they impose an extra cost on the project?

**Ms Street:** It was certainly one of our concerns to test, and this is why there followed those months of very careful review. We wanted to see whether, despite those serious concerns—and I should say for the record that there was no evidence of impropriety whatever, those are David James' words—

**Q214 Mr Williams:** I did not ask about impropriety. I asked about any extra cost arising as a result of this.

**Ms Street:** We took independent advice on whether the contract at the current time that we were reviewing it represented value for money. Cyril Sweett said in July—

**Q215 Mr Williams:** That is not the same thing. It may have represented good value for money but it may not have been the best bid that would have been available had there been a level playing field. I am not interested in whether they say, "It is okay, you are getting good value there". You could have got better value from somebody else. Is that not the import of what he is saying?

**Ms Street:** I think the Report is right to say that this was a key decision whether to retender and whether there might have, at that time, been a different price.

**Q216 Mr Williams:** Whose decision was it not to re-tender?

**Ms Street:** My Secretary of State as advised by me, but I take personal responsibility for that.

**Q217 Mr Williams:** If you are taking personal responsibility, and that is very courageous of you and proper of you, I would assume that before you made that advice you worked out whether there were any significant cost implications for your Department and for the project. What did you establish was the difference between what could have been available from retendering as opposed to what you accepted by not retendering?

**Ms Street:** We took advice from a number of sources about what would have been available from retendering, and of course the additional costs that would arise from further delay and uncertainty. We had clear unambiguous advice—and this was one of the tests we put to the condition of our support—from an independent review. Cyril Sweett said in July 2002, "We are able to conclude that the new Multiplex design and construct bid for the new Wembley stadium is value for money". Patrick Carter said that there was no likelihood of savings to the public purse from retendering and it would jeopardise the project to do so.

**Q218 Mr Williams:** So that is no saving for the public purse. That does not mean there is no saving for the project. The public purse was already committed and limited, and was going to be fully absorbed whatever happened. Did you or did you not establish not whether it was good value for money but whether there could have been a significant difference between the cost of the project in total, which included the public loss—whether we could make a saving as opposed to the cost that you would let it go ahead at?

**Ms Street:** The David James report said it would be—

**Q219 Mr Williams:** Did you evaluate it or not? Did you seek an evaluation of it?

**Ms Street:** I took advice that that would be unfeasible. I also feel it is my duty to account to this Committee for the expenditure of public money, which I stand by.

**Q220 Mr Williams:** Yes, but that does not alter the fact that we do not want public money to be used to support a project that was not itself the best possible value that could have been obtained. It affects the future viability; it affects what could happen during the phase of construction and so on; but you made no attempt to evaluate this shortcoming in the bidding process. Yes or no? Just to evaluate?

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**Ms Street:** I do not want you to think it was an oversight. I took the view that my responsibilities to this Committee are for propriety—and there is no evidence of impropriety—and value for money on which I took the independent advice.

**Q221 Mr Williams:** But you took it on value for money for the public sector only, not on value for money for the project?

**Ms Street:** I am the accounting officer for public money.

**Q222 Mr Williams:** Then there was another strange episode that is referred to which is the £20 million of Lottery grant money that was going to have to be repaid when you decided the athletics project would be withdrawn. I understand that, in the opinion of the National Audit Office, this episode did not comply with the proper processes in place for handling Lottery money. The Department had no role in decisions about individual Lottery projects. Do you agree with that?

**Ms Street:** I attach great weight to what Sir John says. His conclusions are, of course, a matter for him.

**Q223 Mr Williams:** In that case are you saying that this action by the Department was *ultra vires*?

**Ms Street:** No. I have explained that I attach weight to what the Comptroller & Auditor General says. In my view, given what we discussed earlier, the legislation prohibits a formal decision being taken and no formal decision was taken by the Secretary of State. Although I entirely accept, and I do not think Roger and I could have been clearer, that we need to move to a better communicating and consultative environment, clearly this was not a happy period in the project's history, but I have to say that, since the Secretary of State took no decision, I believe that the due process was observed.

**Q224 Mr Williams:** I do not want any more on this because I have limited time. Coming back again to something Mr Rendel referred to, the total cost of the project in the round, in the social context we have £757 million. You referred to railway stations and other infrastructure. What infrastructure costs are the public being committed to in order to create the communications that are appropriate for this stadium to work in what is an absurd site?

**Ms Street:** First, if I can take the opportunity to correct something in case I gave Mr Rendel the wrong impression, there was in the original design some non stadium infrastructure upgrade and I just want to put that on the record.

**Q225 Mr Rendel:** Thank you.

**Ms Street:** Is the question what exactly are we paying for?

**Q226 Mr Williams:** Yes, in order to get it off the ground and in order to ensure they can get the people there to watch the events.

**Ms Street:** I should make clear that we are not paying this money direct; we are reimbursing WNSL once the work has been completed. They have incurred the cost and we will reimburse them so there is no question of spending the money until it has been completed and we receive the receipts.

**Q227 Mr Williams:** I did not suggest there was; I am asking how much.

**Ms Street:** We are putting £9 million into enabling Wembley Park tube station to carry an expected massive increase in passengers of the order of 20,000 passengers an hour, but I will send you a note if that is not right. We are putting money into the estate access corridor and the stadium access corridor, £3 million for two schemes. We are putting £2.5 million into off-site controlled parking; £1,100,000 into CCTV and signage—do you want me to go on to public toilets and arts?

**Q228 Mr Williams:** You can let me have a note of what it consists of.<sup>8</sup> Tell me what the total amount of infrastructure costs you have outside the project is?

**Ms Street:** For the Section 106 planning agreement the total is £17 million but we have a contingency, because we have learned about contingencies, which brings us up to the cap limit of £20 million. I am sorry—I am told it is 40,000 passengers an hour, not 20,000.

**Q229 Mr Williams:** And that is not included in the £757 million?

**Ms Street:** This is included.

**Q230 Mr Williams:** You referred to the £100 million demolition costs. In the event that this project had not gone ahead and this then white elephant of a stadium was just standing there empty, who would have incurred the demolition costs?

**Ms Street:** The site was owned by Sport England. The question then would have been, I imagine but I am hypothesising, whether that land could have been used for commercial value, and although people have used the figure of £30 million that is the lowest possible cost. We have not done a valuation of that site for commercial use which might well be a lot higher, so the asset would have been owned by Sport England who had bought it.

**Q231 Mr Williams:** One final question: we have constantly come across and it constantly comes back to us—I am not sure which of you would be responsible for this—major cost overruns resulting from changes of mind and design changes. Have you put a prohibition on all design changes?

**Ms Street:** There is a no change clause—and this is I think listed in how we are trying to manage the risks and I do acknowledge that there always are risks—in the construction contract, so that is the very best we can do.

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<sup>8</sup> Ev 26–27.

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**Q232 Mr Williams:** Let's take a very pessimistic view. If something went wrong and the project looked as if it was not going to finish, who would bear the financial responsibility for the on-going situation then?

**Ms Street:** If the project runs into serious trouble then the hierarchy is, as your colleagues on the Committee have said, that the senior bank ultimately takes responsibility because it is the biggest investor, the Football Association comes last in the chain and the public sector funders have a number of protections which the Report very kindly endorses which were very tough negotiations built in to protect our share.

**Mr Williams:** Thank you.

**Chairman:** Thank you. We have one or two supplementaries, if you do not mind.

**Q233 Mr Gibb:** You said that the £20 million was important for the viability of the project because it signals government seriousness about the issue, but what about the £120 million Lottery money? Was that essential for the viability of the project, or would it have been viable without that £120 million?

**Mr Draper:** At the time the £120 million was there to secure the site and the project. There were rival commercial bidders at the time.

**Q234 Mr Gibb:** But could the project have been viable without the £120 million, as a project?

**Mr Draper:** At the time the £120 million unlocked the rest of the private sector investment so without that initial £120 million it was unlikely this project would have happened.

**Q235 Mr Gibb:** Could you just tell me what the cost per seat is of this stadium, based on the total cost not some figure that you have plucked out of the air?

**Mr Draper:** I have not got those figures.

**Q236 Mr Gibb:** Well, let's do it together. £775 million divided by—how many seats are there in the stadium?

**Mr Draper:** 90,000.

**Mr Gibb:** 90,000. So the answer to that question is £8,410 per seat. Can I ask you two questions? How does that compare—

**Chairman:** I think you had better not ask two questions because we have a division. We will break and come back in about eight minutes' time.

*The Committee suspended from 6.29 pm to 6.37 pm for a division in the House.*

**Q237 Mr Gibb:** With that break, have you managed to come up with a figure per seat?

**Ms Street:** £8,410—

**Q238 Mr Gibb:** Why, when I asked this question before, did you tell me it was £4,500?

**Ms Street:** Because we were comparing like with like. When we quoted the costs of Japan or France, we were looking at the construction costs. Other countries do not include the financing costs—

**Q239 Mr Gibb:** Do they include the purchase of the land?

**Ms Street:** No. So, for example, the Stade de France is said to have cost £260 million but in the public report, when you include the purchase of the land and the financing, it is around £600 million. I would be very glad to send you a note of the comparative costs but I think it is right to compare apples with apples.

**Q240 Mr Gibb:** Do you have similar costs for the Millennium stadium? The cost of the land and the financing?

**Ms Street:** Not to hand but I can let you have that.<sup>9</sup>

**Q241 Mr Gibb:** It does seem odd to me not to include the cost of land and the management costs of the project when you are calculating costs per seat because £4,500 is not the cost per seat of the stadium; it is £8,410.

**Ms Street:** I was only trying to do it relative to other countries' stadia—

**Q242 Mr Gibb:** But the main overruns on this are not in the construction costs but in the development management costs and the finance costs—

**Ms Street:** Which is not public money.

**Q243 Mr Gibb:** Well, yes and no. Are you saying that the £120 million of Lottery money is not public money?

**Ms Street:** I am simply saying that any further overruns—of course the purchase of the land is—

**Q244 Mr Gibb:** No. This £120 million of Lottery money seems, as far as I am concerned, to be just a small part of the wasted costs that have gone into this project. The Lottery seems to be paying for the incompetence of the way this project has been handled. I am not really sure that is what people thought the bulk of it was going into, to pay for administrative errors and incompetence in the management of this large project. You are not the accounting officer responsible for that; it is Mr Draper. Do you not accept that £120 million has been wasted on the overruns, the incompetence, and the way this project has been managed?

**Mr Draper:** The £120 million was there to secure the site, secure the project, to make this stadium happen.

**Q245 Mr Gibb:** And will Wembley, finally, be used as part of an Olympic bid?

**Mr Draper:** Well, Wembley within the Lottery fund agreement that was signed has Olympic provisions built in at cost, and it is ear-marked in the Arup Report for the football events.

**Q246 Mr Rendel:** Could I confirm this: I thought you said earlier that the cost of the stadium was exactly the same as it would have been if there had never been any provision for that expenditure. The fact you were hoping to get athletics in there on an occasional basis did not make any difference. Why,

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then, did the Government decide that £20 million of the original cost should be demanded back, and given back to the Lottery fund, when athletics was taken out since at that stage the athletics had not cost anything anyway?

**Mr Draper:** I think at the time the £20 million repayment was considered to be available to contribute towards alternatives for athletics primarily as a capital construction towards the proposed Picketts Lock stadium—

**Q247 Mr Rendel:** But nothing had been spent on athletics. £20 million could not possibly have become available suddenly just because the athletics was taken out because nothing had been spent on athletics anyway?

**Mr Draper:** That was the £20 million that was brokered between Sir Nigel Mobbs on behalf of the DCMS and the Football Association.

**Q248 Mr Rendel:** You say “brokered” but I do not understand how you lot can concede that £20 million was available at all, because nothing had been spent on it.

**Ms Street:** The way that this was viewed was that the capacity for the stadium to hold athletics was being removed from the design. Athletics was therefore losing the capability—

**Q249 Mr Rendel:** The capacity was not because it made no difference. The construction of the stadium was the same whether there was going to be athletics put in there or not. That was a decision which we have been told comes later—when you decided to put an athletics event on then you build your athletics track and you put it in—but the capacity of the stadium itself is identical regardless of whether or not athletics is ever put into it?

**Ms Street:** But the then proposal was to have this concrete platform which would have had to have been constructed within the stadium. If athletics was not to have that track, then it was thought that they should have some compensation.

**Q250 Mr Rendel:** So are you saying that in the original proposal something had to be put in which did cost more to make the athletics possible but in the second proposal, the one we have now, the stadium that has been provided is identical and has no addition to it which is specifically in order to make athletics possible?

**Ms Street:** I do not think it was specifically about cost. There was a legal obligation in the original Lottery agreement—

**Q251 Mr Rendel:** I am talking about the design of the thing. Are you now saying that the original design in the first scheme had something put into it specifically for athletics, and if the athletics had always been out of the scheme that thing would never have been there and therefore there would have been a lower cost to the scheme whereas in the second scheme, I am pretty sure you are now telling

me, there is nothing which is being constructed at this stage which is necessary only in order to make athletics possible?

**Ms Street:** That is correct, and the original obligation arose from the terms of the grant which had specified that the stadium should be athletics capable.

**Q252 Mr Rendel:** So in that case, if the original stadium had something which was specifically and only for athletics and would not have been there had there not been a plan to put athletics in, how much did that extra thing cost?

**Ms Street:** My understanding is that that was not about the additional cost. The design has always been for the football stadium but what athletics had expected was a capability to hold their events, and that was part of the cost.

**Q253 Mr Rendel:** How much was that cost of providing that capability, beyond what it would have been had you built the same stadium with no capability for athletics?

**Ms Street:** I will have to send you a note about that. I do not think there was an additional cost. I think it was the expectation—

**Q254 Mr Rendel:** If there was no additional cost then why was £20 million demanded back, because nothing was being taken out of the cost?

**Ms Street:** Because the obligation had been entered into in the legal contract that there would be that capacity.

**Mr Rendel:** Well, it did not cost anything just to say, “Okay, we will build it; it is the same stadium. We will build it and we know that it could be possible to put an athletics track in there but we may never do it or we may do it. But it is not going to cost us any more; there is no cost to that.”

**Chairman:** I think we have probably come up against a brick wall on that.

**Mr Rendel:** A concrete wall, I think, Chairman.

**Chairman:** Mr Davies unfortunately had to leave us for a time, and he has some questions.

**Q255 Mr Davies:** I apologise for having to leave for an hour, but now I am back. Briefly, just so we have a focus, this meeting is obviously about the £120 million public sector money, should it have been paid, and was it managed effectively. What I am interested in knowing is what really is the downside possible liability? If five years down the line this venture is losing hundreds of millions of pounds will the public sector just come in and pay for it? At what position would we just say, “Right, we are not carrying on bailing out Wembley if it starts making a loss”?

**Ms Street:** The Secretary of State has made clear that she considers that the contribution that has now been made is the maximum appropriate contribution from the taxpayer.

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**Q256 Mr Davies:** So in a couple of years' time, if you ask for another £150 million or close a strategically important venue, the decision will be made to close, is that what you are saying?

**Ms Street:** I obviously cannot predict but I know what commitments have been made by the Secretary of State. All of the stakeholders now have an interest in this succeeding.

**Q257 Mr Davies:** I know that, but what is the action standard? Is it that if you lose a penny or whatever the Government will not put any more money in, because in Cardiff people have mentioned how cost effective the Millennium stadium was there, and it is, but obviously it is beginning to make a loss and once Wembley opens and some of those fixtures in Cardiff move to Wembley, the Welsh Assembly will be moving to bail it out. I do not know where their action standard is, I have no idea, but are you now saying the scenario in which the Government is saying "Fine, no further" is already upon us and that if there is any loss they will just ditch the stadium?

**Ms Street:** I do not think I can bind future governments. The Secretary of State said, "I am clear that is the proper limit of public investment in this project". We have no liabilities. Contractually we have a lot of protections and no additional liabilities.

**Q258 Mr Davies:** So that is the downside, but on the upside other colleagues have made the point about having a share of windfall gains and refinancing or a share of excess profiteering that would otherwise go to football in England, broadly speaking, which could be—I do not know, Posh and Beck's next house, anything. So in terms of the possibilities of losing out from not having a share in the windfall games, has any estimate been made of possible refinancing gains or the topside profit projections of this venture which would perhaps show that we should not have given any money to start with?

**Ms Street:** There have not been projections made of what might be the absolute ceiling, but I think I have to be clear that the Government has taken the decision that there are very serious protections from the Football Association profiteering from windfall gains, and those are laid down in appropriate protections in the Report.

**Q259 Mr Davies:** I see. So is there any opportunity for re-negotiating to get a proportion of windfall gains, should they occur, through refinancing or other methods, or not?

**Ms Street:** If and when WNSL look to re-finance the project we will always look to protect our interest, but I think the protections built in will carry over to future refinancing agreements.

**Q260 Mr Davies:** I think you did say that the protections are for anything but arm's length contracts, and that was quite concerning. What is the global liability which is unprotected against arm's length contracts?

**Ms Street:** I am not sure about the term "global liability"—

**Q261 Mr Davies:** The total unprotected liability, because you said, "Oh, we have all these protections", and you suddenly said "Oh, well, other than arm's length contracts", and I just want to check. You give the impression to the Committee that you have full protection but then say you have not, and I want to know how big our exposure is.

**Ms Street:** I think, as the National Audit Office Report concludes, our protections are appropriate for our stake. Our liability is the total liability for the public sector funders which is £161 million. That we have sought to protect by a number of mechanisms which have been deemed to be appropriate, and we do not intend to extend that liability at all.

**Q262 Mr Davies:** Mr Draper, I think you mentioned, perhaps I misheard, that we had a guarantee of events in this stadium over the next twenty years. I would have thought we would have a guarantee in perpetuity. Can you clarify? Have we put in all this money to watch the private sector be completely protected because we are the first person to lose money and the banks do not lose any money until we have lost all ours, and then down the line they will make extra money in twenty years' time and we will not even have a say? Where are you in this twenty year period?

**Mr Draper:** In terms of the staging agreement obviously the site is now a construction site, and when we re-negotiate on opening there will kick into place a new thirty year staging agreement from the opening date.

**Q263 Mr Davies:** But will the country, in return for this massive taxpayer investment, as it were in perpetuity or maybe on a renewable basis, have very clear rights to use this venue for all sorts of national events on a very high proportion of the days of the year? Is there a clear contract laid out for the future? To be more exact, can somebody down the line say, "The project is now ours, you paid your money, we can re-negotiate and give us another £100 million"? **Mr Draper:** Again, not only is the thirty year staging agreement in place but there are also restrictions with regard to anchor tenancy, with regard to naming rights and so on, and the golden share is now in the name of Sport England which allows Sport England to prevent the change in the business of WNSL as well, so there are a number of added protections that kick into place on opening of the stadium.

**Q264 Mr Davies:** So we will not have to pay anything down the line for having normal national soccer and rugby and all the rest of it?

**Mr Draper:** No.

**Q265 Mr Williams:** Going back to paragraph 3, we are told that Sport England decided to establish a national stadium competition. In the applications that you invited, was cost an element at all in the consideration?

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*Mr Draper:* Yes, I believe it was.

**Q266 Mr Williams:** Well, on a site which had demolition costs linked with it of £100 million out of what was initially considered to be a total cost of £320 million, so one third of the cost was going to be for demolition, how was it that there were not massively more advantageous options available elsewhere in the country?

*Mr Draper:* Again, I think the council at the time took all the various different needs of a new national stadium into consideration. Obviously cost was one but also importantly, and probably one of the reasons why Wembley was selected at the time ahead of Bradford, Sheffield, Manchester and Birmingham, there was the power of the Wembley brand moving forward and everyone, wherever you go worldwide, does recognise the Wembley brand, so I think there were a number of considerations in terms of transport, access, and viability moving forward.

**Q267 Mr Williams:** The Millennium stadium has established its brand in a very short time, has it not? What were the costs for the others then? You must have them available. Can you tell us what costs were submitted for the alternative projects?

*Mr Draper:* Mr Williams, I have not got them available but I can put those in writing to the Committee.<sup>10</sup>

**Mr Williams:** If you would, as soon as possible, please.

**Chairman:** Thank you very much, Ms Street and Mr Draper, for what has been a very interesting hearing on what is obviously a subject which we all, and the public, find interesting. I think we remain sceptical about why a public subsidy was needed at all given the large resources available to English football, and we also remain concerned about the exposure to the public sector at various times of this project while negotiations were taking place and the future, but no doubt we shall return to this subject in our report. Thank you very much for attending; we are very grateful.

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**Joint supplementary memorandum from Sport England and the Department for Culture, Media and Sport**

This memorandum has been prepared jointly by Sport England and the Department for Culture, Media and Sport in order to provide the Committee of Public Accounts with the further information on a range of issues requested during the evidence hearing of 16 June.

*Question 26 (Mr Steinberg): FA Finances*

Gerry Steinberg MP queried the “worth” of the Football Association. The turnover of the FA for the years available since 1997 is set out below.

<i>Year</i>	<i>Turnover (£ million)</i>
1997	53.5
1998	65.7
1999	85.9
2000	109.8
2001	117.6

*Questions 69–74 (Mr Bacon): Public Sector*

Of the funds spent directly by the Department and Sport England in the period May 2001 to September 2002, the bulk related to the reviews led by Patrick Carter into the Lee Valley stadium project and the English National Stadium project. These two reviews cost nearly £900,000. Patrick Carter was not paid but was of course reimbursed for his expenses. The team used expert advice on a variety of areas—principally legal, accountancy and other commercial advice.

In addition to its contribution to the costs of the reviews led by Patrick Carter, Sport England spent £220,000 on its own legal, financial and technical advice relevant to the review. This work included production of the Athletics Technical Feasibility Review published on 8 May 2002.

The Department’s own spending on professional advice beyond that relating to the English National Stadium Review team mentioned above, amounted to £360,000 on legal advice and about £125,000 on other commercial advice or consultancy work from Partnerships UK and the Office of Government Commerce.

*Question 75 (Mr Bacon): Project professional fees*

A number of Committee members were keen to understand exactly how much of the project's £757 million cost was due to professional fees. This is a Football Association project and it is for the FA and Wembley National Stadium Ltd to determine what professional advice to buy in and what to retain as an in-house service. In order to assure themselves on various aspects of the project, Patrick Carter and the English National Stadium Review team were privy to relevant detailed information but before embarking on their review gave undertakings to respect commercial confidentialities. The two reports published by the Review team in December 2001 and October 2002 contain all the information which was not deemed commercially sensitive.

In order to assist the Committee, the additional detail not contained in the National Audit Office report which we can give is that set out in the final report of the English National Stadium Review (in Appendix 2 on page 21). That sets out the following cost elements which include some elements of professional fees:

	<i>£ million</i>
Fees, Fixtures Fitting and Equipment, inflation for delayed start, contingency and other costs in the Multiplex construction contract	81
Bank arrangement fees/finance costs	22
Legal and other professional fees	11
WNSL management fee	19

*Question 117 (Mr Davidson):*

Ian Davidson MP queried the comparisons between the National Stadium and Yokohama where the 2002 FIFA World Cup Final was staged. The National Stadium will have 90,000 seats of which 71,200 will be public access seats. This compares with the total capacity of Yokohama of 70,000.

*Question 159 (Mr Gibb): Cost of delay*

Nick Gibb MP asked for the Department's estimation of the cost of the delays and the change of plans that have occurred in the project. Appendix 2 on page 21 of the final report of the English National Stadium Review Team (HC 1179) compares the project costs at December 2001 with that of September 2002 and explains the £42 million difference. A number of the increases—including significantly increased financing costs—are also referred to in the body of the report and Patrick Carter's covering letter and are clearly attributable to FA decisions or project delay. The Appendix has the following cost elements which include elements directly attributable to the delays in the project:

	<i>December 2001 (£ million)</i>	<i>September 2002 (£ million)</i>
Fees, Fixtures Fitting and Equipment, inflation for delayed start, contingency and other costs in the Multiplex construction contract	84	81
Construction interest	47	57
Bank arrangement fees/finance costs	8	22
Legal and other professional fees	9	11
WNSL management fee	16	19
WNSL costs	28	39

Sport England's costs have not been increased because of delay and the Department's additional £20 million is being spent on infrastructure contributions which have yet to be incurred.

*Question 185 (Mr Rendel): The changes in project between 2000 and 2002*

David Rendel MP queried what changed in the project to make it more appealing to the banks to invest and queried whether a 200% increase in income was the reason. As part of their work, Patrick Carter's review team undertook a detailed assessment of the project's business planning including income projections.

This information is naturally commercially sensitive and cannot therefore be published. However, it is already a matter of public record that the number of public seats were reduced by 3,800 to increase the number of premium seats; ie an increase of 25% in the number of premium seats available for sale. The English National Stadium Review Team's two reports set out a number of changes that occurred between the failed bank syndication in 2000 and financial close on 26 September 2002:

- the scope of the project was reduced and more accurately costed;
- increased FA funding (totalling £148 million) and £4.9 million annual revenue guarantees and an FA guarantee to repay West LB up to £106 million at the end of the 16.5 year facility;
- improved business plan with premium seating market tested;
- evidence of Government commitment in the form of £20 million grant; and
- increased assurance that WNSL and the FA would manage the project properly created by their meeting the four tests the Secretary of State laid out in December 2001.

*Question 191 (Mr Rendel): Additional costs of athletics*

Mr Rendel also queried the extent to which the project had additional costs arising from the requirement to stage athletics events. The principal costs associated with athletics relate to the conversion of the football stadium via the installation of a temporary athletics deck at the point it is decided to hold a major athletics event at the National Stadium. Sport England's technical report on athletics feasibility published on 8 May 2002 estimated the cost of constructing and dismantling the deck at £12.1 million. Mr Rendel asked whether any of the £757 million project costs were directly attributable to athletics rather than constructing a football/rugby league stadium. Wembley National Stadium Ltd have now advised that some additional strengthening to parts of the foundations and load bearing areas of the stadium was required costing no more than £250,000.

*Question 228 (Mr Williams): Local infrastructure*

Alan Williams MP asked for clarification on what public money was going into local infrastructure as part of the Wembley project. The Department for Culture, Media and Sport is contributing up to £20 million to reimburse Wembley National Stadium Ltd for specified elements of its contributions under its agreement with the London Borough of Brent pursuant to section 106 of the Town and Country Planning Act 1990 (as amended). These payments go towards a range of improvements in local infrastructure and are set out below.

The Department for Transport and the Mayor of London are also committed to providing an additional £7 million each to improvements at Wembley Park tube station. This additional funding was announced by the Secretary of State for Transport last year (*Official Report* 19 March 2002, col 238W).

The section 106 agreement earmarked funds for specific projects. Naturally a number of these will also receive funding from other public and private sources. The contributions set out below represent the proportion for which the London Borough of Brent believed the stadium development was liable out of the total costs of those infrastructure improvements which would carry significant wider public benefit in any event.

<i>DCMS supported Section 106 liabilities of WNSL</i>	<i>The amount specified in s106 agreement (£,000)</i>
Wembley Park tube Station	9,000
Wembley Stadium Station	100
Wembley Central Station	500
Estate Access Corridor (road)	} 3,000 for the two schemes
Stadium Access Corridor (road)	
Off site Controlled Parking	2,500
CCTV and signage	1,100
Public toilets	600
Public art	100
LB Harrow parking control schemes	100
<b>Total</b>	<b>17,000</b>

The Committee may find it helpful to have an explanation of the difference between the £17 million specified above and the Department's £20 million contribution. The sums set out in the section 106 agreement will differ from the sums actually paid by WNSL as the contributions are index linked from December 2000 until the date the payment is made by WNSL.

The due date for each payment is specified in the agreement as falling due when certain circumstances are met and/or the London Borough of Brent request payment. However DCMS's contributions are not available until 1 April 2004 (up to £10 million) and 1 April 2005 (the balance of the £20 million). The Department agreed therefore to reimburse any interest charges incurred by WNSL on the funds that it pays to Brent before these dates. DCMS's total contribution including these interest payments is capped at £20 million.

Finally, the Committee might be interested to know that construction of the new National Stadium remains ahead of programme and on track for completion in early 2006. The sale of premium seats is well ahead of business plan targets with seats and boxes worth more than £50 million having been reserved.

*Question 240 (Mr Gibb): Comparisons with other stadiums*

Nick Gibb MP asked for a detailed account of the costs of construction the Millennium Stadium in Cardiff. The details and comparison with the National Stadium are as follows:

<i>Millennium Stadium, Cardiff</i>	<i>£ million</i>
Stadium design/build	104
Property acquisition/demolition	23.5
Professional fees, finance and consultancy	10.6
Total	138.1
<i>Wembley National Stadium</i>	
Land acquisition:	106
Construction costs	445
Developer contribution to infrastructure costs	21
Finance costs	79
Development and management costs	86
Contingency provision	20
Total	757

*Question 267 (Mr Williams):*

Alan Williams MP asked about the cost comparisons between the original bidders for the National Stadium project. In 1995–6 bids for the location of the National Stadium were based on an indicative level of cost for each of the projects proposed which were pre-design and pre-feasibility stage. There were a number of key factors that determined the decision at the time. These included location, transport, planning and the views of the event owners. There was no requirement to build a thorough elemental cost base against a design as part of the bid criteria. The costs provided were more of budget estimates based on providing 80,000 seats, on site and off-site infrastructure and site purchase. It was recognised that costs would be revisited as the feasibility was completed later in the process.

*17 July 2003*