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Bruce Crawford MSP
Convener
Finance & Constitution Committee
Scottish Parliament
EDINBURGH
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16 February 2019

Dear Bruce

UCI WORLD CYCLING CHAMPIONSHIPS 2023 – CONTINGENT LIABILITY

I am writing with regard to the inaugural World Cycling Championships that are to be held in Scotland in 2023. This is a new event that will be held every 4 years and will bring together the existing world championships of 13 different cycling disciplines. At present these championships are held throughout the year but in 2023 for the first time they will be held over a 2 week period at a range of locations across Scotland. Following the success of last year's combined European Championships in Glasgow and Scotland, this is another example where Scotland's strong track record of event delivery and our willingness to embrace innovation is being recognised internationally.

The event will be organised and delivered by a partnership involving the Scottish Government, EventScotland, Glasgow City Council, UK Sport and British Cycling. With events taking place at a number of different locations, there will also be involvement of a number of host local authorities. The budget for the Championships has been calculated as being in the region of £50m and the Scottish Government has pledged a contribution of up to £30m over the 5 financial years 2019/20 to 2023/24. Additional contributions have been committed by Glasgow City Council, UK Sport and British Cycling and further contributions are expected from other local authorities as well as from commercial income and sponsorship.

The rights for these World Cycling Championships are held by the international governing body of the sport, the Union Cycliste Internationale (UCI), based in Switzerland. On behalf of the partnership and as principal funder and underwriter of the Championships, the Scottish Government signed a Heads of Terms with the UCI on 8 February. The initial commitments set out in the Heads of Terms will be superseded by a Long Form Agreement that both parties are committed to agree no later than 31 August 2019.

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The Heads of Terms that are now in place, and which will run until such time as a Long Form Agreement has been agreed, contain a contingent liability that I wish to draw to the attention of the Committee. The full exposure of the Scottish Government under this liability is capped at a maximum of 500,000 Swiss Francs (approx. £380,000 based on current exchange rates). This letter, therefore, provides notification to the Committee of a contingent liability between £300,000 and £2.5 million as set out in the Budget Process Session 5 Agreement between the Scottish Government and the Committee.

The liability relates to the consequences of termination of the Heads of Terms without a Long Form Agreement having been entered into as a result of a material breach of the Heads of Terms by the Organiser (the Scottish Government). In those circumstances the Scottish Government is required to reimburse the UCI for fair and reasonable costs and expenses that have been incurred by the UCI and which are supported by documentary evidence. The full obligation in this respect is set out in the Annex to this letter. Officials have been working closely with the UCI over the last 6 months to bring this event to Scotland and I am confident that the shared commitment that exists to make the event a success will greatly reduce the prospect of the agreement being terminated prematurely.

The preparation and agreement of a Long Form Agreement will take place over the coming months. If it is proposed to include any contingent liabilities in that Agreement, I will of course bring these to the Committee for either notification or approval under the terms of the Budget Process Session 5 Agreement referred to above.

I am of course happy to answer any questions that the Committee may have on this matter.

Kind regards

Fiona

FIONA HYSLOP

CONSEQUENCES OF TERMINATION

In case of termination of these Heads of Terms ... (without a Long Form Agreement being entered into), other than due to a material breach by the UCI, the Organiser shall reimburse the UCI for:

- The costs and expenses that have been incurred by the UCI in the period up to the effective date of termination of these Heads of Terms in concluding the Heads of Terms and negotiating the terms of the Long Form Agreement with the Organiser, including the work needed to prepare sporting and organisational planning necessary for the conclusion of the Heads of Terms and in view of the Long Form Agreement.
- The costs and expenses that have been incurred by the UCI for the discussions and preparations in view of concluding an organisation agreement with a different organiser and which would not have been incurred in case these Heads of Terms had not been terminated.

In this regard, the parties agree that:

(a) any amounts that are claimed by the UCI under this mechanism must be: (i) fair and reasonably demonstrable in relation to the work that has been undertaken by the UCI in connection with concluding the Heads of Terms and negotiating the Long Form Agreement as part of preparations for the hosting of the Championships in Scotland; and (ii) supported by statements of the costs and expenses (including time-sheets of hours/rate worked by the staff and consultants) incurred with reasonable relevant evidence. In this respect and in order for the Organiser to have a clear view on the status of costs and expenses incurred by the UCI in this context, the UCI will send updated statements of costs and expenses to the organiser, firstly by 31 March 2019 and secondly by 30 June 2019. Any expense line not contested in writing by the Organiser within 10 days shall be deemed approved.

(b) within 60 days of the effective date of termination of the Heads of Terms, the UCI shall provide the Organiser with a full and final statement of the costs and expenses (including relevant time-sheets of hours/rate worked by the staff and consultants) that it claims pursuant to this mechanism. If the UCI is, for justified reasons, not in a position to provide a full and final statement of costs and expenses, it shall communicate a definitive deadline for provision of such statement.

(c) If reasonably required by the Organiser, the UCI shall provide supporting evidence in respect of any amount(s) that are set out in the statement provided by the UCI under paragraph (b) above.

(d) Within 30 days of the date that the UCI issued its statement pursuant to paragraph (b) above, the UCI will be entitled to submit an invoice in respect of the amount set out in the statement (subject to any adjustments to that amount that may have been agreed between the parties upon justified request by the Organiser).

(e) The maximum aggregate amount that can be claimed by the UCI pursuant to this mechanism shall not exceed 500'000 CHF.

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