

# Foundation of Hearts Independent Chair Ian Murray talks to The Edinburgh Reporter



Earlier this week, Hearts formally went into administration, and the accountancy firm BDO were appointed to take control of the financial affairs at the club.

So far, a total of 14 non playing staff have been made redundant, and four players, two from the first team squad and two youngsters are expected to be released in the coming days.

In addition, administration means that Hearts start next season on minus 15 points and failure to pay staff on time means that they are now banned from registering new players, therefore potential summer signing from Liverpool, Danny Wilson will now move elsewhere.

On Thursday, BDO issued a statement urging the 3000 fans who have not renewed their season tickets to do so otherwise there is a real possibility that the club would be unable to continue and would face liquidation. Media reports suggest that 500 did so within the first 24 hours.

A number of groups are believed to be interested in buying the club, including the Foundation of Hearts who have already had talks with BDO.

The Edinburgh Reporter yesterday caught up with Edinburgh MP and Independent Chair of the Foundation of Hearts, Ian Murray, who took time out from his particularly busy schedule to answer questions about the on-going situation at the club.

## **What is the up to date position regarding the Foundation of Hearts?**

“We met the administrator on Thursday night. At the moment we have at least 6000 pledges. That number won't increase as we have taken the system down and we have now put a system up to convert the pledges to direct debits. We might have significantly more than 6000 as we haven't reconciled the two systems yet, so we have now converted 2500 of those 6000 to direct debits which is great. The amount people can pledge is between £10 and £500.

“We are now in a position because of that to make a formal declaration of interest to the administrators and we are in dialogue with the administrator to see what they are looking for in terms of timescales, in terms of the formulation of a bid, and in terms of the current stability of the club which is pretty dire and all of that will form part of the bid and we are taking that forward as quickly as we can and we will be meeting the administrators again on Monday, and we are in a constant dialogue with them.”

## **Does the FoH have funds available for a bid or will that have to be borrowed?**

“There are three aspects to that. There's capitalisation of the revenue which we are in advance stages of working on at the moment. There are potentially some investors who will come in on the back of it to help us fund the initial bid as there is no doubt that we are revenue rich and capital poor so there is no doubt that we need some capital. The third thing is that because we are revenue rich, we are saying to other potential bidders, 'Why don't you come with us?' and we are happy to work with you. Either way, it doesn't really matter, the main thing is to save the club, and put the ownership on a firm and stable footing.”

## **So you are hoping that someone will invest in the FoH and you**

## **will pay them back?**

Yes, that the way it would work. That's the model at the moment. If someone was to come along and give us a cheque that would be fine, but we are looking to capitalise the revenue and we are working on a whole host of ways at the moment to do that.

## **Media reports indicate a bid by the end of this month. Is that still the case?**

We were working towards that but I think timescales have been drawn back because of the administration. A CVA process takes legally between two and three months in any case so there is a difficulty there and whilst that timeframe is working through, the club still has to pay the bills and that's why the administrators have put out a plea to get people to buy season tickets and to invest in the club at this stage because the club needs to keep operating until the ink's dry on a contract for sale. We are now in the hands of the timetable of the administrators.

We will put a formal note of interest in shortly and whilst we wanted to get a bid in by the end of June, we are in the hands of their timetable now.

## **So will the administrator decide which bid to accept then draw up a CVA?**

There are two parts to that. Essentially the CVA process means that there's a meeting of the creditors so really we are only talking about UBIG and UKIO here because they own so much of the debt and every other creditor is pretty small in percentage terms. There then has to be a 14 – 28 day period to call a meeting for those creditors. There has to be a provisional agreement for the CVA and a 14-28 day process beyond that and the way that would work is the administrators at BDO would have to work hand in hand with the administrators in Lithuania to find a deal that works for them. So really,

it's a formal legal process of which the creditors are part of, and those main creditors are UKIO and UBIG which are being operated by administrators as well.

If there is a plethora of bids for Hearts, the administrator for Hearts will set a closing date and ask for various things to be provided. A statement of intent on how it's to be paid for, and they will have to make an assessment on which bid they think is the most viable. Now anybody can make a bid through their lawyers but there will have to be alongside that bid very clear proof of the funding available.

**So the administrators don't get in touch with UBIG and UKIO and ask how much is the minimum they would accept in the first case?**

No, in this particular process it's about how much someone is prepared to pay for it. The creditors also include the current employees, the people who have been made redundant, HMRC, UKIO Bankas, UBIG and any other trace, gas, electricity etc. Once the CVA is agreed, every creditor is treated equally and gets the same level of funding.

**Before Hearts went into administration, we heard about a potential winding up order from HMRC. Presumably that will not apply now?**

What happens in terms of administration is that there is a vertical line drawn in the sand so any debts previous to that vertical line are now frozen. The repayment of those debts is done via a CVA. There is also a horizontal line drawn in the sand in terms of ownership so that the old board of the football club have now been dismissed formally and BDO, the administrators are now the new board of the football club. So at this moment in time the club is being run by the administrators and every single penny that goes into the club is used for the day to day working capital and the previous debts are paused and repaid via the CVA.

**What happens to any new debts incurred, for example the wages over the next few months if they are now unpaid?**

“If Hearts can’t meet them the club will be liquidated and that’s why the administrators are asking for the fans who have not bought season tickets to do so. 3000 season tickets times £300 is £900,000 which keeps the club running for the three of four months it will take for this process to take place.



**Hearts fans I have spoken to insist that there is no planning permission allowed for Tynecastle, but I remember the CALA bid a number of years ago. Do you know the position regarding the stadium?**

The CALA bid was slightly different because it was a residential bid, but since then the club have put a planning application in to build a new stand. That application had run into difficulties because of health and safety executive problems with the vicinity of the ethanol distillery. When CALA put the bid in, that clarity about the site wasn’t made clear because they hadn’t put in a planning application. Now these things are not insurmountable but it means that if Hearts weren’t able to build a new stand because of the proximity of the distillery they are hardly likely to allow permanent flats to be built on the site which are likely to be in closer proximity. As we sit here today the ground is not zoned for residential use and there are problems with planning due to the proximity of the brewery and those would have to be taken into account.

The ground is only worth what someone is willing to pay for it, so what that does do is it increases the risk for anyone else who wanted to use it for a different use. So if you are a property speculator who thinks I wouldn’t mind getting hold of a little bit of real estate in the centre of Edinburgh you would have to weigh up the reputational damage, the

difficulties with planning, the fact that it's already zoned for sporting use, so if you take all those into account, you might think that your X millions of pounds is better spent elsewhere.

**What would you say to people who suggest that you, as an MP should not be spending your time on this issue?**

There are several aspects to that. It's in my spare time is the first thing. The second thing is that as an MP who has a business background in the shadow business ministerial team, this is an Edinburgh business with 150 staff which means an awful lot to an awful lot of people and provides a huge community asset in terms of Big Hearts, funds breakfast clubs, you know there is all those elements to it.. I think that if a member of parliament was asked to intervene to help then walked away they could be criticised even more. But on the second side of that, I'm doing all this in my spare time, and I have had a number of communications from my constituents saying 'you're wall to wall on the television and newspapers and you must be using up an awful lot of time' – well not really because you can be wall to wall on television in less than ten minutes and you can put a press release out which is in every single newspaper within five, so there has to be a realisation here that yes, it's been great or the media because we need to get the message of the Foundation out there, but actually it's not taking much time at all. The third thing to all that is that my parliamentary duties have not been hampered in any way. I still get my 700 emails every day from my constituents and they are all answered. It's also very short term and voluntary.

The other big message to get out there as it's been slightly confused is that I am not working for the club; I am working for a co-operative organisation looking to buy it.

I was brought in to unify the fans' groups with the original Foundation and to get the bid formulated. I'm a Hearts fan

through and through. My first game was I think in 1985. We beat St Mirren 3-2 at Tynecastle and I was lifted over the turnstile. I was a huge fan of John Colquhoun because I knew him as well. I helped run his rector campaign at Edinburgh University when he finally gave up playing so I got to know him quite well so for loyalty sake I would say he was my favourite player.

**When do you think you will finally know if the club will survive the summer?**

The administrators have set a two week deadline to raise funds to get them through the summer. I think they will meet it. I believe there have been queues to buy season tickets today and everybody's rallying round, so I suspect the administrator will get enough money to keep going and then it comes down to who has the wherewithal to buy the club.

**Will the FoH guarantee that season tickets will be honoured?**

There will be an absolute guarantee now. The reason that there was a bit of ambiguity is because that it wasn't really in our hands to a certain extent. The administrators had to make the decision about what they wanted to do. If the administrators had said they were not honouring them and started to get people to buy them again then we couldn't have said we would honour them because people would have probably two. So now that the administrator has said they will honour them, of course we will do so as well. Before some people criticised the Foundation for saying that they couldn't give a categorical assurance but we couldn't do so because it wasn't within our gift.

**Money from the new season tickets will presumably see the club through the next few months, but surely much more is needed to see them survive the season?**

You've hit the nail on the head. The revenue that would have seen the club through the season has been spent and that is

just all part of the continuing matrix of a bid that all forms part of how much you are willing to bid, so that has all got to be taken into account by.

The strong message to Hearts fans is absolutely you need to do what the administrator says to keep the club going but it still has to sell, so it's not keeping the club going now is an either or, they have both got to go hand in hand and this is a short term keeping the club going in administration but it still has to sell, so people have to convert the pledges and support the foundation that if they want to keep the club going and sell it to us in the not too distant future.

**The taxpayer is losing out because of the money owed to the HMRC, the police and the council. Would the FoH be able to pay this money back if they took over as a goodwill gesture?**

You legally can't, because once you have signed a CVA they would become a preferred creditor and it is illegal to do so. In instances of administration you can't do a CVA for example of paying 20p in the pound then paying somebody else 25p or you end up being a preferred creditor and it's against insolvency and administration rules to do that.

Now there are other rules and if you think about other situations, the SPL could put up conditions that say for example 'we will not sanction you further in terms of say player registration sanctions if you come to an arrangement with the HMRC to pay your tax debts, but all those issues are up to them to do so.

It is utterly appalling and disgusting that the club have not been able to meet their liabilities, but what we are saying quite clearly is that we will make sure that Hearts are financially stable in future so everybody gets their liabilities paid.

It's in nobody's interests for the club to go down because that means that HMRC not only don't get their money that they



weren't paid before, but they would never get another penny again. We want to run the club within its means and sustainable so that everybody gets every single penny that they are due.

### **Finally, do you have a message for the Hearts fans?**

We are in tough economic times and we appreciate that budgets are tight, but, as we have always said, we would encourage fans to support the club in the normal way by buying season tickets and doing all they can to fundraise. One of the key things actually is that if somebody is going to run a fundraiser to raise £1000 then they should buy three season tickets then if they could raffle the three season tickets and recycle the money by buying more, that's a really good way of supporting the club.

If somebody gets a season ticket for the cost of a raffle ticket then great. It might bring more fans to the games and if they are able to recycle these three season tickets into more then that's what they need to do and that's what our strong message is. This is just the first stage of a process; they still need to support the Foundation.