



House of Commons  
Culture, Media and Sport  
Committee

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# **Football Governance Follow-Up**

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**Fourth Report of Session 2012-13**

*Volume I*





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Culture, Media and Sport  
Committee

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**Football Governance  
follow-up**

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**Fourth Report of Session 2012-13**

***Volume I***

*Volume I: Report, together with formal minutes, oral and written evidence*

*Additional written evidence is contained in Volume II, available on the Committee website at [www.parliament.uk/cmscom](http://www.parliament.uk/cmscom)*

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## The Culture, Media and Sport Committee

The Culture, Media and Sport Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Culture, Media and Sport and its associated public bodies.

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### Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the internet at [www.parliament.uk/cmscom](http://www.parliament.uk/cmscom). A list of Reports of the Committee in the present Parliament is at the back of this volume.

The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some of the written evidence are available in a printed volume.

Additional written evidence is published on the internet only.

### Committee staff

The current staff of the Committee are Elizabeth Flood (Clerk), Grahame Danby (Second Clerk), Kevin Candy (Inquiry Manager), Victoria Butt (Senior Committee Assistant), Keely Bishop (Committee Assistant) and Jessica Bridges-Palmer (Media Officer).

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## Summary

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In December 2010 we launched an inquiry into domestic football governance after concerns were expressed by supporters and commentators about the sufficiency of checks and balances on financial management in football as well as wider failures of governance. In our Report, published in July 2011, we concluded that the Football Association—English football’s governing body—was in need of urgent reform. We were concerned that the leagues—and the Premier League in particular—had too great an influence over the decision-making processes of the Football Association. We were particularly concerned that increasing commercialisation of the game, coupled with a lack of financial regulation, was leading to significant financial risk-taking among football clubs.

The football authorities jointly responded to our report with proposals for reform which they described as “extremely radical” and “progressive”. However, these proposals failed to go far enough in addressing the crux of the governance problem, that the structure of the Football Association led to delegation of too much responsibility away from the Main Board and towards committees dominated by the Premier and Football Leagues, and they also failed to provide the greater financial stability that the game needs.

While progress has been achieved, further reform is needed, especially in relation to the licensing model, the failure to ensure that membership of the Main Board, Council and influential committees is fully representative and balances interests adequately, and the way in which supporter engagement will operate at club level. Most fundamentally, the financial proposals were hugely disappointing, with the only really positive development being the eventual introduction of Financial Fair Play rules despite the football authorities’ initial reluctance.

We recommend that the DCMS make it clear to the football authorities that further progress on these issues is expected within twelve months. In the absence of significant progress, the Government should introduce legislation as soon as practically possible.





# 1 Introduction

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1. In the 1990s the formation of the Premier League and the influx of money from broadcasting deals transformed the face of football in England. However, the new model of football brought with it new problems, summed up by the comment of the Sports Minister, Hugh Robertson MP: “football is the worst governed sport in this country, without a shadow of doubt.”<sup>1</sup> In December 2010, we launched an inquiry into domestic football governance after concerns were expressed by supporters and commentators about the sufficiency of checks and balances on financial management in football, as well as wider failures of governance.

2. Our inquiry had the following terms of reference:

- Should football clubs in the UK be treated differently from other commercial organisations?
- Are football governance rules in England and Wales, and the governing bodies which set and apply them, fit for purpose?
- Is there too much debt in the professional game?
- What are the pros and cons of the Supporter Trust share-holding model?
- Is Government intervention justified and, if so, what form should it take?
- Are there lessons to be learned from football governance models across the UK and abroad, and from governance models in other sports?

3. On 29 July 2011, we published our Report detailing the serious problems facing our national game and setting out potential solutions to some of those problems.<sup>2</sup> The main findings of our Report were that:

- The commercialisation of the game had encouraged significant financial risk-taking which had led to a high rate of clubs entering administration;
- The Football Association required urgent reform in order to carry out its function as the national governing body of English football; and that
- There had been a lack of strategic direction and leadership in the development of youth football and a review of spending on the grassroots game was needed.

4. We recommended that a formal licensing model for clubs be introduced, to be overseen and scrutinised by the Football Association, which would make the final decision on controversial licence applications. We also recommended that various changes be made to the governance structures of the Football Association making it more representative and able to act as an effective governing body and not simply as an association of interests.

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1 HC Deb, 8 September 2010, col 73WH

2 Culture, Media and Sport Committee, *Football Governance*, Seventh Report of Session 2010-12, July 2011, HC792 (hereafter ‘Football Governance’)

Other changes we called for were the abolition of the—morally unjustifiable—Football Creditors Rule and the introduction and consistent application of robust ownership rules as part of a new licence model.

5. All of these recommendations were designed to create a consistently well-regulated and financially fair and stable professional game able to provide support and direction to the grassroots game and the next generation of professional players.

6. The Government broadly welcomed our report, publishing its reply on 12 October 2011.<sup>3</sup> However, many of our recommendations were directed towards the football authorities rather than the Government itself. These authorities, namely the Football Association (the FA), Football League, Premier League and National Game Board, made their views known in a joint response to the Department for Culture, Media and Sport (DCMS) on 9 March 2012.<sup>4</sup> This response—and the subsequent detailed proposals put forward by the “Core Group”<sup>5</sup>—failed to engage with several of our key recommendations and disappointed, in particular, supporters’ groups. The Secretary of State asked for our further recommendation on whether we considered that the joint response had adequately addressed our concerns. Accordingly, we launched a further brief inquiry into the proposals put forward by the football authorities in the joint response and subsequently.

### Our follow-up inquiry

7. On 10 and 17 July 2012, we held two evidence sessions, with Richard Scudamore, Chief Executive of the Premier League, Greg Clarke, Chair, and Andy Williamson, Chief Operating Officer, of the Football League; Roger Burden, Chair of the National Game Board; and David Bernstein, Chair, and Alex Horne, General Secretary, of the Football Association. We also heard from Malcolm Clarke, Chair of the Football Supporters’ Federation and David Lampitt, Chief Executive, and Tom Hall, Head of England and Wales, of Supporters Direct. We were pleased to receive written submissions from 23 individuals and organisations. We are grateful to all those who provided us with written and oral evidence during our original and our follow up inquiries.

### The state of the game

8. Football is a hugely successful export for the United Kingdom and contributes significantly to society both culturally and economically. As Lord Burns stated after conducting a structural review of the FA in 2005, “in many ways the need for reform is a reflection of success, not failure”.<sup>6</sup> The potential for revenue generation from the

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3 *Football Governance: Response to the Culture, Media and Sport Committee Inquiry HC 792-1*, CM8207, October 2011 (‘Government response to *Football Governance*’)

4 The response was given in the form of a letter from the Chairman of the Football Association to the then Secretary of State for Culture, Media and Sport, Rt Hon Jeremy Hunt MP, dated 29 February 2012. We have published this letter with our Report: Appendix 1

5 The ‘Core Group’ was chaired by David Bernstein, Chair of the Football Association. The other members were Richard Scudamore, Chief Executive of the Premier League, Greg Clarke, Chairman of the Football League and Roger Burden, Chairman of the National Game Board.

6 FA Structural Review, Lord Burns, 12 August 2005: [http://www.thefa.com/TheFA/WhoWeAre/NewsAndFeatures/2005/~/\\_/media/Files/PDF/TheFA/BurnsReview/StructuralReviewConclusions](http://www.thefa.com/TheFA/WhoWeAre/NewsAndFeatures/2005/~/_/media/Files/PDF/TheFA/BurnsReview/StructuralReviewConclusions)

professional leagues, in particular, has created tensions between the sporting and cultural value of football clubs and their commercial value. The ability of the FA to regulate the whole of English football—and so effectively balance the needs of the professional and the grassroots game—has also been damaged by the power of the professional game, particularly the Premier League, to influence its decisions and structures.

### ***Recent developments***

9. Some recent developments have highlighted the need for further change. On 25 May 2012, the High Court dismissed the challenge brought by HM Revenue and Customs against the Football Creditors Rule (FCR). We stated in our 2011 Report that, were the Courts to reject the challenge, the Government should consider introducing legislation to abolish it.<sup>7</sup> We address this issue in more detail later, setting out the reasons why legislation is now required.

10. The severe financial problems faced by some clubs as the result of overspending, under-regulation and financial mismanagement were underlined by the liquidation of Rangers Football Club in June. Though the club was part of the Scottish Premier League and regulated by the Scottish Football Association—and therefore subject to different rules from English clubs—it is a powerful example of the excesses of professional clubs in competing with one another, and the consequences for their community when mismanagement leads to financial collapse.

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7 *Football Governance*, paragraph 107.

## 2 Reform of the governance structure

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### Our 2011 Report and the response to it

11. The Football Association (FA), the governing body of the game in England, is a representative body: in effect, as its Chairman explained, an “association of interests”.<sup>8</sup> While regulating the game, the FA is also a business, promoting the game and reflecting the diverse interests of those involved in football at professional and amateur level. It also represents English football internationally.

12. The Union of European Football Associations (UEFA) stated:

In every country the national association, as governing body, needs to set a framework to ensure coherence across the different levels of the sport and to avoid the unnecessary duplication and layers of regulation, bureaucracy, and red-tape which inevitably results from too many parties trying to control the sport<sup>9</sup>.

However, a number of our witnesses in 2011 argued that the FA was too weak—partly because of its own organisational shortcomings and partly because of the dominating influence of the professional clubs it regulates, and in particular the Premier League. This, they alleged, led to a lack of clarity over who was really in charge of football in England.

13. The FA’s own internal structure mirrors this confusion. It has, in company terms, a dual-board structure comprising the Main Board (the executive) and the Council, which is similar to the European model of a Supervisory Board representing key stakeholders. However, the Main Board itself does not have as much control over the FA’s resources as an executive body might be expected to have (for example, its discretion over disbursement of surplus revenues is limited: see paragraph 100 below); and its composition reflects the practical dominance of the two main branches of the game, the professional game (the top four leagues) and the national game (the amateur and semi-professional leagues): at the time of our first inquiry, of the twelve Board members, five were nominated by the professional game, five by the national game, and the remaining two were the independent Chairman and the Chief Executive of the FA. The professional game and the national game both also have boards. The Main Board is assisted in its work by these and a plethora of committees with responsibility for considering specific issues; but only the two game boards and, in some areas, the Football Regulatory Authority report direct to the Main Board. Some of our witnesses in 2011 questioned whether any of the Boards fully reflected the game as a whole, as they contained little representation of non-league football and no representatives of supporters, players, women’s football or ‘diversity’ interests.<sup>10</sup> The FA Council has 118 members, many of whom have served on the Council for 20 years or more and two-thirds of whom are over the age of 64.<sup>11</sup> It meets five times a year, for a couple of hours on each occasion, approves or rejects Board and Committee minutes without the

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8 Q 169

9 Quoted in *Football Governance*, Vol 2, Ev 270

10 *Football Governance*, paragraph 64

11 *Football Governance*, paragraph 57

benefit of background papers to explain the decisions adopted, and—it was suggested to us—lacks diversity.

14. We concluded that the FA was in need of urgent reform in order to carry out its responsibilities effectively and meet the future challenges of the game. We understood that the Chairman of the FA, David Bernstein, supported by the Premier League and Football League, had committed to reforming the Board. Our report recommended a number of changes to the structure and composition of the FA Board and Council:<sup>12</sup>

- The Board should be constructed so that vested interests were not predominant as the FA needed to be able to set the strategic direction for English football.
- Two further FA executive staff should be appointed to the Board to bring a wider perspective than that of the Leagues to the Board. One of these should be the Director of Football Development.
- The FA Board should reduce in size to ten members, consisting of the Chairman, General Secretary, two further executives, two non-executives, two professional game representatives (one each from the Premier and Football League) and two national game representatives.
- The FA Board should reconsider whether the 50:50 divide of surplus revenues should be scrapped in order to allow it to take strategic decisions regarding the distribution of FA funds. The FA Board should have greater flexibility to part-fund organisations such as Supporters Direct, the Football Foundation and other initiatives. The national game should receive at least 50% of surplus FA revenue.
- The FA Board should review the appropriateness of the current committee structure to support the governance of the FA and football in general. All committees should report to the Board not the Council.

In its response to us, the DCMS agreed with these findings and recommendations.<sup>13</sup>

15. The football authorities' joint response was followed by some slightly more detailed proposals from the four person Core Group, which were circulated for discussion while our follow-up inquiry was under way. Because these were not made generally available, we are publishing them with our report.<sup>14</sup>

16. Overall, the football authorities considered that they had achieved a great deal following our 2011 Report. Richard Scudamore of the Premier League described the proposals as “extremely radical” and “progressive”, involving a “complex organisational shift”; but he stressed that the current situation was “not set in stone” and that it was likely there would be more change later.<sup>15</sup> David Bernstein of the FA claimed that the joint response showed that football could reform itself through a “collective process”, though he

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12 *Football Governance*, paragraphs 52-56 and 62

13 Government response to *Football Governance*

14 Final Core Group Proposal, 27 June 2012 ('Final Core Group proposal'): Appendix 2

15 Qq 2 and 22

also suggested that the process had not been easy.<sup>16</sup> Mr Scudamore said that the Premier League had persuaded its constituents to give up some autonomy in order to develop the new governance structure.<sup>17</sup>

17. Other witnesses believed that the need to achieve a consensus among the four different bodies that produced the joint response had hindered any impetus towards more fundamental reform. Fulham Supporters' Trust argued that the joint response had inevitably included only those proposals which could be agreed by all the football authorities.<sup>18</sup> Some supporter trusts argued that vested interest within the professional game, largely the Premier League, were still able to exert too great an influence over the decision making of the FA, and that plans to introduce a club licensing framework and consult more with fans contained insufficient detail.<sup>19</sup> Malcolm Clarke, Chair of the Football Supporters' Federation (FSF), agreed that a "bigger push" was needed to bring about further change, elicit more detailed proposals from the football authorities and ensure that individual clubs agreed to the changes.<sup>20</sup>

**18. While recognising that some progress has been made by agreement among the football authorities, we were disappointed that there was less progress than we had hoped in key areas. We go on to consider the details of the authorities' proposals in the rest of this Report. We urge the authorities to be more radical and more urgent in addressing the problems faced by the game because of the weaknesses in its governance structure, at both FA and club level. We recommend that, unless there has been clear progress in all the areas we highlight below within 12 months, the Government introduce legislation as soon as practicable.**

### **The FA as regulator**

19. At the time of our last inquiry, the FA was organised into a number of committees with a variety of remits, powers and reporting structures. The key bodies were the two boards representing the interests of the professional and national games, the National Game Board (NGB) and Professional Game Board (PGB) respectively. We concluded:

There is an absence of FA staff input on the National Game Board and Professional Game Board. The FA Board appears effectively to have ceded influence in two key financial decision-formulating bodies to two separate 'bunkers', comprising separate vested interests. We urge the FA to consider whether the National Game Board and Professional Game Board, as currently configured, promote strategic decision-making.<sup>21</sup>

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16 Q 169

17 Q 21

18 Ev w17

19 Ev w1 [Cardiff Supporters' Trust], w3 [Leeds United Supporters' Trust], w4 [Football Club United of Manchester], w6 [Foxes Trust], w13 [Rams Trust], w16-w17 [Notts County Supporters' Trust], w19 and w22 [Fulham Supporters' Trust], w 24 ('STAR': Supporters' Trust at Reading] and w29 [Independent Manchester United Supporters' Association]

20 Q 100

21 *Football Governance*, paragraph 65

We found that, because the FA Main Board had effectively withdrawn from major areas of policy formulation and limited itself to approving (or rejecting) decisions referred to it, there was a risk that “important cross-cutting issues are either considered partially by one of the two Boards or not at all”: we gave as examples youth development, the FA Cup and international football.<sup>22</sup>

20. In response, the football authorities proposed a change to the way the Main Board exercised its responsibilities. The new Board would have “clear and published processes” and “focus on the strategic and core business decisions”, delegating “decisions to Committees or the executive”. It would oversee the implementation of the new governance structure. All committees would—directly or indirectly—report to the Board. The joint response stated: “This change will make the Board’s authority clear and enable the Board to delegate decision-making to the most appropriate body, avoiding much of the duplication that currently exists.”<sup>23</sup> Mr Bernstein told us that the joint proposals had brought clarity to the FA’s different roles of regulator, representative body and business.<sup>24</sup> Mr Scudamore argued that there would be “much better accountability” under the new structure.<sup>25</sup>

21. However, the detailed proposals in the joint response, if anything, underline the Main Board’s dependence on the NGB and PGB, and the game boards’ ‘exclusive’ responsibilities in relation to these key cross-cutting issues.

Newly constituted National and Professional Game Boards will lead the consultation and decision-making process within The FA on behalf of the national and professional games.

The NGB and PGB will have the specific duty to manage effectively the necessary consultation on matters with [...] the County FAs and Clubs they represent, [and] players, managers, coaches and supporters on all relevant issues, including [...] the formulation of The FA 4 year plan. The NGB and PGB will therefore establish standing and ad-hoc consultation groups in order to ensure that the necessary consultation takes place. It will be a specific role of The FA Board to ensure that appropriate consultation has taken place when receiving a recommendation from the NGB or PGB.

The NGB will represent the views of the National Game to The FA Board and will have sole authority to make recommendations to The FA Board for approval in key areas. These are the strategy, public policy, competition schedules, youth development, player registration matters, licence rules and content, as they apply to the National Game.

The PGB will have the same role on professional game issues and will have the sole authority to make recommendations to The FA Board for approval on:

Professional game strategy

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22 *Football Governance*, paragraph 64

23 Appendix 1

24 Q 169

25 Q 18

- Domestic and international fixture calendar
- FA Cup inventory and calendar
- England team call up protocol beyond FIFA statutes
- UEFA competition qualification
- Professional game youth development
- Professional game public policy
- Professional game player registration matters
- Professional game licence rules and content.<sup>26</sup>

Other areas would be dealt with solely by clubs, leagues and County FAs.

22. Moreover, far from rationalising and reducing the number of bodies involved in football governance, the joint response advocated the establishment of two more: a Regulatory Policy Group and the Football Association Regulatory Authority (FARA). The Regulatory Policy Group was intended to ensure: compliance with international football regulation and law; consistency across the national and professional game; appropriate levels of consultation; the costing and clarity of new policies; and that newly drafted rules achieved policy objectives. The Regulatory Policy Group would comprise equal numbers of National Game, Professional Game and non-representative appointments (in other words, would bear a very close resemblance to the composition of the FA Main Board which we considered unsatisfactory).

23. FARA, with its own management board, would “oversee implementation of on and off field regulatory policy”. It would have the ability to intervene if it decided that the leagues were failing to apply their own rules, for example with regard to club licensing. FARA would also set up its own system of specialist sub-committees and panels to deal with disputes and breaches of FA Rules and Regulations. Its management board would be appointed by the NGB and PGB, with only the Chair being ‘non-representative’. FARA would be responsible to the FA Main Board, the NGB and PGB.<sup>27</sup> Football supporters regarded FARA as representing an area of progress.<sup>28</sup>

24. Supporters’ groups agreed that a certain level of delegation of responsibility was necessary, but argued that it had “to come with accountability”.<sup>29</sup> An issue of particular concern to them was the division of responsibilities for various areas of the game. Malcolm Clarke of the Football Supporters’ Federation argued that the proposed clarification of roles would lead to the regulated becoming the regulator.<sup>30</sup> While the FA would, under the joint proposals, have oversight for things like the new ownership test and club licensing,

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26 Appendix 1

27 *Ibid.*

28 Qq 88 and 18

29 Q 87

30 Qq 85-86



implementation would be delegated through the PGB. David Lampitt of Supporters Direct was concerned that under this new structure many of the policy decisions in these areas in effect would be decided by the PGB rather than the FA.<sup>31</sup> The Football Supporters' Federation (FSF), for example, disagreed with the decision to exclude from the remit of the FA entirely matters such as club business and operating issues, including stadium and customer issues, club ticket prices and parachute payments.<sup>32</sup> Mr Clarke of the FSF argued that many of these areas affected the whole game and should therefore ultimately be the responsibility of the regulator.<sup>33</sup>

25. We also note that the Core Group proposals released in June specified that any issues not included in the existing categories would be at the joint discretion of the NGB and PGB and not the Football Association.<sup>34</sup> This could mean that, as football continues to evolve and potentially important regulatory issues emerge, the FA would effectively be excluded from the regulatory or decision-making process.

26. Under the proposals, the PGB and FA Board would each require internal consensus before some changes to FA rules and regulations were possible. This would include changes to youth development policy, including the academy process, and stadium safety and security (where deemed not relevant to the whole game). David Bernstein, Chair of the FA, said that some of the joint proposals would certainly “preserve the status quo” and change would happen in some areas only when there could be agreement between the FA Board and the national and professional game.<sup>35</sup> Malcolm Clarke told us that these restrictions on decision-making were “potentially a recipe for paralysis”.<sup>36</sup>

**27. We welcome the move to require all committees to report to the FA’s Main Board; however, there is still the potential for the Board to become marginalised.**

**28. As the governing body of football in England, the Football Association should take the lead in decision-making for the game. Although the joint proposals include more consultation of representative groups by the National Game Board (NGB) and Professional Game Board (PGB), both these Boards will still, effectively, be dominated by the Premier League which provides funding directly or indirectly to the national game and the other leagues. Since the FA Main Board will be acting on the recommendations of the National Game Board and Professional Game Board, it is inevitable that, under these proposals, the Premier League will retain its dominance over the Football Association. Arguably, by devolving decision-making downwards, the joint proposals in some respects reinforce that dominance. While it is inevitable that the paymaster will have far greater influence than the other bodies in a representative organisation like the FA, we are disappointed that the proposals have not sought to alter this balance of power.**

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31 Q 87

32 Appendix 2

33 Q 82

34 Appendix 2

35 Q 169

36 Q 82

29. The Core Group proposals of 27 June 2012 set out categories of decisions, some of which are for the FA Board and some of which are for delegation to the National Game Board and Professional Game Board. We are concerned that a number of key decision areas have been delegated from the FA to the NGB and PGB, with the regulator in effect ceding power to the regulated. It is also a matter of concern that the National and Professional Game Boards—largely composed of vested interests from the top of the football pyramid—will have the power to decide whether or not new areas requiring regulation would fall under the sole purview of the Football Association.

30. We are not convinced that the governance of football is made easier or more effective by the requirements for consensus and the active consent of the regulated bodies to individual changes of the rules.

31. In addition, we consider that clubs must incorporate changes, once agreed, into their rules to ensure that individual clubs follow the agreed procedures consistently and transparently.

32. Altogether, while the football authorities' joint proposals make some progress in tackling the confusing overlap of roles within football governance, they fail to address the fundamental issue that the FA should exercise responsibility for all issues of major significance to the game through its Main Board and Council.

### **The Board**

33. In their joint response, the football authorities said that they had considered the appropriateness of the constitution of the FA Board in terms of balance and numbers, “in the context of what is planned as the decision-making processes for the future”. They agreed with the Government that the Board should be smaller and its composition should change: the joint proposals contained a commitment to reduce the size of the Board to between eight and twelve by August 2013.<sup>37</sup> The Premier League told us that it was willing to reduce its representation on the Board, which would allow the overall size of the Board to reduce to ten if the Football League, National Game and Football Association did the same. It has currently appointed only two members out of the possible three as a gesture of good will. However, the Premier League reserved the right to appoint a third Board member if other parts of the joint proposals were not put in place.<sup>38</sup> Mr Scudamore argued that having three out of fourteen Board places was not disproportionate for the Premier League, given its “contribution to the game”.<sup>39</sup>

34. Since the Football League currently has two members on the FA Board it would have to agree to reduce its representation to one in order to achieve a board of ten. The Football League insisted that it was not possible for it to be effectively represented on the Board by just one person. Greg Clarke, Chair of the Football League, argued that complex issues were discussed at Board meetings and said that it was extremely useful for two members representing the same group with the same interests to exchange views, allowing them to

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37 Appendix 1

38 Qq 2-4

39 Q 3

come to quick decisions. He said that a lone representative would have to refer back to the organisation before a decision was made, which would cause delays.<sup>40</sup> He described the issue of the total size of the Board as a “red herring”,<sup>41</sup> while the Football Supporters Federation told us that representative balance on the Board was more important than its overall size.<sup>42</sup>

35. David Bernstein said that he had “tried very hard” to get to ten members of the Board. He was pleased to have reduced the Board down to twelve members “painlessly” through posts left vacant.<sup>43</sup> Despite the confidence expressed by Mr Scudamore that a further reduction would be achieved, Mr Bernstein told us that the FA had no plans to go below twelve Board members “at this stage”.<sup>44</sup>

**36. The failure of the Football Association to reduce the size of its Board to ten is disappointing and largely due to the unwillingness of the leagues to reduce their representation. The representative balance of the Football Association Board is an even more pressing issue than its size, however. In order to allow the Football Association to become a strategic body—able to assert itself over the Leagues where appropriate—we recommended a Board structure that put Football Association executives and non-executives in the majority (6:4) over the vested interests of the Professional Game and National Game. Though the Football Authorities’ response accepted that the Board should be smaller, it failed to implement changes to composition which would put vested interests in the minority. Under the joint proposals, therefore, the FA Board would remain an association of interests.**

**37. We are not convinced by the contention of the Football League that they require more than one representative in order to be able to operate effectively without delaying Board decisions. We recommend that the number of representatives from the leagues be limited to one each.**

### **The Council**

38. In our 2011 report we concluded that the FA Council was not fit for purpose as the ‘parliament of football’. We therefore recommended that the FA should review the composition of the FA Council to improve inclusivity, reduce average length of tenure (with the aim of a maximum of 10 years service) and absorb the shareholder role (given the fact that the membership of Council is almost identical to that of the shareholder body). The Leagues (Premier League and Football League) should consider tenure limits.<sup>45</sup>

39. The joint response rejected our key recommendations about reform of the Council. The response argued:

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40 Q 103

41 Q 104

42 Q 83

43 Q 172

44 Q 173

45 *Football Governance*, paragraphs 61-63

Council is, with the exception of the Vice Presidents, an elected body, with all members of Council elected to represent their organisations on Council, mostly on an annual basis. In the main, the County FAs, Leagues, Clubs and other organisations are represented by either their Chairman or their Chief Executive. This ensures that each representative is able to speak with some authority at Council and Committee meetings about the realities of the grassroots or professional game and the challenges they face.

We consider that the age limit of 75 for Council members, and 70 for Board and PGB/NGB members reflects current good Corporate Governance guidelines. [...] building relationships within FIFA and UEFA is a priority for English football, and we consider that a term limit for Council members would seriously undermine our ability to develop friendship and trust with our international colleagues. We must also allow all organisations to be able to democratically elect a member with the appropriate level of knowledge and experience to best represent them on Council.<sup>46</sup>

40. The joint proposals also rejected, by implication, our recommendation on the shareholder role being absorbed into the Council. While stating that any change to FA Regulations used to implement FA Rules require only Council—and not Shareholder—approval, the joint response went on to say that:

Changes to the Articles or Rules of The FA, however, do require support of 75% of Shareholders. Historically, they have first required approval by a majority of Council members. This is not only duplication but can also give rise to embarrassment should the Shareholders reject something that has been approved by Council. [...] To eliminate the duplication, it is proposed that changes to the Rules of The FA are decisions for the Shareholders only. In addition, Rules changes will only be proposed by the Board to Shareholders for decision, and changes to the Rules will in future require the support of 66% of Shareholders (a reduction from 75%).<sup>47</sup>

41. David Bernstein said that the joint proposals would make the Council more effective as it would be dealing with much less “non-productive detail”.<sup>48</sup> There would be fewer general meetings, the National Game Members Council would replace some FA Council meetings and the Council would limit itself to discussing serious matters.<sup>49</sup>

42. Football supporters’ groups highlighted the need for there to be accountability and effective scrutiny of the FA Board. Malcolm Clarke, a member of the Council himself, said that the Council had not been very effective in fulfilling this role in the past. The supporters’ groups said that this problem had not been addressed in the joint proposals, arguing that the Council had been “taken out of the equation” by requiring it to meet less frequently while no alternative scrutiny mechanism had been put in place.<sup>50</sup>

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46 Appendix 1

47 Appendix 1

48 Q 170

49 Q 171

50 Q 86

### Term and age limits

43. Roger Burden, Council member for Gloucestershire County FA and Chair of the National Game Board (NGB), argued against the introduction of term limits for the Council. Mr Burden was first elected to the Council (as a County Chairman) in 1995 and had been re-elected without contest since then.<sup>51</sup>

44. Mr Scudamore argued that term limits were not essential: shareholders in effect elected representatives annually anyway and there was “a lot of natural turnover” as a result.<sup>52</sup> He told us that he was a believer in age limits and described 70 (the age at which the Premier League and FA Boards currently require members to stand down) as a “good starting position”.<sup>53</sup> Mr Scudamore estimated that there were six to seven new members of the Council each term because members had reached the age of 75 or had been defeated in an election.<sup>54</sup> We note that this turnover is out of a total number of about 120 Councillors.

45. Mr Burden argued against the position of FA Chairman being term-limited.<sup>55</sup> In a recent development, Mr Bernstein has been granted an extension to his term by the Board, which would allow him to remain as FA Chair until 2014 when he would be 70 years old. In order to achieve this the Board had to change its own rules to enable any future Chair of the FA to complete the term of office during which he/she reached the age of 70.

46. Mr Bernstein and Mr Scudamore agreed that, in order to build effective international relationships, it was important to have long-term continuity among the FA’s representatives.<sup>56</sup> Alex Horne, Football Association General Secretary, said that there were “probably a dozen or so” people— about 10 to 15% of the Council—whom the FA classed as “ambassadors” in Europe.<sup>57</sup> These people tended to serve on UEFA committees or as ambassadors for three or four years. Mr Bernstein said: “The relationships are very important. Even if the percentages are not great, if it is 10% to 20%, they could be a very, very important 10% or 20%”.<sup>58</sup>

### Representation

47. UEFA also suggested to us in 2011 that the FA’s decision-making bodies should be made more representative of the sport’s range of stakeholders:

One possible area where the football governance model could learn from abroad, is as regards the make-up of decision-making bodies. Actors in professional football are many and varied—the national association, clubs, leagues, players, coaches, supporters, referees and so on. This is reflected in the structures of the decision-

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51 Q 117

52 Q 7

53 Q 6

54 Q 121

55 Q 122

56 Qq 7 and 175

57 Qq 176-177

58 Qq 175

making bodies in [other] footballing nations where the relevant board will often have representatives of players, coaches and referees, as well as the technical component in some cases—all of whom are football people.

The FA has recently appointed Heather Rabbatts as a non-Executive Director, its first woman on the Board. We welcome this.

48. The supporters' groups argued that focusing on the FA Board deflected attention away from the roles of the governing bodies.<sup>59</sup> Mr Clarke argued that while the Board was being made more representative, real power was being devolved to sub-committees which did not have the same representative balance.<sup>60</sup> Mr Scudamore contested this view, saying that the Professional Game Board illustrated what he saw as a wider commitment to representation. He said that groups—including women, supporters and minority ethnic groups—would be represented on technical working groups which would “feed up” to the Professional Game Board.<sup>61</sup>

49. Malcolm Clarke currently had a seat on the Council representing supporters' groups, though this, as Mr Scudamore acknowledged, was not considered to be sufficient by those groups. Mr Burden suggested that supporters' groups should be represented on the Professional Game Board. He argued that supporters belonged to professional clubs and therefore had little role on the National Game Board. He added that referees representatives as well as 'equality' representatives should be part of the NGB.<sup>62</sup>

**50. We consider that the Professional Game Board is still very unrepresentative of the diversity of interests within the game. We recommend that the Board should contain wider representation, especially of supporters.**

**51. The Football Authorities must produce more detailed proposals for the involvement and consultation of supporters and supporters' groups through its committees and working groups.**

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59 Q 83

60 Q 82

61 Qq 16-17

62 Q 134

## 3 Club ownership

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### Ownership models

52. The commercialisation of football during the 1980s and 90s brought in changes to the way many clubs were owned: formerly run by local business people, they were increasingly bought by entrepreneurs from across the UK or abroad. The numerous instances of bad ownership practices which have emerged since then and the success of supporter trusts, such as Arsenal Supporters Trust, at positively influencing their clubs all demonstrate the need for the football authorities to explore new ownership models that would protect the future of clubs, improving their financial security and involving their local community. Supporters' Trusts have become an increasingly significant and successful model for club ownership and can have a beneficial influence on, particularly, financial governance. Our 2011 report highlighted the main issues preventing wider supporter ownership of clubs, which included excessive bureaucracy, arising in part from the requirements of the Financial Services and Markets Act 2000. We recommended that the Government amend this Act to recognize the special nature of supporters trusts, and legislate to protect minority supporter stakes from compulsory purchase orders.<sup>63</sup>

53. The DCMS recognized the importance of supporter involvement in clubs, stating that “clubs are stronger because they have supporters at the heart of the club, not weaker”.<sup>64</sup> The Department told us that it was in consultation with other departments about the legal and practical issues surrounding a change to the Financial Services and Markets Act 2000 but said that there would have to be a “high threshold in order to justify Government action”.<sup>65</sup>

**54. The Government undertook to investigate the possibility of amending the Financial Services and Markets Act 2000 to protect minority supporter stakes in the case of a compulsory purchase order. The Government should state whether it intends to amend the Act and, if not, should set out its reasons.**

55. The football authorities were broadly neutral as to ownership models.<sup>66</sup> Mr Scudamore recognised that organised supporters' groups or trusts, “clearly have a huge role to play”.<sup>67</sup> Alex Horne said that the Football Association “would encourage all sorts of ownership models” and highlighted the Arsenal Fan-Share scheme, which he described as a “fantastic model”.<sup>68</sup> However, in their joint response to our report the football authorities said that they did not consider that “the current rules and regulations present an obstacle to co-operative ownership”.<sup>69</sup>

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63 *Football Governance*, paragraphs 218-220

64 Government Response to *Football Governance*, p10

65 Government Response to *Football Governance*, p9

66 Qq 13 and 190

67 Q 13

68 Q 190

69 Appendix 1

56. Though Mr Clarke of the Football Supporters' Federation had no problem, in principle, with supporter-ownership of clubs, he said that he worried about supporters owning their football clubs for financial reasons, adding that it was important not to "confuse football clubs with viable economic entities".<sup>70</sup> He said: "Fan ownership is problematic because you end up with a highly risky business with volatile funding requirements, with a democratic group of people who sometimes can agree on things but largely do not have deep pockets."<sup>71</sup> He argued that capital investors in clubs must be allowed to operate clubs as they saw fit, though he conceded that he did not know how to solve the problem of some owners not having the best interest of the club and local area at heart.<sup>72</sup>

57. The DCMS told us that it would consider creating an informal expert working group to report on other issues creating barriers to supporter ownership and recommend practical action to overcome them.<sup>73</sup> This suggestion was welcomed by supporters' groups and accepted by the football authorities. However, the working group has not been set up.

58. Some of our witnesses suggested that the failure so far to set up the working group indicated the lack of urgency on the part of both the football authorities and the Government on this issue. Fulham Supporters' Trust commented:

The mounting levels of debt, coupled with the poor corporate governance at every level of the game, mean that every day that passes without a firm commitment to remove many of the barriers to supporter investment and ownership at their clubs makes it more likely for supporters up and down the country to see their side go into administration.<sup>74</sup>

**59. The delay in implementing the Government's proposed expert working group—for which Supporters Direct has produced a draft agenda and which has been welcomed by the football authorities—runs counter to the Government's commitment to remove barriers to supporter ownership. The Department for Culture, Media and Sport should set up the working group before the start of the new season. The working group should develop practical approaches to the difficulties faced by supporter ownership schemes including problems raising money, obtaining shares and defending against compulsory purchase orders.**

## Transparency and the owners and directors test

60. In our 2011 Report we called on the football authorities to consistently apply a 'fit and proper' owner test across the professional game, with the FA having a "strong scrutiny and oversight role".<sup>75</sup> We recommended that this should be a major component of the new licensing model for clubs, and stated that complete transparency of ownership would be vital for effective implementation of 'fit and proper' owner tests. The DCMS agreed with

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70 Q 164

71 Qq 168 and 165

72 Qq 165 and 166

73 Government Response to Football Governance, para 37

74 Ev w 21, para 6.2

75 *Football Governance*, paragraph 192



our conclusions on club ownership, suggesting that a requirement for transparency of ownership should be included within the proposed new licensing system.<sup>76</sup>

61. The ‘fit and proper’ test—renamed the “owners and directors test” by the football authorities to clarify that it did not constitute a test of somebody’s competency to run a club—had been agreed between the Premier League and Football League two years previously. The test requires the consideration of both financial and ownership information about prospective owners. Mr Scudamore assured us that “a number” of prospective club owners had been turned down by the Premier League over the last three to four years, although he did not provide details.

62. Despite our calls for a consistently applied ownership test, there is still a marked difference between the approach and capabilities of the Premier League and the Football League in terms of carrying out investigations into a club’s ultimate owners. Mr Scudamore said that the Premier League spent “considerable sums of money now investigating the bona fide nature of football club owners”, looking at club owners’ ability to pay as well as examining legal issues related to their ability to own a club.<sup>77</sup> The Premier League told us that it worked closely with UK Government Departments to obtain and check information from prospective owners and had systems in place to find out the identities of the ultimate owners of clubs, including employing a specialist covert business intelligence agency to carry out checks. Mr Scudamore admitted that this fell short of a competency test but insisted that the tests were “stringent” and “absolute proof of funding” was required not just for the present but for the short and medium term as well.<sup>78</sup>

63. The Football League had a different approach to establishing the identities of its clubs’ owners. When asked about the ownership of Coventry Football Club, as one example, Greg Clarke said that the Football League knew who the owners were and possessed sworn statements from legal representatives of the club’s trust.<sup>79</sup> Although he agreed in principle that supporters should know who owned their club, he told us that some investors did not want it to be known that they were part-owners to protect themselves from the minority of fans who could try to pressure them into giving the club more money.<sup>80</sup> He said that there was not “a big queue of people wanting to give capital to Football League clubs”, implying that such people would be put off by the prospect of having to disclose their identity to fans. He argued instead that wider issues of payment of taxes and the use of offshore trusts by club owners were more important, and were for the Government to address.<sup>81</sup> Mr Clarke admitted that the Football League had no way of independently verifying the ownership of clubs and it was able to act only on “publicly available facts”.<sup>82</sup>

64. Mr Clarke said that it was useful to have consistency across football for ownership matters, which was why the new system was being brought in, adding that the regulator

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76 Government response to *Football Governance*, para 47

77 Q 29

78 Q 28

79 Qq 145 -149

80 Qq 145 and 151

81 Q 152

82 Q 159

must have the final say in disputes between the leagues about which rules should apply.<sup>83</sup> Alex Horne agreed that there should be a “common approach” to ownership tests—with a specified level of ownership which would trigger mandatory disclosure—because of the “free-flowing nature of football clubs up and down the pyramid”. In his view, for example, the owners of Coventry Football Club would have to be disclosed under the new system because of their investment in the club’s trust.<sup>84</sup>

65. Reading Football Club supporter Jonathan Keen told us about his concerns regarding the lack of transparency of ownership at his club. Having previously had access to information about the club’s owners, Mr Keen, along with other Reading supporters, was now unable to access this information. He told us that the new owners had been accepted by the Premier League, but:

Reading supporters have been given no visibility of any checks made or access to any financial information which the Premier League has obtained regarding their club, nor are aware of what checks have been made or of any assurances or guarantees given. Thus they are disenfranchised from the process of validating any promises made by the new owner(s), both at the short-term takeover and in the longer term future. Their only option is to take any promises made to them regarding their club and the practices and intentions of those who own it on trust only.<sup>85</sup>

**66. The resources dedicated to investigating fully the owners of clubs differ between the leagues, with the Premier League able to invest more in procedures and specialist assistance. At present the Premier League is confident that it knows the identity of the ultimate owners of its clubs, while the Football League is less certain who its clubs’ ultimate owners are, relying only on information provided by the clubs themselves which is checked against records in the public domain. Neither League is willing to provide the information it holds to fans.**

**67. The Football Association Regulatory Authority should set a common standard across all English clubs for a percentage of ownership of a club which would trigger mandatory disclosure. We remain unconvinced that the ultimate owners of football clubs—which are not ordinary businesses and operate for the enjoyment and benefit of their local communities and fans—require their anonymity to be preserved either from or by the football authorities. The current situation, which denies fans the right to know who owns their club, is highly unsatisfactory. We recommend that the Premier League and Football League should have the duty to provide evidence to the Football Association of the identities of the ultimate owners of their clubs and that the Football Association should make information about the ultimate owners of each club publicly available.**

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83 Q 144

84 Q 187

85 Ev w12,para 17

## The licensing model

68. We recommended that the FA should introduce a “rigorously and consistently” applied licensing model, with the ultimate goal of promoting sustainable business plans for clubs. We specified that the FA should have a strong scrutiny and oversight role and make the final decisions on controversial licence applications.<sup>86</sup> The DCMS stressed in its response that the licence should “cover all competitions and leagues”, but that it did not expect Premier League or Football League rules to be superseded. It argued that the FA should provide the framework for this licensing system, which should be scrutinised and overseen by a body with the appropriate skills and powers. The DCMS specifically noted the comments in our 2011 Report that the NGB and the PGB were not currently able to carry out this role.<sup>87</sup>

69. The proposed FA Club Licence set out in the joint proposals would be additional to the domestic competition licences which would be implemented by individual leagues. It would constitute an undertaking by clubs to comply with FA rules and regulations, legal and club-to-club obligations, and owner and director commitments.<sup>88</sup> The new body, the Football Association Regulatory Authority (FARA), would monitor and, as a matter of last resort, enforce, FA rules and regulations if it judged that a league was not following its own rules.

70. Despite the statement by the football authorities that “the operation of this new licensing framework and its performance in achieving objectives will be overseen by the FA Board”, in practice, most of the administration of the licensing system would be in the hands of the NGB and PGB. The FA Board would exercise its overarching licensing authority on the recommendation of the Regulatory Policy Group, but proposals for the approval of rules and regulations for the national and professional game would come from the NGB and PGB respectively. The football authorities said that, in developing the licence, they would “undertake to seek to achieve a consistent approach between different league and competition rules and regulations whenever appropriate, and this work will be carried out through the NGB and PGB”.<sup>89</sup>

71. When we asked Mr Scudamore how he thought the FARA would interpret the new ownership rules, he was clear that it should have the ability to ensure that the leagues applied their own rules and to enforce them if they were not applied. He added, however, that the details of how the FARA would undertake this role had not been set out by the FA.<sup>90</sup>

72. Supporters reacted to the proposals by saying that they lacked detail and did not go far enough. Supporters Direct described the proposals as “disappointing and weak in terms of structure and content”.<sup>91</sup> Cardiff City Supporters Trust said that “the proposals from the

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86 *Football Governance*, paragraphs 151 and 160

87 Government Response to *Football Governance*, paras 24-28

88 Appendix 1

89 Appendix 1 and Q 62

90 Q 64

91 Ev 45

FA on club licensing are very minimal and will not stem the chronic problems of unsustainable debt, loss of assets and failing football clubs”.<sup>92</sup>

73. The Football Supporters Federation (FSF) said that the plans for a club licensing scheme were flawed, pointing to the fact that “even The FA Board would not be able to act without the agreement of one of its subsidiary committees”, the NGB or PGB. It argued that obtaining the agreement of the boards effectively meant the agreement of the leagues. As each of the leagues is controlled by its clubs, this, supporters’ groups argued, would mean the regulated controlling the regulator. The FSF argued that this would put the licensing system outside both the “spirit and possibly the letter” of FIFA and UEFA statutes, which require leagues to be subordinate to any national regulator which is a member of FIFA.<sup>93</sup> Malcolm Clarke of the FSF said that the proposals would mean a:

very minimal basic FA licence at the bottom of the pyramid, supplemented by undefined "add-ons" which it would not even be in the power of The FA Board or Council to require. The FA Board would only be able to act on a recommendation of the PGB (for the Premier and Football Leagues) or the NGB (for the Alliance level).<sup>94</sup>

The FSF strongly believed that the FA should be at the top of the licensing process and “where appropriate delegate responsibility downwards”, rather than having to rely on the agreement of those it was meant to regulate.<sup>95</sup>

**74. We welcome the fact that the football authorities’ response accepted the need for a licensing model; however, the proposed system fails to provide the FA Board with the clear responsibility and powers to make it work effectively. The FA should produce a detailed proposal for a club licensing system including the composition of the FA Regulatory Authority (FARA). The FA Board should be responsible for decisions about the content and operation of the licensing system advised by, but not dependent on, agreement from the NGB and PGB.**

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92 Ev w1

93 Letter from Malcolm Clerk to Minister for Sport and the Olympics, Hugh Robertson MP, 2 April 2012, published with this report as Appendix 3

94 *Ibid.*

95 *Ibid.*

## 4 Financial Matters

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### Problems caused by levels of debt

75. The financial sustainability of clubs continues to be called into question as many continue to declare huge debts amid doubts that some, at least, may be able to service them. Over the past few months individual clubs as well as the leagues have become more open about the need for financial reform. Twelve out of the twenty clubs in the Premier League ended the 2010–11 season in debt, with Manchester City and Chelsea declaring debts of £197 million and £68 million respectively. In an interview for the BBC in May 2012, Richard Scudamore said that he was not concerned about current spending—specifically by Manchester United.<sup>96</sup> While many clubs may be able to service their debts, as we noted in our 2011 Report, since 1992 when the Premier League was introduced, over 50% of Football League clubs have gone into administration and some have been through the process more than once. In February 2012, Portsmouth Football Club entered administration for the second time in three seasons. Shortly afterwards, having accrued debts with HMRC that it was unable to settle, Rangers Football Club, which was regulated by the Scottish Football Association, entered administration and was later liquidated with its business and assets transferred to another corporate entity in July 2012.

76. The joint response stated that Football League clubs had made ‘significant progress’ towards creating a more sustainable economic model in recent months.<sup>97</sup> Mr Scudamore told us in July that Portsmouth had been a “wake-up call” for the Premier League, but argued that the ‘owners and directors’ test now in place and the requirement for current as well as future financial information to be disclosed would prevent the same situation from reoccurring. When we asked whether the situation at Rangers could be repeated in England, Mr Scudamore said that the Scottish system did not have the same “rigour of rules” as the FA and that the situation with Rangers could not happen now in the English game.<sup>98</sup> He later clarified this, saying that the Scottish system did not (at least at the time Rangers got into financial difficulties) have the same systems as were now operated by the Premier League. He added that HMRC had an important role to play in preventing clubs from encountering financial difficulties by not allowing clubs to build up debts with the taxpayer.<sup>99</sup>

77. Many of those who commented on the joint proposals from the football authorities were disappointed by their failure to address the fundamental issue that, in their view, there remains too much debt in the game and too many incentives for clubs to continue to take on more. RamsTrust observed that:

The word DEBT is never mentioned in the response—and this came at the end of the week where the biggest British club ever to enter administration (Glasgow Rangers)

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96 <http://www.bbc.co.uk/sport/0/football/18076714>

97 Appendix 1

98 Q 28

99 *Ibid.*

was being ripped apart by administrators, whilst Portsmouth and Port Vale were struggling to survive until the end of the season.<sup>100</sup>

Fulham Supporters' Trust suggested that the response indicated that the football authorities were unconcerned about the levels of debt in the game, saying that:

The failure to address the toxic issue of debt is indicative of a rather blasé attitude to one of the most significant 'ills' in the English game. If anything, the extensive 'financial doping' widespread in the Premier League is treated, irrationally, as a joyous consequence of increasing revenue gleaned from television broadcasting rights.<sup>101</sup>

78. One possible approach to creating a more sustainable economic future for the game lies in the principles that underpin the UEFA Financial Fair Play framework, namely that clubs should operate within sensible financial parameters that do not put their long-term participation in the competition at risk. In essence, the Financial Fair Play Regulations are designed to prevent clubs from spending more than they earn over a period of several years.

### **Financial Fair Play**

79. The Financial Fair Play (FFP) Regulations, introduced by UEFA, were agreed after lengthy consultation in May 2010 and are now being implemented as a part of the UEFA competition licence. They already apply to Premier League clubs which take part in UEFA competitions. In addition, Premier League clubs have to disclose future financial information as well as annual accounts, allowing the league to assess whether a team is able to pay its football debts.

80. In June 2011 the principle behind these regulations—namely that clubs should “operate within sensible financial parameters”—was given the support of clubs in the Football League,<sup>102</sup> but it was not until April 2012 that all the clubs in the league agreed that an FFP framework should be adopted across all teams by the beginning of the 2012/13 season. Under this framework individual divisions have been permitted to develop their own rules to prevent excessive spending. While Championship clubs chose a “break-even” model based on UEFA FFP regulations, leagues 1 and 2 selected to use the Salary Cost Management Protocol (SCMP) in order to limit spending on players. David Lampitt of Supporters Direct said that steps taken by the leagues, in particular the Football League, with regard to UEFA's financial fair play rules were very positive, arguing that intervention was always better than sanction in terms of financial management of clubs.<sup>103</sup>

81. Richard Scudamore told us that, at the Premier League annual general meeting on 31 May 2012, clubs had been seriously considering the possibility of implementing FFP across the league in the context of discussions on how the most recent share of broadcasting

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100 Ev w13

101 Ev w20, para 4.3

102 Appendix 1

103 Qq 89-90

revenue should be spent.<sup>104</sup> He explained that the clubs had agreed to form several working groups to discuss the issues involved in more detail. He expected Premier League clubs to be able to sustain themselves with the funding which would be available from the latest broadcast deal and for them to spend some money on infrastructure as well as reducing losses, thus increasing their sustainability.<sup>105</sup>

82. Following the meeting held in May, proposals for possible controls on club spending were presented to the Premier League in September.<sup>106</sup> Possible measures include a requirement for clubs to break even every year or face sanctions much like the Financial Fair Play rules. Dave Whelan, Chairman of Wigan Athletic, reportedly said that:

Some clubs are spending way more than they can afford and get into trouble—look at Portsmouth. The Premier League is so big and powerful and there is so much money around that the clubs try and chase it. Something has to be done, so we support these measures.<sup>107</sup>

83. While clubs competing in different divisions and leagues are subject to different FFP regulation, there is the potential for difficulties to arise when a team moves from one league to another. For example, a club relegated to the Championship from the Premier League would not, as the rules are currently envisaged by the Football League, be subject to the sanctions available under the Championship's FFP rules for the first season following relegation unless they were promoted at the end of that season. The imposition of penalties by the Football League for clubs which are promoted to the Premier League while in breach of their former division's FFP rules also requires the cooperation of the Premier League. It is not presently clear how this type of situation would be resolved and whether the FA would be in a position to step in and adjudicate.

**84. We are encouraged by recent significant progress by clubs towards adopting the Financial Fair Play framework introduced by UEFA. However, we remain concerned about the levels of debt within the game. We see little evidence that clubs will spend significant amounts of the funding available from the latest broadcasting rights settlement on increasing their sustainability rather than on players' salaries and transfers. We await with interest clubs' spending plans for the next season. We expect the Financial Fair Play rules to be enforced. If they are not enforced, then we consider that legislation will be required to impose some financial discipline on clubs.**

## The Football Creditors Rule

85. In our 2011 report we strongly urged that the Football Creditors Rule (FCR) be abolished as unfair and damaging.<sup>108</sup> The FCR requires that, in order to be readmitted into a league competition, an insolvent club's new owners must repay the money owed to all so-called 'football creditors' (essentially, other football clubs).

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104 Q 32

105 *Ibid.*

106 'Spending curbs on agenda', *Daily Telegraph*, September 6 2012, p6

107 'United to argue case for tighter controls on spending', *The Independent*, September 6 2012, p64

108 *Football Governance*, paragraph 107

86. On 25 May 2012, the challenge brought by HMRC against the Football League’s use of the FCR was dismissed in the High Court on the grounds that HMRC had failed to establish in this case that the use of the FCR infringed the principle that debtors should not withhold assets from the insolvency process and the FCR allowed all creditors in the same class to be treated equally. However, Mr Justice Richards commented that the Football League “should not regard the result of this case as an endorsement of its approach to football creditors”,<sup>109</sup> adding that in the last ten years, despite the cash from the sale of broadcasting rights, there had been 36 insolvencies among Football League clubs and:

The effects of the provisions enabling priority to be given to football creditors in these insolvencies have been striking. Two examples illustrate this. Crystal Palace FC went into administration on 26 January 2010, [...]. Total unsecured liabilities were approximately £27 million of which debts to football creditors amounted to about £1,925,000. A total of £2,415,552 was paid to unsecured creditors. The football creditors were paid in full and the other creditors received a dividend of less than 2p in the pound. Plymouth Argyle FC went into administration in March 2011. The football creditors were paid in full while the other unsecured creditors received a dividend of 0.77p in the pound.<sup>110</sup>

87. Supporters’ groups as well as our witnesses from the leagues and the FA all stated that there was “no moral defence” for the FCR. The Premier League defended the rule on the basis that it was difficult to abandon unilaterally and it represented the “least of a bad set of alternatives” for dealing with insolvency. Mr Scudamore argued that the FCR stopped a “cascade effect on other clubs”, and that the alternative would be further clubs going into liquidation. He said that—because of the central funding it possessed—the Premier League could redirect funds from clubs to pay off football creditors. This had happened when Portsmouth became insolvent and the Premier League had been able to pay debts owed to Watford to prevent it from suffering financial hardship.<sup>111</sup> Mr Scudamore acknowledged that both leagues were able to withhold central funding from clubs that went into administration in order to pay off their debts to other clubs, but noted that when the Football League withheld funds to Port Vale, this in itself was controversial.<sup>112</sup>

88. Mr Scudamore argued that—instead of changing the football insolvency rule—the Government should change the current “very liberal” insolvency laws in the UK. He said that people should pay their debts, but noted that in any administration process there was a hierarchy of creditors.<sup>113</sup>

89. The supporters’ groups called for the development of constructive alternative ways of dealing with insolvency on the ground that the FCR propped up an “irrational” business environment. The first step in replacing the FCR, they argued, would be a proper licensing system so that clubs could have confidence in each others’ financial health. David Lampitt

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109 HM Revenue and Customs v The Football League Ltd, High Court of Justice Chancery Division, Case no: HC11C00557. Neutral Citation Number: [2012] EWHC 1372 (Ch).

110 HM Revenue and Customs v The Football League Ltd, High Court of Justice Chancery Division, Case no: HC11C00557. Neutral Citation Number: [2012] EWHC 1372 (Ch), para 7-8.

111 Qq 47-51, 28

112 Qq 45 and 74

113 Qq 47-49



of Supporters Direct suggested that relegation clauses could play a role in a more immediate possible solution.<sup>114</sup> Greg Clarke of the Football League told us that he had a “moral quandary” with the FCR, explaining that, in his view, the interests of clubs—which were a community asset—had to be balanced with those of very small creditors. He acknowledged, however, that the football authorities needed to find something better.<sup>115</sup>

90. The FA did not comment on the FCR in its response to our recommendation because of the court case involving HMRC. However, at our evidence session in July, Alex Horne, General Secretary to the Football Association, acknowledged:

it is a moral quandary for all of us, but balancing the protection of the other members in that competition, protecting them arguably from themselves in terms of debts they have exposed themselves to and a club that finds itself in difficulty, is a fundamental rule that they all signed up to when they joined the league.<sup>116</sup>

He argued that there was no obvious alternative to the FCR and there needed to be consensus on any change: “the Regulatory Policy Group, the Professional Game Board and the leagues can consider this and come to a view. If they do not come to a view, status quo prevails”.<sup>117</sup>

91. The insolvency trading body R3, which represents insolvency practitioners with experience of football insolvencies as well as those in other industries, argued strongly for the abolition of the FCR. It commented that the joint response of the football authorities failed to deal adequately with the problems surrounding the treatment of ‘football creditors’ who are paid in full at the expense of all other unsecured creditors.<sup>118</sup>

92. The FCR is of limited effectiveness when it comes to protecting clubs from each others’ insolvencies—the only argument brought forward by the football authorities for its retention. R3 pointed to the fact that the FCR only protects clubs when they are owed money by other clubs based in the United Kingdom as there is no reciprocal agreement with those based overseas.<sup>119</sup> It arguably also has the potential to delay a club’s financial recovery after an insolvency has taken place because it causes cashflow such as that from the sale of broadcasting rights to go to football creditors through the Football League rather than towards stabilising the club’s finances. The FCR also reduces the value of the club under administration because of the significant financial obligations it places on any potential buyer before they would be able to obtain the club’s share of league membership funding.<sup>120</sup>

**93. A significant source of debt for football clubs is the money paid to other clubs in player transfer fees. Teams are currently able to spend huge amounts on buying players because other clubs are willing to allow them to enter into long-term payment**

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114 Q 91

115 Q 153

116 Q 184

117 Q 184

118 Ev w27, paras 4-8

119 Ev w27, para 3

120 Ev w27, para 11

agreements. Clubs are arguably willing to do this because they do not see it as a financial risk because the Football Creditors Rule (FCR) gives them preferred creditor status. The short-term effect of removing the FCR may well be to cause some clubs to suffer financially from the insolvencies of clubs which owe them money. However, in the longer term, clubs would be encouraged to require each other to demonstrate that they could afford the full cost of player transfers, which in turn has the potential to lead to more modest transfer fees being demanded.

94. The Football Creditors Rule protects the interests of often highly-paid footballers and other clubs at the expense of HMRC and the many small local businesses which supply clubs with services and equipment and which make up the majority of unsecured creditors. Despite the admission by the football authorities that there is no moral defence for the rule, they have failed to develop an alternative. The football authorities must explore other ways of reducing the chances of insolvency such as the greater use of clauses in players' contracts allowing clubs to pay them reduced salaries in the event of the team being relegated. We recommend that the Government legislate to ban the use of the Football Creditors Rule at the earliest opportunity.

### **Parachute payments**

95. So called parachute payments were introduced to compensate Premier League teams following relegation to the Football League to allow them to adjust to the reduced revenue available. Our previous Report addressed concerns that these payments—which were significantly increased from 2010–11—could destabilise clubs in the Champions League: in other words, that existing Champions League Clubs might feel compelled to overstretch themselves financially to compete with their newly relegated rivals. In 2011 we urged the Football Association to broker discussions between the leagues to achieve an appropriate balance between the general 'solidarity' payments made from the Premier League to support Champions League clubs and the specific parachute payments made to relegated clubs.<sup>121</sup>

96. In July 2012, Mr Scudamore denied that parachute payments caused clubs to overstretch themselves, adding that they were prevented from doing so by the regulations currently in place. He also pointed to the fact that parachute payments were now made—on a reduced basis—over four years, thus spreading their impact. He argued that the payments were needed to encourage improvement and investment in infrastructure.<sup>122</sup>

97. A concern about parachute payments was that they would lead to teams being relegated and then almost immediately promoted because of the financial advantage they had been given over the other teams in the lower league. Mr Scudamore said that very few teams "bob back up" having gone down into the Football League. This year, he said, he was encouraged by the fact that the three clubs which had come back up into the Premier League had, thus far, remained there. He also argued that the Championship was in itself a

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<sup>121</sup> *Football Governance*, paragraph 127

<sup>122</sup> Q 42

very competitive league in which twelve teams at any one time were in receipt of parachute payments.<sup>123</sup>

**98. Parachute payments play a part in the financial organisation of the leagues. However, their impact on—especially lower league—clubs needs to be examined by the FA Board in order to determine the appropriate level at which payments should be made to ensure that they cause the least disruption possible and do not incentivise financial risk-taking.**

## The grass roots

99. The development of a strong national team as well as the promotion of football as a national sport relies ultimately on the health of the grassroots game. We recommended in 2011 that the FA review spending at grassroots level. We also noted that the separation of the professional and national game throughout football’s governance structures breaks the virtuous circle which should exist linking a thriving professional game feeding back resources to the grassroots players who, in turn, expand the talent pool available to the country’s top clubs.<sup>124</sup>

## Division of revenues

100. In our 2011 Report we recommended that the surplus revenue generated by the Football Association should be distributed at the discretion of the FA with the expectation that a minimum of 50% would go towards funding the national game.<sup>125</sup> Currently there is a fixed 50:50 division of surplus revenue between the National Game Board and the Professional Game Board. The rationale behind our recommendation was two-fold: that the professional game had significant alternative sources of funding and that giving the FA the flexibility to channel funding where it was needed would allow it to part-fund organisations such as Supporters Direct.

101. The joint response of the football authorities to our report praised the approximately 400,000 volunteers who work at the grass roots of football, but failed to address the issue of funding or the way governance of the professional and national game has been separated.<sup>126</sup> Supporters’ groups regretted the separation of the development of the professional and the grassroots game in the joint response, arguing in particular that this would have a negative impact on youth development.<sup>127</sup>

102. Mr Scudamore told us that the leagues had developed a new elite player performance plan representing a “monumental” investment on the part of clubs and a “complete step change in process and funding”.<sup>128</sup> He said that it would improve the youth game by focusing on the quality of coaching and education, linked to the development at St

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123 Q 43

124 *Football Governance*, paragraph 253

125 *Football Governance*, paragraph 56

126 Appendix 1

127 Appendix 3

128 Q 58

George's Park designed to create a university of coaching. The programme would be used to encourage grassroots football and would be—in the first instance—operated at the base of the football pyramid, focusing later on elite player development.<sup>129</sup>

**103. The joint response does not address the Committee's recommendation to abolish the 50:50 divide of FA surplus revenues between the National Game Board and Professional Game Board. We remain of the view that the FA should be allowed to give a larger share of the surplus revenue to the national game if it wishes, as this has fewer sources of revenue.**

## 5 Supporters

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104. In our 2011 Report we recognised the fundamental importance of supporter engagement for football clubs and the beneficial effect of their involvement on the governance and financial wellbeing of many teams.<sup>130</sup> The supporters' groups told us that the most important factor in any proposals for reform from the point of view of fans was a guarantee that their clubs would be there in the future and be run competently by people with the best interests of the club at heart. They also called for meaningful supporter involvement and ownership at club level.<sup>131</sup> Clubs were part of the cultural heritage of their area and they suggested supporters were an important asset to clubs because of the local oversight they could offer.<sup>132</sup>

### A radical change?

105. The reaction of the supporters' groups—the Football Supporters Federation and Supporters Direct—and individual supporters to the football authorities' proposals has been largely negative. Some aspects of the proposals were described as moving in the right direction but others have been the source of considerable frustration. The fundamental concern was that the proposals simply did not go far enough to address the significant problems faced by English football. In particular, they regretted the lack of fundamental change to the composition of the FA Board, the failure to diminish the power of vested interests at the top of the football pyramid, the lack of detail on proposals for supporter engagement and the failure to take seriously the issues of debt and poor financial governance at club level.<sup>133</sup> The FSF and Supporters Direct argued that there should be a package of measures to reform football governance, but they placed particular emphasis on forward looking financial rules, a robust ownership test and a progressive relationship between supporters and clubs.<sup>134</sup>

### Representation and involvement

106. Following our recommendations the DCMS called for “dedicated mandatory supporter liaison” officers in every club, as well as a requirement officially to recognize relevant supporters groups and hold annual general meetings with them where appropriate financial and other information could be shared and discussed.<sup>135</sup> The DCMS joined us in urging the football authorities to find ways of allowing supporter involvement in the decision-making bodies and processes in clubs.

107. Supporters' groups gave a cautious welcome to the general principles set out in the joint proposals regarding supporter engagement. They were concerned, however, that

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130 *Football Governance*, Chapter 6

131 Q 79

132 Q 81

133 Ev 42-51

134 Q 81

135 Government Response to *Football Governance*, p10

there was insufficient detail for them to be able to make an informed judgment on whether the proposals would operate as intended. Fulham Supporters' Trust argued for the introduction of rules to "enshrine relationships between clubs and supporters into the new licensing framework, offering supporters' trusts regular and respectful engagement with their football clubs".<sup>136</sup> In order for supporters' trusts to take a meaningful part in decisions about their clubs' future they need information about the club. Arsenal Supporters' Trust emphasised the need for supporters' trusts to have access to financial reporting and club directors without the requirement to own shares.<sup>137</sup>

108. The joint proposals do not impose on clubs specific requirements for supporter engagement beyond the appointment by each club of a dedicated Supporter Liaison Officer.<sup>138</sup> Mr Horne of the FA told us that the joint response had encouraged "all clubs to adopt supporter liaison officers to encourage club forums" and it was now up to the clubs to ensure these were effective.<sup>139</sup> Greg Clarke said that all Football League clubs now had a Supporter Liaison Officer, but accepted that their effectiveness was dependent upon the individual mindset within each club.<sup>140</sup>

109. Mr Scudamore said that the Premier League "absolutely believe in proper consultation" but suggested that there was a "silent majority" of fans and that the Premier League had to take its information from wider groups than just the supporter organisations.<sup>141</sup> Malcolm Clarke of the FSF rejected the implication that the majority of fans had different views from the supporters' groups.<sup>142</sup>

110. Individual clubs retain authority—independent of regulation by the FA—over many matters of most importance to their fans, for example, ticket-pricing. Since there is no central regulation to ensure that clubs operate in the best interests of their fans, supporters should themselves have a greater say in the way their clubs are run. One fan who gave evidence to us described the football authorities as merely having "given empty platitudes".<sup>143</sup>

**111. While we recognise that genuine efforts have been made and some progress has been achieved in relation to supporter representation and ownership, we are disappointed with the lack of direction and urgency from the football authorities as well as the Government. Not enough has been done to ensure a consistent and positive approach by clubs to active supporter involvement and meaningful consultation. Although the requirement for all clubs to appoint a Supporter Liaison Officer is clearly a step in the right direction, the football authorities should set out in more detail how both formal and informal consultation of fans and supporters' groups must be conducted and how this would be funded. The degree of supporter engagement should**

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136 Ev w21, para 6.4

137 Ev w33

138 Appendix 1

139 Q 189

140 Q187

141 Q 13

142 Q 96

143 Blake Welton, Editor, First E11even: Ev w35, para 27

not be left to individual clubs, as it is now. The Football Association should require that, as part of a new licensing model, clubs have the responsibility to engage constructively with supporters, and the FA should draw up a set of best practices for clubs to ensure proper consultation and involvement of supporters. The new licence should also include a requirement for clubs to provide supporters' trusts with the club's financial reports.

### Funding for supporters' groups

112. It was clear from the evidence we received during our previous inquiry that the Premier League was a somewhat reluctant sponsor of Supporters Direct and the FSF. This continues to be the case. Richard Scudamore explained that the league was asking its “20 owners to fund an organisation whose avowed intent in some cases is to remove the owners of the clubs that funded them in the first place”.<sup>144</sup> All of our witnesses agreed that there should be a better way of funding supporters' groups.<sup>145</sup>

113. Mr Scudamore told us that the Premier League gave about £1.5 million over the period of two to three years to Supporters Direct through the Fans' Fund. This fund receives contributions from the leagues as well as the Professional Footballers Association (PFA). He said that the Premier League was currently giving money to Supporters Direct to improve its ability to raise funds from other sources and come up with other funding mechanisms.<sup>146</sup>

114. Alex Horne said that the FA continued to “support FSF and we have budgeted to continue to do so”.<sup>147</sup> He argued, however, that Supporters Direct and the FSF should aim to be “more self-sufficient”. He said that Level Playing Field was an example of a “fan-interest body” which had succeeded in attracting investment from various sources. He also said that the FA would be “open to conversations about office space” with the supporters' groups, adding that office space at Wembley and probably also St George's Park was available to them.<sup>148</sup>

115. The FSF told us that Supporters Direct had attracted nearly £7 in investment and donations for every £1 of central grant since its inception in 2000; and in the last nine months had delivered support to over 75 member trusts.<sup>149</sup>

116. The supporters' groups welcomed the continued backing of the FA but pointed to the reduction in funding they were now receiving from the leagues and the PFA; and they noted that, because no funding was pledged beyond July 2013, their future was insecure.<sup>150</sup> The FSF warned that it would have to begin making some of its staff redundant if it were not able to raise more funds within the next few months.<sup>151</sup> Supporters Direct welcomed

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144 Q 13

145 Q 120 and, for example, Ev w1, Ev w3, Ev w4 and Ev w5

146 Q 13

147 Q 190

148 Q 190

149 Ev 50, para 4.7

150 *Ibid.*

151 Ev 44, para 17

our call for the football authorities to look seriously at securing a long term funding solution for the supporters' groups which should be realistic about the potential for such groups to raise money independently, adding: "It is hugely disappointing, therefore, that the response from the football authorities shows no recognition for the need for long term funding or realistic assumptions about their fundraising potential."<sup>152</sup> They argued that instead of the current situation where they received funding on a project basis—which precluded funding for research and policy support—they should be granted a tiny percentage of the TV rights income for English football. Supporters Direct estimated that a "little over 0.1% of the recently announced increase in Premier League domestic broadcast rights" would be sufficient to allow it to continue giving support to its member trusts.<sup>153</sup>

**117. The football authorities' response failed to identify a long-term funding strategy for Supporters Direct. The FA and the Premier League should agree and implement an effective long term funding solution for Supporters Direct by the end of March 2013, following the solidarity discussions due to take place in January.**

### Independent Football Ombudsman

118. The Independent Football Ombudsman (IFO) was introduced—replacing the Independent Football Commission—to adjudicate on complaints made against the leagues or their member clubs. The Football Supporters Federation (FSF) argued that this body 'lacks teeth' to deal with the complaints of fans. The IFO does not currently have the power to enforce its own adjudications on the leagues. The Football League is equally unable to enforce its decisions on its own clubs.

119. Under the new proposals clubs would be required only to publish their response to complaints. The FSF raised the concern that the football authorities seemed still to be unwilling to enforce their own rules, acting only as 'post offices' between complainants and clubs.<sup>154</sup>

**120. The existing powers of the Independent Football Ombudsman to address complaints against leagues and clubs are unsatisfactory, particularly in light of the Football League's own inability to enforce judgments on its clubs. We recommend that the Independent Football Ombudsman should be given the power to enforce its adjudications after upholding complaints against the leagues and their clubs.**

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152 Ev 45

153 Ev 51, para 4.7

154 Appendix 3



## Conclusions and recommendations

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1. While recognising that some progress has been made by agreement among the football authorities, we were disappointed that there was less progress than we had hoped in key areas. We go on to consider the details of the authorities' proposals in the rest of this Report. We urge the authorities to be more radical and more urgent in addressing the problems faced by the game because of the weaknesses in its governance structure, at both FA and club level. We recommend that, unless there has been clear progress in all the areas we highlight below within 12 months, the Government introduce legislation as soon as practicable. (Paragraph 18)
2. We welcome the move to require all committees to report to the FA's Main Board; however, there is still the potential for the Board to become marginalised. (Paragraph 27)
3. As the governing body of football in England, the Football Association should take the lead in decision-making for the game. Although the joint proposals include more consultation of representative groups by the National Game Board (NGB) and Professional Game Board (PGB), both these Boards will still, effectively, be dominated by the Premier League which provides funding directly or indirectly to the national game and the other leagues. Since the FA Main Board will be acting on the recommendations of the National Game Board and Professional Game Board, it is inevitable that, under these proposals, the Premier League will retain its dominance over the Football Association. Arguably, by devolving decision-making downwards, the joint proposals in some respects reinforce that dominance. While it is inevitable that the paymaster will have far greater influence than the other bodies in a representative organisation like the FA, we are disappointed that the proposals have not sought to alter this balance of power. (Paragraph 28)
4. The Core Group proposals of 27 June 2012 set out categories of decisions, some of which are for the FA Board and some of which are for delegation to the National Game Board and Professional Game Board. We are concerned that a number of key decision areas have been delegated from the FA to the NGB and PGB, with the regulator in effect ceding power to the regulated. It is also a matter of concern that the National and Professional Game Boards—largely composed of vested interests from the top of the football pyramid—will have the power to decide whether or not new areas requiring regulation would fall under the sole purview of the Football Association. (Paragraph 29)
5. We are not convinced that the governance of football is made easier or more effective by the requirements for consensus and the active consent of the regulated bodies to individual changes of the rules. (Paragraph 30)
6. In addition, we consider that clubs must incorporate changes, once agreed, into their rules to ensure that individual clubs follow the agreed procedures consistently and transparently. (Paragraph 31)

7. Altogether, while the football authorities' joint proposals make some progress in tackling the confusing overlap of roles within football governance, they fail to address the fundamental issue that the FA should exercise responsibility for all issues of major significance to the game through its Main Board and Council. (Paragraph 32)
8. The failure of the Football Association to reduce the size of its Board to ten is disappointing and largely due to the unwillingness of the leagues to reduce their representation. The representative balance of the Football Association Board is an even more pressing issue than its size, however. In order to allow the Football Association to become a strategic body—able to assert itself over the Leagues where appropriate—we recommended a Board structure that put Football Association executives and non-executives in the majority (6:4) over the vested interests of the Professional Game and National Game. Though the Football Authorities' response accepted that the Board should be smaller, it failed to implement changes to composition which would put vested interests in the minority. Under the joint proposals, therefore, the FA Board would remain an association of interests. (Paragraph 36)
9. We are not convinced by the contention of the Football League that they require more than one representative in order to be able to operate effectively without delaying Board decisions. We recommend that the number of representatives from the leagues be limited to one each. (Paragraph 37)
10. We consider that the Professional Game Board is still very unrepresentative of the diversity of interests within the game. We recommend that the Board should contain wider representation, especially of supporters. (Paragraph 50)
11. The Football Authorities must produce more detailed proposals for the involvement and consultation of supporters and supporters' groups through its committees and working groups. (Paragraph 51)
12. The Government undertook to investigate the possibility of amending the Financial Services and Markets Act 2000 to protect minority supporter stakes in the case of a compulsory purchase order. The Government should state whether it intends to amend the Act and, if not, should set out its reasons. (Paragraph 54)
13. The delay in implementing the Government's proposed expert working group—for which Supporters Direct has produced a draft agenda and which has been welcomed by the football authorities—runs counter to the Government's commitment to remove barriers to supporter ownership. The Department for Culture, Media and Sport should set up the working group before the start of the new season. The working group should develop practical approaches to the difficulties faced by supporter ownership schemes including problems raising money, obtaining shares and defending against compulsory purchase orders. (Paragraph 59)
14. The resources dedicated to investigating fully the owners of clubs differ between the leagues, with the Premier League able to invest more in procedures and specialist assistance. At present the Premier League is confident that it knows the identity of the ultimate owners of its clubs, while the Football League is less certain who its

clubs' ultimate owners are, relying only on information provided by the clubs themselves which is checked against records in the public domain. Neither League is willing to provide the information it holds to fans. (Paragraph 66)

15. The Football Association Regulatory Authority should set a common standard across all English clubs for a percentage of ownership of a club which would trigger mandatory disclosure. We remain unconvinced that the ultimate owners of football clubs—which are not ordinary businesses and operate for the enjoyment and benefit of their local communities and fans—require their anonymity to be preserved either from or by the football authorities. The current situation, which denies fans the right to know who owns their club, is highly unsatisfactory. We recommend that the Premier League and Football League should have the duty to provide evidence to the Football Association of the identities of the ultimate owners of their clubs and that the Football Association should make information about the ultimate owners of each club publicly available. (Paragraph 67)
16. We welcome the fact that the football authorities' response accepted the need for a licensing model; however, the proposed system fails to provide the FA Board with the clear responsibility and powers to make it work effectively. The FA should produce a detailed proposal for a club licensing system including the composition of the FA Regulatory Authority (FARA). The FA Board should be responsible for decisions about the content and operation of the licensing system advised by, but not dependent on, agreement from the NGB and PGB. (Paragraph 74)
17. We are encouraged by recent significant progress by clubs towards adopting the Financial Fair Play framework introduced by UEFA. However, we remain concerned about the levels of debt within the game. We see little evidence that clubs will spend significant amounts of the funding available from the latest broadcasting rights settlement on increasing their sustainability rather than on players' salaries and transfers. We await with interest clubs' spending plans for the next season. We expect the Financial Fair Play rules to be enforced. If they are not enforced, then we consider that legislation will be required to impose some financial discipline on clubs. (Paragraph 84)
18. A significant source of debt for football clubs is the money paid to other clubs in player transfer fees. Teams are currently able to spend huge amounts on buying players because other clubs are willing to allow them to enter into long-term payment agreements. Clubs are arguably willing to do this because they do not see it as a financial risk because the Football Creditors Rule (FCR) gives them preferred creditor status. The short-term effect of removing the FCR may well be to cause some clubs to suffer financially from the insolvencies of clubs which owe them money. However, in the longer term, clubs would be encouraged to require each other to demonstrate that they could afford the full cost of player transfers, which in turn has the potential to lead to more modest transfer fees being demanded. (Paragraph 93)
19. The Football Creditors Rule protects the interests of often highly-paid footballers and other clubs at the expense of HMRC and the many small local businesses which supply clubs with services and equipment and which make up the majority of

unsecured creditors. Despite the admission by the football authorities that there is no moral defence for the rule, they have failed to develop an alternative. The football authorities must explore other ways of reducing the chances of insolvency such as the greater use of clauses in players' contracts allowing clubs to pay them reduced salaries in the event of the team being relegated. We recommend that the Government legislate to ban the use of the Football Creditors Rule at the earliest opportunity. (Paragraph 94)

20. Parachute payments play a part in the financial organisation of the leagues. However, their impact on—especially lower league—clubs needs to be examined by the FA Board in order to determine the appropriate level at which payments should be made to ensure that they cause the least disruption possible and do not incentivise financial risk-taking. (Paragraph 98)
21. The joint response does not address the Committee's recommendation to abolish the 50:50 divide of FA surplus revenues between the National Game Board and Professional Game Board. We remain of the view that the FA should be allowed to give a larger share of the surplus revenue to the national game if it wishes, as this has fewer sources of revenue. (Paragraph 103)
22. While we recognise that genuine efforts have been made and some progress has been achieved in relation to supporter representation and ownership, we are disappointed with the lack of direction and urgency from the football authorities as well as the Government. Not enough has been done to ensure a consistent and positive approach by clubs to active supporter involvement and meaningful consultation. Although the requirement for all clubs to appoint a Supporter Liaison Officer is clearly a step in the right direction, the football authorities should set out in more detail how both formal and informal consultation of fans and supporters' groups must be conducted and how this would be funded. The degree of supporter engagement should not be left to individual clubs, as it is now. The Football Association should require that, as part of a new licensing model, clubs have the responsibility to engage constructively with supporters, and the FA should draw up a set of best practices for clubs to ensure proper consultation and involvement of supporters. The new licence should also include a requirement for clubs to provide supporters' trusts with the club's financial reports. (Paragraph 111)
23. The football authorities' response failed to identify a long-term funding strategy for Supporters Direct. The FA and the Premier League should agree and implement an effective long term funding solution for Supporters Direct by the end of March 2013, following the solidarity discussions due to take place in January. (Paragraph 117)
24. The existing powers of the Independent Football Ombudsman to address complaints against leagues and clubs are unsatisfactory, particularly in light of the Football League's own inability to enforce judgments on its clubs. We recommend that the Independent Football Ombudsman should be given the power to enforce its adjudications after upholding complaints against the leagues and their clubs. (Paragraph 120)

# Appendix 1

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To: Rt Hon Jeremy Hunt MP, Secretary of State for Culture, Olympics, Media and Sport  
Hugh Robertson MP, Minister for Sport and the Olympics

From: David Bernstein, FA Chairman  
Roger Burden, FA National Game Board Chairman and FA Board member  
Richard Scudamore, PL Chief Executive  
Greg Clarke, FL Chairman

29 February 2012

## **Introduction**

In your Department's formal response to the Culture Media and Sport Select Committee Football Governance Inquiry, you urged the football authorities to work together to agree a way forward to address structures, governance arrangements and relationships in the interests of the long-term health of the game at all levels.

As you have highlighted on many occasions, English football in 2012 is in many ways a vibrant, successful, diverse and economically important part of our national way of life.

The Premier League and The Football League are responsible for Britain's "greatest sporting export" and the most followed and largest professional game in the world. At the grass roots a great number of people work tirelessly, and in the main voluntarily, to ensure the safe, fun and inclusive participation of millions of men, women and children in the game.

The FA, the National Game, and the Premier League and Football League, understand the responsibilities we share to grow and protect our sport. We also know that we will do so by making the right decisions for the future of the game. We were appointed by those we represent to recommend reforms to address long-standing issues, including those you have highlighted.

This paper sets out proposals for a new governance framework through which we believe better decision making will be achieved. The package is the result of extensive dialogue in a positive spirit and represents a balance of significant reform and practical evolutionary change.

This positive dialogue will continue. As you will know, there is work still to be done, and the proposals are subject to the approval of our collective and individual shareholders, but each of us is committed to working hard to ensure that can be achieved.

## Starting Principles

In carrying out this complex process, we saw the following principles as paramount:

- **Working together to provide a collective response** - as we state above, we have taken as our starting point that only a collective approach amongst the authorities will be able to assess and deliver appropriate change,
- **Focusing on structure and process** - the matters covered by the Select Committee report, and therefore your response, are a mixture of the general and structural, and the very specific. We quickly determined, as your response highlighted as a recommended approach, that the focus of our work in the time available needed to be on structural issues. Our work has therefore focussed on agreeing who does what and how in the running of the game, to enable effective and speedy decision making, with real accountability,
- **Understanding the need for clarity** - one of the key themes of the Inquiry and your response was the need for all authorities to take time to explain how decisions are made, and why. Clear and visible consultation and communication to the game we serve, and wider audiences, is an important element of the new system,

## The Role of The Football Association (The FA), County FAs and the Leagues

Both the Select Committee and the Government have focused on what has been described as the 'role of The FA',

Like many long-established bodies (The FA celebrates its 150th anniversary in 2013) The FA's role and responsibilities have evolved over time. The same also applies to how Clubs in the professional game have organised their affairs, initially in the formation of The Football League in 1888, and to every organisation across the whole game.

However, the fundamental constitutional principles and responsibilities remain the same.

The FA is a member association of Clubs and County FAs (themselves made up of Clubs,) who comprise its shareholders. The game is organised as a professional game (the leading 92 clubs in what is now the Premier League and Football League) and the national game (the semi-professional game otherwise known as the "Alliance", and 30,000 grass roots clubs represented by their County FAs).

The FA is empowered and entrusted by the Clubs (either directly or through their respective County FAs) to carry out the role of a governing body. Specifically, the roles that The FA is empowered and entrusted by the Clubs to carry out are

- to promote inclusive, fun and safe **participation in the game for all**;
- to **regulate** the game effectively and with integrity;
- to support the **technical development** of England international representative teams as well as grassroots and professional football;
- to represent the interests of the game **internationally**;
- to coordinate, manage and support **The FA Group subsidiary companies** (e.g. Wembley Stadium, St, George's Park);
- to organise and make the most of its **assets including The FA Cup**;
- to manage the **England teams** including the engagement of England coaches and staff through Club England.

Those same Clubs that empower and entrust The FA also empower and entrust the leagues, and the County FAs, to carry out important roles.

### **The FA and the FA Board Composition. Committees and Decision Making Processes**

In order to fulfil its roles, The FA acts as both a corporate body with its own business, financial and commercial decisions; and as a representative and regulatory body making decisions for the game and its shareholders.

It is our clear view that the Board is the body responsible within The FA for managing and governing the affairs of the organisation. Our proposals remove any doubt that the Board must carry out this single most important role within the FA.

The Board and its Directors will therefore have the duty and responsibility to its shareholders for:

- creating an overall strategy for The FA and specific strategies for aspects of the game
- all FA Group financial matters including budgets and business plans
- taking decisions and actions to manage the affairs of the organisation appropriately and
- recommending changes to the FA Rules and Regulations.

The Board will establish a four-year strategy and plan as to how it will address each of its duties and responsibilities. In the new structure, it will do so through a comprehensive consultation process across the game, and establish clarity as to who is responsible for implementation.

An early task for the FA Board in the new structure will also be for it to review and report to the shareholders, and therefore the game as a whole, on the allocation of resources generated from the FA group's commercial activities following the implementation of the changes set out in this paper, particularly bearing in mind the objective of removing duplication and inefficiency. The Board will establish an overall

budget for the organisation, including the costs of delivering services to both the national game and professional game, as well as overheads. It will also budget sufficient funding to meet all subsidiary company liabilities and obligations as well as retentions for contingencies. In addition, the Board will continue to determine the overall levels of national game and professional game distributions with the budgetary responsibility for allocating such resources to be delegated to the NGB and PGB and approved by the Board. The issue of the funding flows within the FA has been highlighted by both the Government response and the Inquiry, and is of course a matter of the utmost importance to the shareholders. It will be for the newly constituted Board to assess this.

In January 2012, The FA Council approved the appointment of two Independent Non-Executive Directors to The FA Board. This is a significant development. They have joined the Chairman (like the two new posts, also appointed by and accountable to the FA Council), the General Secretary and five representatives each from the national and professional game.

The addition of two further Directors therefore took the membership of The FA Board to 14.

The football authorities have considered the appropriateness of this Board constitution, in terms of balance and numbers, in the context of what is planned as the decision-making processes for the future. The view is that a new governance structure for the sport means that the constitution of the Board should change. We are aware of the Government's view that best practice strongly suggests a reduction, as well as a change in the balance between representative and non-representative, and executive.

*Subject to the successful implementation of the package of reform outlined in this paper, the football authorities commit to a new Board constitution, reducing to between 8 and 12, with effect from the beginning of Season 2013/14 at the latest.*

The newly constituted Board will exercise its authority in the new governance structure through clear and published processes. The Board is to focus on the strategic and core business decisions, and will delegate decisions to Committees or the executive. The Board must therefore clearly oversee the implementation of this structure.

*Therefore, all committees will report to the Board either directly or indirectly.*

This change will make the Board's authority clear and enable the Board to delegate decision-making to the most appropriate body, avoiding much of the duplication that currently exists.

#### **Clear decision making structures for the game**

It was evident to the football authorities, even prior to the commencement of the Select Committee Inquiry, that there was a need to clarify the roles, responsibility and accountability for the development of policy and its implementation across the whole



game. A clear picture was required of how each decision is made, by whom, to what objective, and through what process. The FA in their oral evidence to the Committee described this as a need to “re-set the regulatory architecture of the game.”

Our new approach is based on the following principles:

- Clarity of role and responsibility and process for each decision
- Achieving the appropriate levels of delegation and subsidiarity within the game
- Addressing commercial or other conflicts within the decision making structures
- Ensuring appropriate separation of powers and roles at every level
- Ensuring effective consultation
- Identifying where expert independent input can provide complementary value to executive and representative decision-making

*Decisions will be made on the basis of an agreed model, under which it is clear as to who has responsibility for making decisions and under what process.*

An outline of the model and examples is as follows:

	<b>Responsibility</b>	<b>Examples</b>
<b>FA business decisions</b>	FA Board to decide on recommendation of Executive	FA financial and commercial decisions; Club England; Wembley; St. George's Park
<b>FA decisions as FIFA member National Association</b>	FA Board to decide after full consultation with NGB and/or PGB	International relations policy, off-field integrity issues, on-field behaviour
<b>FA decisions on Other regulatory and representative matters</b>	FA Board to decide after NGB/PGB recommendation which the Board may either accept or reject/remit	Fixture calendar; youth development; European Club qualification; public policy issues; content of FA Club Licence
<b>FA implementation matters</b>	Delegated to NGB/PGB/Executive under plan and budget set by Board and subject to Board review	Implementation of professional game youth development policy as per FA business plan; annual determination of UEFA Club Competition Licence applications
<b>Matters outside scope of FA</b>	Matters dealt with by County FAs, Clubs, and Leagues as appropriate	County FA, Club, and League commercial and financial matters; club business and operating issues, stadium, customer/fan issues; club/league relationship with other competition organisers eg UEFA, either individually or through ECA, EPFL; club ticket prices; club distributions and parachute payments.

We have focussed on the way in which the interests of the County FAs, leagues and Clubs they represent can best be incorporated into the decision-making structures. Our proposals therefore set out important roles for newly constituted National and Professional Game Boards.

*Newly constituted National and Professional Game Boards will lead the consultation and decision-making process within the FA on behalf of the national and professional games.*

Of particular significance in the new structure, the NGB and PGB will have the specific duty to manage effectively the necessary consultation on matters with not only the County FAs and Clubs they represent, but also with players, managers, coaches and supporters on all relevant issues, including for instance in the formulation of The FA 4 year plan. The NGB and PGB will therefore establish standing and ad-hoc consultation groups in order to ensure that the necessary consultation takes place. It will be a specific role of The FA Board to ensure that appropriate consultation has taken place when receiving a recommendation from the NGB or PGB.

The NGB will represent the views of the National Game to The FA Board and will have sole authority to make recommendations to The FA Board for approval in key areas. These are:

- National game strategy
- National game public policy
- National game competition schedules
- National game youth development
- National game player registration matters
- National game licence rules and content

The PGB will have the same role on professional game issues and will have the sole authority to make recommendations to The FA Board for approval on:

- Professional game strategy
- Domestic and international fixture calendar
- FA Cup inventory and calendar
- England team call up protocol beyond FIFA statutes
- UEFA competition qualification
- Professional game youth development
- Professional game public policy
- Professional game player registration matters
- Professional game licence rules and content

As at present The FA Board will also appoint the following sub-committees under good governance principles:

- Audit
- Remuneration
- Health and Safety
- Nominations
- Finance
- REAG (race equality advice)
- DEAG (disability equality advice)

*In addition a new Women's Football Committee with responsibility for developing the 'whole game' of women's football will now for the first time report directly to The FA Board. This change reflects the increasing importance of women's football which in its own right is now England's third most played team sport.*

### **The FA Council and Shareholders**

The new structure will make the greatest possible use of the FA Council as a representative body, with a wealth of experience across all levels of the game, whilst ensuring clear responsibility for decisions as outlined above.

Council will have the important role of holding accountable the FA Chairman and the two independent non-executive directors it appoints to the FA Board on a non-representative basis.

One important consequence of Committees reporting into the FA Board is that Council members will have the opportunity to impact on decision-making processes before a matter reaches final approval stage. The current Council format provides only limited opportunity for experienced Council members to express their views and impart their experience on important decision-making in advance.

*It is also intended to raise the value of Council meetings by having at least one presentation on a high profile matter such as international team preparations, international tournament reviews or on-field disciplinary strategy. It is hoped that this will more genuinely establish The FA Council as a 'Parliament of football'.*

Council is, with the exception of the Vice Presidents, an elected body, with all members of Council elected to represent their organisations on Council, mostly on an annual basis.

In the main, the County FAs, Leagues, Clubs and other organisations are represented by either their Chairman or their Chief Executive. This ensures that each representative is able to speak with some authority at Council and Committee meetings about the realities of the grassroots or professional game and the challenges they face.

We consider that the age limit of 75 for Council members, and 70 for Board and PGB/NGB members reflects current good Corporate Governance guidelines. On the other hand, building relationships within FIFA and UEFA is a priority for English football, and we consider that a term limit for Council members would seriously undermine our ability to develop friendship and trust with our international colleagues. We must also allow all organisations to be able to democratically elect a member with the appropriate level of knowledge and experience to best represent them on Council.

Under the new structure, the legislative process within The FA and responsibility for making rules and regulations, and on what basis, will be changed. We have agreed that the Board must take the central role in making proposals to amend Rules and Regulations, and in the future it will be the Board only that can make such proposals, having gone through the relevant consultation and committee processes. As set out above, this may require a recommendation from either the NGB or PGB, or on other matters such as those on which The FA acts through being the FIFA member association, will be determined as the Board sees fit after the prescribed consultation process.

We have also agreed to remove duplication in the legislative process. Currently, changes to FA Regulations to implement Rules require a majority support of Council members. Shareholder approval is not required for this "secondary legislation". This means that such changes do not require a General Meeting and that there is no duplication in the process.

Changes to the Articles or Rules of The FA, however, do require support of 75% of shareholders. Historically, they have first required approval by a majority of Council members. This is not only duplication but can also give rise to embarrassment should the Shareholders reject something that has been approved by Council. There is also an anomaly in that Shareholders can bypass Council and place their own Rule change resolutions before an Annual General Meeting.

*To eliminate the duplication, it is proposed that changes to the Rules of The FA are decisions for the Shareholders only. In addition, Rules changes will only be proposed by the Board to Shareholders for decision, and changes to the Rules will in future require the support of 66% of Shareholders (a reduction from 75%).*

### **Regulating the game**

*In the new structure, there will be a separation of policy-making – setting standards both on and off the field – and implementation of those standards.*

In future, regulatory policy decisions are to be made by the Board according to the agreed processes referred to above. The Board shall have the sole authority to propose FA Rule and Regulation changes to enact that policy.

*To assist the Board in carrying out its role, a new Regulatory Policy Group (RPG) will be created.*

Reporting directly to the Board, this Group will deal with policy on its behalf to ensure: compliance with international football regulation and law; consistency across both the national and professional game; that appropriate levels of consultation have been undertaken; that new policies are costed and understood; and that newly drafted rules achieve the requisite policy objectives.

The composition of the Board's Regulatory Policy Group will be equal National Game, Professional Game and non-representative appointments to ensure the Group has the necessary skills and experience.

*There will also be created a separate regulatory implementation body, the FA Regulatory Authority (FARA), to oversee the implementation of on and off field regulatory policy.*

The role of the FARA will be:

- Monitoring, investigation, charging and enforcement;
- oversight of the process of appointments to judicial (regulatory commission) and appeal bodies; and
- ensuring effective training and performance assessment.

The FARA management board will be comprised of people with skills and senior level experience in regulatory and/or regulated environments, not necessarily from football. The NGB and PGB will both appoint members, identifying individuals with a good level of experience of their respective parts of the game but with no material conflict of interest. These individuals will be joined by a non-representative Chair who will have skills and experience to reflect the desire of the game for implementation to meet the highest regulatory standards.

*The FA Regulatory Authority executive will be an autonomous unit within The FA, accountable to the FARA Chairman and the FARA management board. The FARA Chairman will be responsible for the FARA performance evaluation and assessment to the Board.*

The FARA will be accountable through its Chairman to the FA Board for performance and budget (including quarterly reports); and to each of the NGB and PGB for performance of roles and responsibilities for national and professional games respectively (on a quarterly basis) to help guide future policy definition.

The FARA will be responsible for the operation of the disciplinary procedures for on and off field offences and for ensuring that the penalties applied (whether fixed or within the agreed ranges/tariffs and based on agreed guidelines) adhere to the highest

regulatory standards. It will also play a significant role in the necessary education and awareness programme within the game.

The FARA will also oversee, through specialist sub-committees and panels, the consideration and determination of complaints, disputes and other matters relating to alleged breaches of FA Rules and Regulations, including appeals from County FAs.

An objective in the new structure is that implementation of decisions under league rules and regulations, as well as under FA Rules, will be assigned to FARA so as to remove duplication and achieve consistency.

*The tasks of the new FARA will include the determination of applications under FA and league owners and directors' criteria, and also determination of applications for ground moves.*

### **A new Licensing Framework**

*English football will adopt a new "licensing" framework for the application of minimum criteria or standards at each level of the game. A new FA Club Licence will be created to ensure that every club in English football, at every level will be required to be registered with the FA, either directly or indirectly through County FAs, through an FA Club Licence in order to participate in either the national or professional game, and each Club shall be obliged to satisfy the requirements of a "Competition Licence" in order to participate in that competition.*

Whilst many of the features of such a system are already contained In the consolidated 'rule book' approach that exists in English football, we do recognise value in adopting a 'licensing' approach. Indeed, licensing in this sense is not new to English professional football; the Premier League through the existing PGB structure has been supporting its clubs attain the UEFA Club Licence for a number of years.

Under this system, there will be criteria set through UEFA's decision-making processes which apply to the professional clubs that wish to participate in European club competitions; there will also be criteria that apply to all clubs in a particular league through its decision-making processes; and there will be universal criteria established through the FA Club Licence.

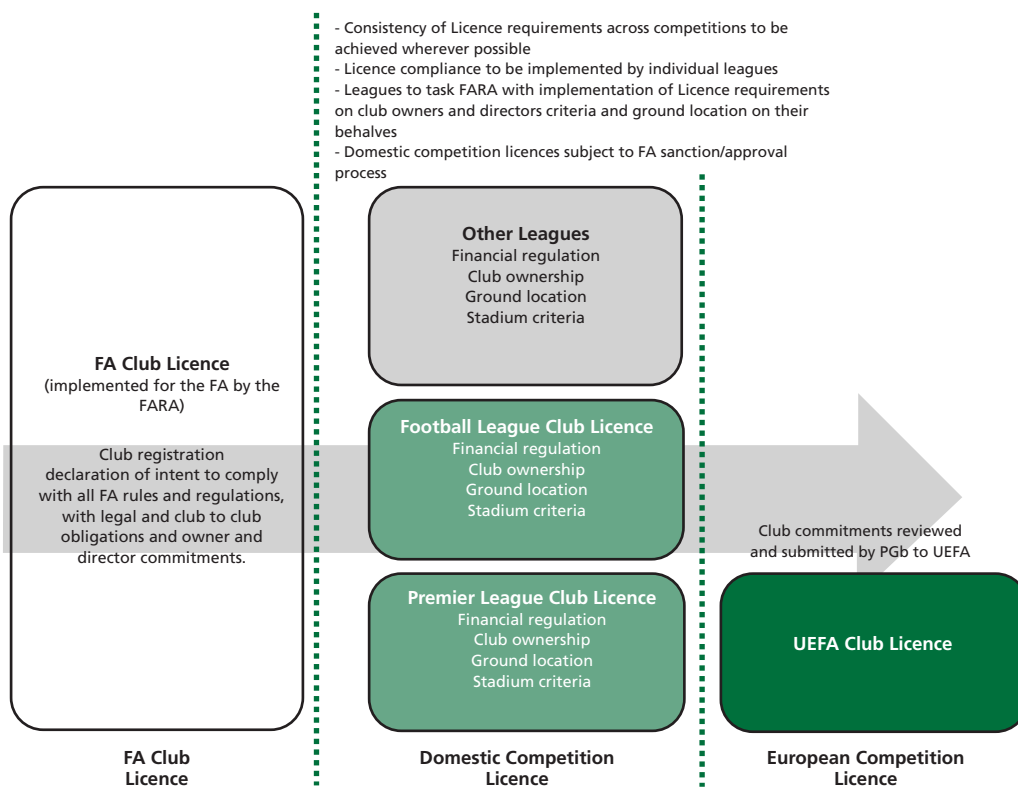
The FA Club Licence will:

- form the annual "registration" process of a club to take part in the English game
- be operated by FARA through a shared online system
- contain a declaration on behalf of each club that it will comply with the instructions of The FA as set out in the FA Rules and Regulations and specifically the investigative authority of both the FARA and relevant Leagues.

- set out an express director/owner commitment to adhere to the FA and relevant league rules and obligations
- require express confirmation that Club is not in breach of any legal obligations or club to club obligations.

In addition to the new FA Club Licence, a club wishing to participate in any competition must also adhere to the Rules and Regulations of that competition. Such Rules and Regulations will form a "Competition Licence" in the same way as the criteria for entry into European club competition are set out in a UEFA Club Licence.

This will create a tiered approach to the licensing of Clubs and is exemplified in the diagram below.



The operation of this new licensing framework and its performance in achieving objectives will be overseen by the FA Board. The FA Board will exercise the overarching licensing authority, known in English football as "sanctioning". It will do so on the recommendation of the RPG, and the NGB and the PGB respectively. It will be the NGB's role to propose to the Board approval of the rules/regulations of leagues in the National Game and it will be the responsibility of the PGB to propose approval of the Premier League and Football League rules/regulations. The operation of the licensing framework will be subject to specific review annually by the FA Board. The football authorities undertake to seek to achieve a consistent approach between different league

and competition rules and regulations whenever appropriate, and this work will be carried out through the NGB and PGB.

*Each league is responsible for an on behalf of the Clubs in that league for monitoring and enforcing it so own rules as is currently the case. Leagues may implement those rules directly or, as referred to above, may specifically appoint the FARA to carry out implementation for the league.*

*The FARA is responsible for monitoring and enforcing FA Rules and Regulations. In doing so, in the event that it concludes that a matter is not being dealt with appropriately by a league under league rules, the FARA will be able to act in the 'last resort' in relation to suspected breach, having first evaluated the position through consultation and liaison with the league concerned, and reporting to the FA Board*

### **Transparency and public communication**

A consistent theme through the work of the Committee and reflected in your response was the need for greater transparency and public communication around the regulation of the game. As demonstrated above, collectively we are determined to address the need for greater clarity in the decision making process, but we also understand that this clarity needs to be shared with the public to address unnecessary misconceptions and build greater confidence in our governance.

*The FA Board will report annually on its operations in all areas as set out above, in addition to normal company reporting. We also undertake to provide clear and concise public communication across digital platforms on the governance structures and decision making regulatory processes in the game.*

### **Supporter Engagement, Consultation and Ownership**

Club's interests are best served through having effective working relationships with its supporters. Our view is that the issues underpinning those relationships must be dealt with primarily at Club level (including the FA where it is acting as a "club" for these purposes in its management of Club England), between the Club and its different supporter interests and groups. It is also recognised that support takes many forms, and we agree with the view that there is not a "one size fits all" approach.

There are, in addition to the Club specific issues, matters where those with responsibility for making decisions will want to obtain input and engagement in policy development from supporter perspectives, both from individuals with particular skills and experiences, and representative organisations. An example only recently has been the development of policy and initiatives in the important areas of combating homophobia and racism, where individuals and supporter groups have a significant role to play.



*Club Forums:* Clubs will be required under league regulation to set out in a structured format the ways in which they will consult and engage with different supporter interests and groups. Clubs will also have to report on how that consultation and engagement has been carried out. Where a supporters group believes that a Club is acting outside its policy, and is not content with the response from the Club itself, the group can raise the issue first with the relevant League and, if still not satisfied with the outcome having raised it with the League, then with the independent Football Ombudsman, who will publish their decision, and the Club will have to publish its response.

*Supporter Liaison Officers:* From Season 2012/13, each Club in the Premier League will be required under league rules to appoint a dedicated and identified official who shall be that Club's "Supporter liaison Officer" (SLO). Football League clubs will be required to designate an individual who will perform a similar role. It is intended that, through this initiative, Clubs and their supporters, including through supporter groups and trusts, will develop further constructive and open dialogue. There will be a close relationship between consideration of issues through the SLO and the roles and responsibilities of other staff at Club and League level responsible for stadium safety, customer relations, and stadium operations and ticketing. In addition, the Leagues will each identify an executive responsible for overseeing the introduction and on-going operation of the SLO network and their role within Clubs. This will also include an initial training programme. The role of the League will also cover establishing communication links between Clubs and the football authorities, to ensure that issues of a general nature arising from the SLO network can be addressed, and best practice and information can be shared. Each League already operates working groups for safety officers and for staff responsible for customer issues and the SLO coordination will form part of this.

*League Consultation:* The leagues will continue their regular formal and informal dialogue and engagement with supporter groups at both Club and national level, and in reference to particular issues or interests.,

*As a further new initiative from Season 2012/13, the Leagues will organise and host an annual workshop for SLOs and for recognised Club supporter group representatives.* This will take place in the pre-season period, as a review of issues arising in the previous season, and to address issues going into the new season.

*NGB and PGB Consultation:* As stated above, the NGB and PGB will be tasked with carrying out formal consultation with all interested parties in the new structure. The NGB and PGB will therefore establish standing and ad hoc working groups to advise and assist the formulation of policy, and this will include appointing individuals who can contribute to this work and bring supporter perspectives and input.

*League rules to require consultation on specified issues:* Each League will undertake a review of matters on which a Club should be obliged to seek League approval, and the consultation that a Club will be required by the League rules to have carried out with recognised supporter groups in order for a matter to be considered. An example of the

type of Club decision on which a Club will have to gain consent, and on which appropriate consultation must have taken place, is a Club moving ground. The Leagues agree that the presumption should be against proposals to move a ground unless it is in the best interests of the Club. Any decision by the FARA on ground moving would require proof of supporter consultation as per the league rule requirements.

*Supporting the cooperative ownership of clubs/removing obstacles to Supporters' Trust ownership:* The football authorities commit to working with Government to remove legal and bureaucratic hurdles to supporters obtaining and retaining ownership interests in Clubs. To that end, the football authorities will participate in Government expert working groups to review the recognition, rights and responsibilities of supporters' trusts within the statutory framework. It is understood that the group will consider the merits or otherwise of "fanshare" and "community share" schemes, including whether or not any current legislation or regulation inadvertently create obstacles to such schemes. The group should also review existing legislation and its current impact on the ability of trusts to establish and operate. It is understood that this may include for example exemptions for Industrial and Provident Societies and Community Investment Companies from the Financial Services and Markets Act; and the possibility of protection of trust minority stakes from compulsory purchase.

The football authorities do not consider that the current football rules and regulations present an obstacle to cooperative ownership, but commit to reviewing the rules in conjunction with the Government working group.

The football authorities also commit to working with Government through the working group to consider the specific circumstances of a Club insolvency. This will include addressing interests of supporter groups in the event of insolvency. The football authorities will also review the ways in which meaningful and direct financial support could be provided to support cooperatives that have credible plans to own and operate a Club following an insolvency event. One option is to provide direct funding to a cooperative, to assist with the professional fees and related costs in preparing a bid. A scheme could be set up for these purposes with published criteria for applicants, overseen by a board which could include, for instance, expertise and experience from the cooperative sector.

*Legislative recognition of football clubs in their communities:* The football authorities also commit to work with Government in relation to specific treatment and protection of football and other sports stadia and facilities under legislation, for instance under planning laws and through the Localism Bill.

*Supporters Direct:* The Government comments on the finance and governance of Supporters Direct ("SD") are welcomed. The plans and budgets of any supporter group, at Club or national level, must be for those organisations to consider as they think appropriate. In relation to the specific issue of SD's plans and budgets, these should be based on its requirements to function as determined by its members, with accountability

to them. In the long term SD should, as in the normal course of a membership body, primarily rely on funding raised from their membership or their own initiatives. The Premier League "Fans Fund" currently fully funds the operation of SD, and is funding a capacity-building programme to assist SD diversify its sources of income. It is intended that an element of match-funding would be made available from the Fans Fund to SD as income from members and other sources begins to be generated.

Supporter groups will continue to be able to access funding on the basis of criteria established by the "Fans Fund", subject to normal grant conditions and the availability of funds. The FA will continue to fund both the Football Supporters Federation and Level Playing Field and play an active role as a trustee of the Fans Fund. Furthermore The FA will consider the provision of office accommodation to SD on favourable terms.

*Independent Football Ombudsman:* The FA, Premier League and Football League will continue to fund and support the work of the independent Football Ombudsman (IFO). In addition to its existing responsibilities, the IFO will be tasked with meeting club supporter groups and trusts on an annual basis, and reporting the prioritised and relevant issues back to the Leagues and Professional Game Board.

### **Anti-discrimination in football**

You will have recently witnessed a range of activity in this regard, not least the launching of The FA's *Opening Doors and Joining In* action plan to tackle homophobia across the whole game which was created with the support of all the football authorities. In addition all the Premier League clubs have signed the Government Charter for equality and all Football League clubs have committed to do the same.

The game at all levels is committed to addressing all forms of discrimination and ensuring that it can provide an inclusive football experience for anyone who wishes to play, coach, officiate or support English football. As you are aware, much has been achieved over a number of years, particularly in the area of racial discrimination. However, we are in no way complacent. The football authorities will continue to campaign positively to promote inclusion and, where appropriate, to be tough in our sanctions against discriminatory behaviour. The recent launch of the COACH programme is an excellent example of where all the football authorities have been able to come together (The FA, Premier League, Football League, League Managers Association and Professional Footballers Association) to identify a specific requirement and deliver a positive solution. The Government's support for this programme which will create opportunities and funding for a new generation of BAME coaches through specific intervention is welcomed.

*Furthermore, following your request at the recent Downing Street summit The FA has undertaken to collate the range of existing and new anti-discrimination initiatives in football at all levels and to report these back to Government by May 2012.*

### **Delivering for the grassroots of the game**

The NGB leads on behalf of The FA Board the development and delivery of The FA's National Game Strategy, This strategy is a comprehensive and co-ordinated action plan to increase the level and quality of participation in the game at every age and ability, This strategy is meticulously developed on the back of a research programme that takes in the views of over 25,000 participants in the game; and it is delivered within a strict monitoring and evaluation framework, Over £40 million per annum is distributed by NGB into funding the strategy. This funding sits alongside, and in many cases is matched, by funding from Sport England, the Premier League, commercial partners and other public national and local bodies, Between 2008-11 the Strategy delivered:

- 74% of all youth teams achieving chartered standard status including having a qualified coach
- Over 2,6 million 5-11 year olds participating in the FA Tesco Skills coaching programme
- 4000 newly qualified referees since
- £253 million invested into grassroots facilities collectively across the game
- Substantial increases in the number of teams in adult female, boys and girls youth, mini-soccer, and men's and women's disability football

There is a determination within the football authorities to keep up the momentum of this work, and that is why the National Game Strategy was refreshed again for the period 2011-15. The new Strategy will specifically focus on:

- Retaining and developing the existing number of affiliating teams
- Raising standards of player and spectator behaviour across the grassroots game
- Increasing football opportunities and the profile of women and minority groups
- Providing flexible formats of football to suit changing lifestyles of players
- Introducing proposed changes to youth football
- Maximising investment into facilities

The Government's continued support for the partnership between The FA and Sport England through the Whole Sport Plan and Football Foundation is very much welcomed. It is central to ensuring that the National Game Strategy continues to deliver for the grassroots of the game. A particular challenge for the grassroots is the availability of places to play the game and it is essential that Government continues to support the work of the National Game regarding facilities, whether through the protection of playing fields, access to school facilities or other means, You and your Department's continued support for football and other sports' requested changes to the draft National Planning Policy Framework is key to this. In addition, as Ministers will know, the real difference that ensures this level of planning and funding impacts on the ground is people, It is in that regard that we all, football authorities and Government, owe a huge

level of debt to the 400,000 or so volunteers who give such tireless service to making football happen up and down England.

### **Inspiring success for future England teams**

Of course we understand that the 'health' of a sport and its governance will often be assessed by the performance of its national teams. The game at all levels is committed to England teams having the best chance to be successful in every tournament in which they compete.

The Club England Management Board is chaired by The FA Chairman and reports directly to The FA Board, with clear authority and responsibility for all Club England operational issues. The Club England Management Board has extensive playing and coaching experience of the international game and meets regularly to make the important business and operational decisions to support all the England teams in order to give those teams every chance of success. This includes, for example, overseeing the extensive and detailed arrangements required by way of preparation for the senior men's team's participation in the European Championship Finals tournament in Poland and Ukraine this summer.

We also continue to work together on the development of a future generation of English playing talent to support international team success. The FA is reforming the formats of youth football in the grassroots to create fundamental change in the way in which technical player development is delivered through junior clubs. These changes will dovetail with the Premier League and Football League reform of the academy and centre of excellence structure within the clubs to deliver a player-focused, high quality and assessable conveyor belt of talent. Both of these reforms will of course be supported by the opening of St. George's Park. The new national football centre will be the home of coach education, training and qualifying thousands of coaches every year, raising the standards and quality of every playing experience in the English game. Collectively we believe these developments represent a seismic leap in the ability of English football to bring forward the talent to deliver national team success.

### **Strong Professional Game**

Part of the unique character and traditional strength of the English game is the depth provided by four divisions of professional football, with both the Premier League and The Football League currently enjoying periods of historical success on and off the pitch.

This success is based on delivering attractive and compelling football, with the most talented players from around the world as well as home-grown. Fans create the unique English football atmosphere. Together this creates commercial interest, notably through broadcast, and revenues that are invested within the Clubs and to all levels of the game.

A vibrant successful professional game has been instrumental in creating the conditions from which the whole of football can continue to flourish. From the work done in local communities right through to the global interest in English football the benefits are manifest and many. The economic advantages at a local and national level cannot be underestimated, with the Treasury's tax take from the Premier League alone now in excess of £1.2 billion, with a further £250m being contributed by The Football League.

This is conducted within a regulatory framework which is highlighted above, and will continue to develop and evolve to ensure Clubs can make their decisions within a sustainable model.

As an example of this constant change, Football League clubs have in recent months made significant progress towards creating a more sustainable economic model for professional football clubs below the top-flight. In June 2011, Football League clubs indicated their support for the principles that underpin the UEFA Financial Fair Play framework, namely that clubs should operate within sensible financial parameters that do not put their long-term participation in the competition at risk.

In the 8 months since, each of The Football League's three divisions has made significant progress towards delivering on this aspiration, but with differing approaches. Demonstrating that even within The Football League itself, there is not a 'one size fits all' solution to these challenging issues.

League 1 and League 2 clubs are currently operating the Salary Cost Management Protocol (SCMP), which has been in use in the latter division since 2002/03. Essentially, the SCMP limits spending on total player wages to a proportion of each club's turnover. For 2011/12, League 2 clubs have reduced the permitted base spending threshold to 55% of turnover, from the previous 60%, with sanctions applying (in the form of transfer embargoes) for clubs that breach this figure. For League 1 clubs this is a transitional season with clubs setting a 75% of turnover spending threshold but with no sanctions being applicable. This threshold will reduce to 65% in 2012/13 and 60% in 2013/14 with sanctions applying (in the form of transfer embargoes) in both seasons.

In the Championship, a new break-even financial model that more closely resembles the UEFA approach will be introduced from the beginning of the 2012/13 season. This will see clubs being monitored on an annual basis to ensure that any losses incurred stay within pre-defined limits that will reduce each season in order to help clubs live within their means. No sanctions will be applied during an initial two-year implementation period. Thereafter sanctions will apply in the form of transfer embargoes for clubs staying in the Championship and financial penalties for clubs that earn promotion.

### **Conclusions and next steps**

The football authorities have always understood the need to reform and update their structures and processes on a regular basis. Prior to the Select Committee Inquiry of

2011 work was already underway between the Leagues and The FA in this regard. This collegiate approach has been maintained throughout this reform process and we hope it is demonstrated in the recommendations put forward in this response.

The football authorities will continue to work on refining both the fine detail of these recommendations and the process by which they can be implemented. Subject to the approval of the shareholders of each constituent authority our expressed desire is where feasibly possible to have made these changes for season 2012-13. However, there is significant work to be done, including approval of the FA Council and shareholders to allow for constitutional change within The FA, as well as the appointment of individuals to significant new roles and executive and resource decisions.

The reforms outlined above demonstrate the level of the determination within the football authorities to enable decisions to be made in the best possible way. We have very much appreciated your engagement in this process, and look forward to this continuing as we move to implementing this significant package of reform and change in the governance of the national game.

## Appendix 2

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### Final Core Group Proposal—27 June 2012

#### General—FA Role

The FA is an association of Clubs and County FAs (themselves made up of Clubs) who comprise its shareholders. The FA also has a Council, Board and Committees (see later for further detail).

The game is organised as a professional game (the leading 92 clubs represented by the Premier League and Football League) and the national game (the semi-professional game and circa 30,000 clubs represented by County FAs.)

The FA is empowered and entrusted by the Clubs (either directly or through County FAs) to carry out the role of a governing body for and on behalf of the Clubs. Clubs in the professional game organise themselves into leagues, the Premier League and Football League, and entrust and empower the leagues to carry out roles and responsibilities. Clubs in the national game also organise themselves into leagues. All clubs are affiliated to a County FA.

The roles that The FA is empowered and entrusted by the Clubs to carry out include:

- to promote the game (e.g. getting more people playing the game, providing a safe and fun experience, protecting and improving facilities, growing the women's game)
- to regulate the game effectively and with integrity on behalf of shareholders
- to support the technical development of England international representative teams as well as grassroots and professional football;
- to represent the interests of the game at IFAB, FIFA and UEFA
- to coordinate, manage and support the subsidiary companies with responsibility for managing and operating Wembley Stadium and St George's Park (including business of FA Learning)
- to organise and make the most of its assets e.g. various competitions and matches
- to manage the England teams including the engagement of England coaches and staff through Club England

The FA's activities divide into two distinct types:

- those of a corporate body with its own business, financial and commercial decisions; and
- those of a representative and regulatory body for the game and its shareholders.



## The FA Board—Introduction

The Board is the body responsible within The FA for managing and governing the affairs of the organisation.

In order to carry out its responsibilities effectively, the Board tasks various sub-groups/committees and the executive to deal with matters. Such sub-groups/committees include the Professional Game Board (PGB) and the National Game Board (NGB). The Board tasks its sub-groups/committees in different ways depending on the nature of the issue. Communication and consultation within the game is vital throughout.

### **Responsibility and Authority for Matters as between the Board/PGB/NGB**

The following sets out the various categories of decision making between the Board, the PGB and NGB, the process by which decisions are made and who is responsible. With the exception of those items in categories C-E, current FA Article 95 will apply to the powers and duties of the Board below.

#### **A. Matters for the Board to decide**

These are matters where the Board decides as the Board of an operating company only (i.e. not as regulatory or representative body appointed by the game). These are:

##### 1. FA Financial, Commercial, Business Decisions

Setting budget/expenditure (in line with Funding Formula as current) and delegating authority/responsibility to PGB/NGB/Executive.

Contracting for the commercial exploitation of rights (but subject to the provisions in place to address commercial and other conflicts of interest as set out at C below e.g. FA Cup club inventory, domestic fixture calendar)

- FA Cup, Community Shield and other club match/competition assets
- England international representative teams
- Wembley
- St George's Park/FA Learning.

It also includes all business decisions relating to these events incl England supporters and customers, stadium, safety, policing etc arrangements as if a club/competition owner.

##### 2. Club England

Management of England international representative teams including appointments of managers, coaches etc., choice of opposition, tournament participation arrangements.

#### **B. Matters for the Board to decide, only after having carried out full consultation through PGB and/or NGB and through them to Leagues/Clubs/CFAs**

These are matters where the Board is carrying out its representative and regulatory functions.

This category allows for the possibility that, after a process of consultation etc, the Board can decide to do something which it believes is in the best interest of the game and which may be different from the view expressed by the PGB/NGB (or a part of either the PG/NG). In such event the Board should provide an explanation for why it is doing so.

The items in this category are:

1. Voting in FIFA and UEFA elections.
2. Policy positions with FIFA, IFAB and UEFA (and decisions)—the Board is responsible for setting the overall policy/strategy and plan, ensuring that the policy position of the game on those matters within the areas of responsibility of PGB or NGB and their respective constituents is understood and incorporated into the overall policy/strategy. Where the matter is one which requires PGB to make a recommendation for Board approval/rejection, then the process in line with category C below will need to be followed e.g. International Fixture Calendar. The Board is responsible for determining the appropriate manner to implement a decision of FIFA or IFAB, including as an example FIFA Regulations on the Status and Transfer of Players.
3. Nomination of representatives to UEFA and FIFA Committees, attendance at matches and tournaments. International relationships/lobbying will be based on a strategic approach and not on the basis of availability/membership of FA Council.
4. Exercise of the FA Special Share in the Premier League.
5. Recommendations to Shareholders/Council on FA Rules/Regulations—the following regulatory matters are to be considered through a defined process involving consultation with Clubs and Counties etc carried out by the Board's Regulatory Policy Group (see later) through PGB/NGB and Leagues, subject to the Board (or its Regulatory Policy Group) having authority to adopt a policy position and therefore regulation and rule changes (subject to Council and, in the case of Rules, Shareholders) notwithstanding failure to agree proposals by either NGB or PGB:
  - Standard of off-field behaviour by participants on matters relating to the integrity of the game as a whole, meaning anti-corruption (including integrity in football betting), antidoping, discrimination and safeguarding matters together with any other matters within the scope of FIFA Statutes/Regulations.
  - Standard of on-field behaviour by participants, including the disciplinary processes for addressing them.

The consultation and decision making processes will be different for each matter—the Board/PGB/NGB shall agree processes as to how each to be dealt with. The PGB and NGB and the FA executive supporting each of these bodies will need to ensure that necessary consultation and wider engagement with stakeholders has been carried out (at professional game level, for instance with supporters, players, media and commercial partners, managers and coaches etc as appropriate and at national game level, with the semi-professional game, County FAs and grassroots players, clubs and leagues as appropriate).

Note:

- a. The process under which relevant rules/regulations of the Premier League and Football League (meaning those rules/regulations relating to a matter dealt with under FA Rules) are considered for sanction shall be set out separately. The sanctioning process shall be overseen/conducted by a specifically identified committee of the FA Regulatory Authority on the basis that sanction process is a decision making function as opposed to policy, and to reflect the decision making role and authority of the Sanctions and Registrations Committee as now.

**C. Matters for the Board to decide, but only after PGB/NGB recommendation which the Board may accept or reject/remit**

The Board must decide on such matters, but only having received a specific recommendation from the PGB or NGB. On such matters, the Board may only accept or reject/remit to PGB/NGB to think again (but with no authority to decide against the recommendations of the PGB/NGB).

If the Board ultimately reject a recommendation, then the position on a matter is status quo. If the Board reject/remit to the PGB/NGB to think again, the Board should provide reasons and/or alternative suggestions for why it is doing so, in order to assist the PGB/NGB.

This process is designed to ensure that commercial and other conflicts of interest that arise between the FA and Clubs/Leagues can be addressed only through consensus.

The items in this category are:

1. Domestic Fixture Calendar—PGB to consider policy and propose domestic calendar (PL, FL, FL Play Offs, FA Cup, FL Cup and FL Trophy, Community Shield etc) to the Board for adoption.
2. International Fixture Calendar policy position with FIFA and UEFA (but not decisions re exact date and opposition, provided within FIFA calendar which are for the Board and Club England under category A above).
3. FA Cup, Community Shield and other FA Competition Matches: PGB to determine the distributions to Clubs from First Round Proper onwards, (e.g. through prize funds and TV payments) amongst participating professional game clubs as part of the PGB budget setting process with final approval by the Board, with NGB having the same role in relation to prior rounds.

PGB to recommend to the Board: participating club conditions and inventory/fixture schedule/competition rules on behalf of participating Clubs in FA Cup, Community Shield, FA Youth Cup etc.

NGB has equivalent role on national game side e.g. FA Trophy and Vase.

4. England international representative teams player release policy beyond the policy set by FIFA, player insurance policy, commercial Inventory outside FIFA regulations

5. UEFA European Club Competition qualification (Champions League, Europa League and any successor tournaments, or any other international Club competitions for Clubs in the Professional Game).
6. Policy in the professional game regarding Youth Development, technical, medical, sports science: PGB to propose to the Board. PGB to establish criteria/regulations for youth development in the professional game and to manage e.g. Academy process. PGB to establish technical groups to include expert input and advice as appropriate e.g. a Youth Development Technical Committee.
7. Public policy issues relevant to professional game e.g. stadium safety and security, policing, club/player fiscal policy. Adopt a principle that issues are to be considered and addressed by leagues and Clubs, but where the Board considers that there are issues relevant to the whole game then these should be dealt with through the process at category B above.
8. Matters that PGB and NGB agree require game wide regulation through Rules/Regulations but which do not fall within category B above (for instance if both PGB and NGB agree that there should be football creditor, third party interest provisions in FA Rules/Regulations beyond FIFA Regulations).
9. Content of "FA Club Licence": establishment of FA Club Licence and any FA Membership criteria to be the responsibility of NGB for national game and PGB in professional game in compliance with applicable provisions contained in FA Rules.

The Board's Regulatory Policy Group (see later) will be responsible for the Board's decisions on matters 8 and 9 above.

#### **D. Matters that are delegated to the PGB/NGB under the Plan and Budget set by the Board; for the PGB/NGB to act upon and report to the Board**

These are matters that will be set out in the detailed 4 year FA strategy/plan and budgeting process which itself will have been the subject of consultation. An example is where the plan sets out the FA implementation of policy in professional game youth development, technical, medical, sports science etc through the PGB YD Technical Committee/FA Executive. It will be the role of the PGB to oversee the implementation of the policy and report to the Board on progress and to hold the Executive accountable. A further example is the determination of UEFA Club Competition Licence applications.

#### **E. Matters that are dealt with by Clubs, Leagues and County FAs as they see fit**

These are matters that are outside the scope of the FA Rules and Regulations and matters to be dealt with by the clubs/leagues/County FAs as they see fit (including through league rules if the clubs wish and in which case the relevant league rule is not subject to the FA sanctioning/approval process).

e.g. all Clubs, Leagues and County FAs business, commercial and financial matters relating to operation of Clubs, Leagues and County FAs and includes matters between Clubs and employees/players under collective bargaining agreement through PFNCC; club business and operating issues for instance stadium, customer/fan issues; club/league relationship

with other competition organisers e.g. UEFA, either individually or through ECA, EPFL; club ticket prices; club distributions and parachute payments.

Note:

- a. Where an issue arises which is new and not been envisaged in the above categories, the category that applies shall be decided by agreement between the NG and PG.
- b. Where action is required due to the law of the land, the appropriate action will be determined by the body that is affected by the relevant law.

### **FA Board—Composition, Roles and Responsibilities of Board Members**

- Composition, Voting etc As current: PL 3, FL 2, NG 5, 2 non-representatives/independents, FA Chairman, FA GS.

All representative Directors to be solely drawn from membership of PGB/NGB.

Agreement in relation to Board for future as set out in letter to Secretary of State—and interim arrangements agreed for start of 12/13 season.

- Non-representative Directors (INEDs)—skills and experience to complement those of representative Directors (in particular having regard to focusing of Board on FA business issues such as Wembley/St George's Park; diversity. Appointments will be considered by the Board's Nominations Committee and recommended by the Board subject to approval by the Council. The Nominations Committee will be responsible for reviewing the performance of the non-representative Directors and reporting to the Board accordingly.
- PGB and NGB directors are representative Directors on any matter where the decision is regulatory or representative in nature and the matter will therefore have been considered and consulted upon through the PGB/NGB as appropriate.
- Decision making on "FA Business/commercial/financial matters"—all appointed directors need to be capable of acting independently and individually, exercising fiduciary duty (i.e. those matters relating to decisions in category A above).

### **FA Board—Strategy, Planning and Budget**

The Board is the body within The FA with the fiduciary duty and responsibility to its shareholders for:

1. creating an overall strategy for The FA and specific strategies for aspects of the game;
2. all FA Group financial matters including budgets and business plans; and
3. taking decisions and actions to manage the affairs of the organisation appropriately.

The Board will therefore oversee a comprehensive strategic planning process on a four year cycle. It will also oversee an annual business planning and budget process. The business plan will identify specific responsibility for delivery as between FA Divisional Directors, PGB and NGB.

The Board will establish the overall budget including the costs of delivering any professional game and national game services from central resources as well as levels of central income, activities, services and overheads; sufficient funding to meet all subsidiary company liabilities and obligations as well as retentions for contingencies.

The Board will determine the overall levels of professional game and national game distributions (in accordance with the Funding Formula) with the budgetary responsibility for allocating such resources to be delegated to the PGB and NGB and approved by the Board.

### **FA Board—Proposing Rules and Regulations**

In the new structure only the Board will be able to propose FA Rules/Regulations. These will be voted upon by the Council (in the case of Regulations to implement Rules) and the shareholders (in the case of Rules—see later for approval threshold).

Provisions will be included through the FA's constitutional documents to ensure that FA Rules/Regulations cannot be created which relate to commercial, financial or business matters or have any commercial, financial or business effect, unless specifically agreed under category C process by the PGB/NGB as appropriate. There will also be provisions in the Articles to ensure the same effects cannot be created through provisions in the Articles'.

### **The FA Board's Regulatory Policy Group**

A key principle in the proposed new structure is to separate the different tasks of considering and agreeing the standards that should apply across the game, both on and off field (i.e. the policy), and the implementation of those decisions (i.e. implementation of the policy meaning education, monitoring, investigation, prosecution and determination).

Regulatory policy decisions are to be made by the Board/PGB/NGB on same basis as set out earlier. To assist the Board in carrying out its role, it is proposed that there is a Regulatory Policy Group (RPG) reporting to the Board which will deal with regulatory policy issues on behalf of the Board (and reporting to it periodically). The regulatory policy issues that the RPG will deal with on behalf of the Board will be those regulatory matters identified earlier in categories BS and C8 and 9. There will also be a separate, discrete regulatory implementation body, the FA Regulatory Authority (see later), to oversee the implementation of on and off field regulatory policy as determined by the Board/RPG/PGB/NGB.

The general principles behind this are:

- to remove duplication/triplication of legislation/implementation where this occurs currently as between FA, PL and FL.
- wherever possible, policy (and regulation to give effect to policy) will be established as close to clubs as possible through "subsidiarity"; for instance through league consideration with clubs, and through league rules and league implementation.

The composition of the Board's Regulatory Policy Group will be PG 3 (appointed by PGB), NG 3 (of which 1 Alliance)(appointed by NGB), non-representatives/independents 3 (appointed by PG 3 and NG 3).

The role of the RPG will include ensuring that each policy proposal:

1. is compatible with IFAB Laws and FIFA Statutes, other applicable football regulation and applicable law;
2. is consistent, as necessary, as between national and professional game and proposals from either the PGB/NGB that impact on other side of game have been resolved. Where an issue spans the whole or part of both the PG and NG, the RPG should establish a suitable consultation and decision making process;
3. has been subjected to the appropriate degree of scrutiny and consultation by the PGB/NGB as appropriate, and that matters raised by consultation have been given appropriate consideration;
4. is appropriately, costed, planned and understood; and
5. where FA Rules or Regulations are required to be drawn up, the Rules or Regulations, as drafted, achieve the policy objective.

It will be the PGB's role to propose approval of the PL and FL rules/regulations to the Board/RPG and to seek to achieve a consistent approach between the league rules/regulations, where appropriate. It will be the NGB's role to propose approval of the rules/regulations of leagues below the PL and FL.

Where a matter concerning on or off field policy is raised with The FA through FIFA, UEFA or other football body, then it will be remitted by the Board through the RPG to the PGB/NGB for consideration as a matter of policy as above. The agreed FA position promoted by FA officials or representatives will be formulated through the above process.

#### **Other FA Board Sub-Committees**

The Board will also appoint the following sub-committees under good governance principles:

- Audit
- Remuneration
- Health and Safety
- Nominations (to reflect fact that appointments of Chairman, INEDs, GS etc. to be by/on behalf of national and professional game stakeholders)
- Finance (to assist Board with Budget Prep and review)
- REAG (race equality advice)
- DEAG (disability equality advice)

The Board is responsible for the effective and efficient management of FA Group businesses and activities and will therefore also receive reports from:

- Club England—England international representative teams

- Wembley Stadium
- St George's Park/FA Learning

The following will also report into the Board:

- Women's football (sub-group currently FAWSL, to extend to cover overall development of women's game).
- National Game Board and Professional Game Board (see below)
- Regulatory Policy Group (as above)
- Referees Committee: PGMO to continue as separate company for professional game; a new NG Referees Committee (to oversee grass roots development of referees) to report to NGB; and a smaller Referees Committee to report to the Board to oversee international FIFA List and FA Cup, Trophy, Vase etc appointments following close coordination with PGMO and NG Referees Committee and to meet FIFA/UEFA requirements.

### **PGB**

Composition:

4 PL

4 FL

FA Chairman and General Secretary may attend meetings of the NGB or PGB *ex officio*.

Football Conference—observer (as current)

Voting:

One vote for each League.

If Leagues do not agree, status quo prevails, unless a matter for Board decision.

Chairman:

2 year rotation between PL/FL; should be FA Board member

Role of Chairman to represent agreed view of the PGB at the Board. To run meetings/manage agenda/ensure work covered in accordance with annual plans for delivery.

Working practice:

Dedicated FA executive to administer PGB meetings and issues as instructed by the PGB Chairman.

Executive level coordination to operate through fortnightly meetings with Leagues (FMT).

Addition of external expert input on the PGB as members of the PGB itself not necessary.



PGB to ensure appropriate independent advice and expert input on PGB standing sub-groups and specific topic consultation groups e.g. supporter issues.

There will be a standing expert consultative group to be established by the PGB in relation to pro game on-field issues.

NB—other sub-committees need to be agreed e.g. Youth Development Technical Committee/FA Cup Committee/UCL licence determination etc

PFNCC to continue as four part negotiation and consultation forum (FA, PL, FL, PFA) due to nature of employer/employee collective bargaining agreement with the PFA.

Composition:

NG Board members

8 NG representative Council members

A competitions committees representative

A schools representative

Alliance?—subject to discussions with the Alliance

FA Chairman and General Secretary may attend meetings of the NGB or PGB *ex officio*.

Voting: Each member—1 vote

Chairman: Appointed by and from the NGB members each year.

Role of Chairman: To represent agreed view of the NGB at FA Board. To run meetings/manage agenda/ensure work covered in accordance with annual plans for delivery.

Working practice: Dedicated FA Executive to administer NGB meetings and issues as instructed by the NGB Chairman. Addition of external expert input on NGB as members of the NGB itself not necessary. NGB to ensure appropriate independent advice and expert input on NGB standing subgroups and specific topic consultation groups e.g. NG Insurance working group.

NG disciplinary sub-committee for review and monitor of NG on field policy issues.

Other sub-committees need to be agreed e.g. league finance, small-sided, pitches and facilities etc.

### **FA Executive**

Appointment of Executive and secretariat dedicated to PGB and NGB to rest with FA General Secretary plus respective Chairmen.

PGB Lead Executive to be responsible for:

- the efficient management of all matters requiring PGB consideration and decision;

- all stakeholder consultation, liaison with League executive and presentation of information to PGB;
- implementation of PGB actions and decisions

NGB Lead Executive to be responsible for:

- the efficient management of all matters requiring NGB consideration and decision;
- • all stakeholder consultation, liaison with CFA executive and presentation of information to NGB;
- implementation of NGB actions and decisions

FA Executive responsible for administering competitions and rules to report to PGB in relation to professional game competitions and NGB in relation to national game competitions.

### **Shareholders**

Shares are primarily distributed amongst Member Clubs (most of which are professional or semi-professional), FA Council Members and County FAs (at the rate of 1 share per 50 clubs).

Although they have no financial stake in the company, the shareholders' role is similar to that of shareholders in a public company i.e. to vote on resolutions at General Meetings, approve the annual accounts, appoint the auditors, etc. Within the FA, the shareholders also vote on changes to the Articles and Rules.

It is not suggested that any change is made to shareholders, their role or their individual voting rights. However it is proposed later that the decision-making process involving shareholders is clarified and that the current percentage of shareholders required to support an amendment to the Rules is reduced.

### **Council and Shareholders**

With the exception of the Vice Presidents, all members of Council are elected to represent their organisations on Council. Most have to stand for election on an annual basis.

In the main, the County FAs are represented by either their Chairman or their Chief Executive. This ensures that each representative is able to speak with some authority at Council and Committee meetings.

Communication is, of course, a two-way affair and the FA looks to its Council Members to present an informed view when reporting back to their home organisations. Inevitably, this view becomes better informed with experience and we therefore see no value in limiting Council membership to 10 years. Such an arrangement would mean that considerable knowledge and experience is lost and would deny all organisations the right to elect their best candidate as their representative.

Furthermore, building relationships within FIFA and UEFA remains a priority for us and a 10 year term for Council members would seriously undermine our ability to develop friendship and trust with our international colleagues.

There is currently an age limit of 75 for Council members. Council rejected a relatively recent proposal to raise this limit and no change is proposed now. The age limit is 70 for Board members and for membership of the NGB and PGB. This reflects current good Corporate Governance guidelines and provides a good balance between stability and turnover in the FA's primary decision-making Boards. No change is therefore proposed.

The primary role of a Member of Council is one of representation. To represent his/her organisation's views to the FA and to represent the FA's views to his/her organisation. The objective being to ensure that decisions made by the FA and its stakeholders are informed and cohesive.

We believe that more can be done to better inform the decisions and to reduce much of the duplication that exists within the decision-making processes at the FA.

Currently, changes to regulations require a majority support of Council members. Shareholder approval is not required. This means that such changes do not require a General Meeting and that there is no duplication in the process. The process works well and we see no need to change it.

Changes to the Articles or Rules require support of 75% of shareholders but, in most cases, first require approval by the majority of Council Members. This is not only duplication between the two bodies but can give rise to embarrassment should the Shareholders reject something that has been approved by Council.

There is also an anomaly in that shareholders can bypass Council and place their own resolutions before an Annual General Meeting.

To eliminate the anomalies and the duplication, it is proposed that changes to the Articles and Rules are decisions for the Shareholders only. In addition and as mentioned earlier, Rules can only be proposed by the Board to Shareholders for decision. To ensure that changes to the Rules cannot be unfairly influenced by a relatively small minority, it is proposed that such changes to the Rules require the support of 66% of shareholders (the current level of support required is 75%). We understand that Company Law does not allow the same to happen with changes to Articles where the threshold has to remain at 75%.

Shareholders have to retain the right to propose changes to Articles.

### **Council and Committees**

Committees play an important part in Council Members' representation and communication roles. It is proposed that all committees become responsible to the Board, either directly or via the NGB or PGB. This not only makes the Board's authority clear, it will enable the Board to delegate decision-making to the most appropriate body, avoiding much of the duplication that currently exists.

It remains important that all Council Members have an opportunity to express a view on all decisions that will affect their individual organisations. Currently, this opportunity usually only arises at the time that Council is asked to approve a decision. This is far from ideal.

In future, it will be incumbent on the Board, PGB, NGB and Board Regulatory Policy Group to engage their members at an early stage on all relevant matters as each of those bodies deems appropriate. This means that Council meetings will no longer be occupied by approving Committee minutes and recommendations but will become much more meaningful by giving Council Members time to consult with their organisations and put their views forward before the decisions are made. Such decisions will be made by the Board in future (in some cases via NGB or PGB) but they will be made in the confidence that full consultation has taken place. For these purposes, we envisage there being 3 full Council meetings and 4 NG Council meetings per season.

In order that the consultation process should not unduly delay changes and recognising that changes affecting grassroots football hold little interest for representatives from the Professional Game, it is intended to intersperse meetings of the full Council with meetings of the National Game representatives of Council.

It is also intended to raise the value of Council meetings by having at least one presentation on a high profile matter such as international team preparations, review of tournaments, disciplinary strategy, etc. It is hoped that this will enable Council Members to be ambassadors for the FA and enable them to better inform their organisations on the FA's plans and activities.

### **FA Regulatory Authority**

The role of the FA Regulatory Authority will be:

- education, monitoring, investigation, charging and enforcement; and
- oversight of the judicial (regulatory commission) and appeal process and appointments process; including ensuring effective training and performance assessment

FA Regulatory Authority Composition:

People with skills and senior level experience in regulatory and/or regulated environments, not necessarily from football, but view that two appointees should have a good level of experience of the professional and national games (though with no current involvement or material conflict of interest). PG 2 (appointed by PGB), NG 2 (appointed by NGB), 1 non-representative/independent as Chair.

The FA Regulatory Authority Chair could be a member of the Board - but this is not considered essential given regular reporting to the Board.

The FA Regulatory Authority will be accountable through its Chairman to the Board for performance/budget (including quarterly reports to the Board); and to each of the PGB and NGB for performance of roles and responsibilities for professional and national games

respectively (on quarterly basis) to e.g. help guide future policy definition. The budget will be established and monitored by the Board, after consultation with the PGB and NGB.

The FA Regulatory Authority executive will be an autonomous unit within The FA, accountable to the FA Regulatory Authority Chairman and the FA Regulatory Authority. The FA Regulatory Authority Chairman will be responsible for the FA Regulatory Authority performance evaluation and assessment to the Board. The FA Regulatory Authority will make an annual report to the Board which will be published.

The FA Regulatory Authority will be responsible for the operation of the disciplinary procedures for on and off field offences and for ensuring that the penalties applied (whether fixed or within the agreed ranges/tariffs and based on agreed guidelines) adhere to the highest regulatory standards. The FA Regulatory Authority should report to the Board at least annually on any matters which the FARA believes should be considered by the game in these areas. The FA Regulatory Authority executive and members should be given the opportunity to input into any policy consideration as the Board/PGB/NGB consider appropriate. There is no change proposed to the current regulatory commission and appeal board arrangements which will deal with individual cases in line with the policy that is set by the game.

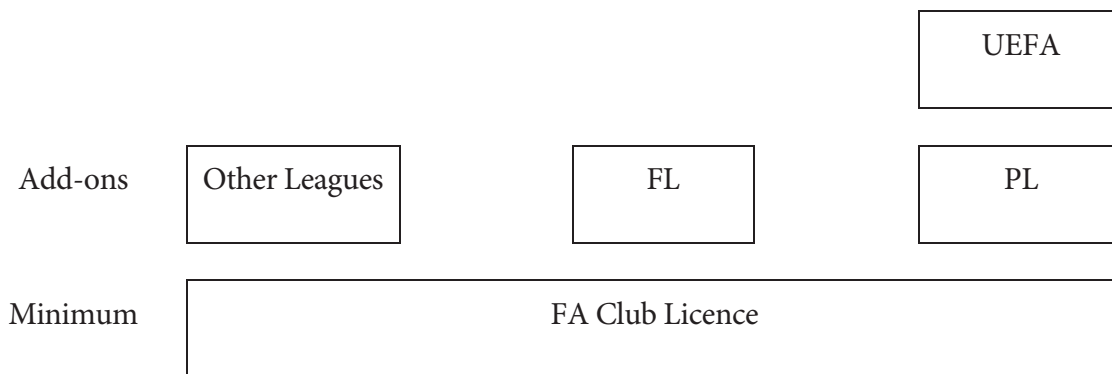
The FA Regulatory Authority will also oversee, through specialist sub-committees and panels, the consideration and determination of complaints, disputes and other matters relating to alleged breaches of FA Rules and Regulations, including appeals from County FAs.

Implementation tasks will be assigned to the FA Regulatory Authority and executive by the Board/RGP/PGB/NGB/Leagues with the objective being that as many as possible are implemented through the FA Regulatory Authority and the executive. It is envisaged that these will include:

- determination, through a standing unit, of applications under owners and directors criteria/fit and proper persons tests;
- determination of applications for ground moves.

### **Licensing Framework**

The overall regulatory decision-making process for the game has been described above. In summary, it will operate under the game-wide oversight of the FA and therefore the FA Board. The decisions made will be incorporated into a Licensing framework which will provide for criteria to apply to the relevant level of the game. For example, there will be criteria set by UEFA which apply to the professional clubs that wish to participate in European club competitions; there will also be minimum criteria that will apply to all clubs; and there will be criteria that apply to all clubs in a particular league and/or leagues. The arrangements can be summarised in the following diagram:



- FA Club Licence —every club in English football, at every level, will be required to be registered with the FA, either directly or indirectly through County FAs, through an FA Club Licence in order to participate in either the professional or national game. The FA Club Licence will:
  - form the annual "registration" process of a club to take part in the English game
  - replace current "FA Form A" process, and be widened out to all clubs
  - to be operated by FA Regulatory Authority through a shared online system (e.g. FAS/CAS) to collate all input requirements on Clubs, therefore input burden on Clubs to be minimal. The FA and leagues should have access to single source information
  - contain a declaration on behalf of each club that it will comply with the instructions of The FA as set out in the FA Rules and Regulations and specifically the investigative authority of The FA/relevant league
  - set out an express director/owner commitment to adhere to the FA and relevant league rules and obligations
  - require express confirmation that Club is not in breach of any
    - legal obligations
    - club to club obligations
- Competition Licence —a club wishing to participate in any competition must adhere to the Rules and Regulations of that competition. Such Rules and Regulations will form a "Competition Licence". Where common criteria are agreed in relation to more than one competition, a broader licence may apply e.g. common criteria are agreed for the PL and FL which would result in a PGB Licence. League Rules and Regulations will be subject to the FA sanctioning provisions set out earlier.

The principle is that each league is responsible for monitoring and enforcing its own rules and the FA Regulatory Authority responsible for monitoring and

enforcing FA Rules and Regulations as well as those league rules agreed between the FA and the relevant league from time to time. The FA Regulatory Authority is also able to act in relation to a breach of league rules as current if it so wishes, but it is not expected that it will do so unless it has first evaluated the position through consultation and liaison with the league concerned and then reported to the FA Board before acting.

### **FA Constitution**

If the above is agreed, changes will need to be made to the FA's constitution to reflect the above and to ensure that further changes cannot be made without the agreement of all parts of the game.

## Appendix 3

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### **Letter from Malcolm Clarke, FSF Chair and supporter representative on The FA Council to Hugh Robertson MP, Minister for Sport & the Olympics, Department for Culture, Media & Sport, dated 2 April 2012**

Dear Mr Robertson

#### Football Authorities' Response to Government on the Culture, Media & Sport Select Committee Inquiry into the Governance of Association Football

I am writing to give our views on the football authorities' response to Government as given in their letter to you dated 29 February 2012.

This letter is structured as follows:

1. Basic principles and philosophy
2. Comments on the response to the three priority areas identified by Government
3. Comments on other areas of the response

#### 1. Basic Principles and Philosophy

In your reply dated 8 March 2012 you welcome the fact that “the three authorities” (The FA, the Premier League and the Football League) have worked together to produce a response. Whilst it is clearly always better if organisations can work together, we believe that this approach has had three unfortunate consequences.

Firstly, it means that the three authorities have only made proposals which all three can agree upon. Whilst consensus is always a desirable goal it is not an end in itself.

Secondly, by giving the two leagues an apparently equal status in the process to that of the FA, it confuses and diminishes the role of the FA as the game's governing body, which was recognised by the Select Committee when it stated that “*The Football Association is the national governing body of English football*” (recommendation 1) and that (para 52) “*the FA needs to be able to set the strategic direction for English football*”. The FSF's view is in line with the Select Committee because we believe that The FA is, or should be, the undisputed governing body of the whole game in England. That has been its historic role. It is the role of its counterparts throughout the world.

Thirdly, related to the above point, it diminishes the input of the other stakeholders. In our case, despite being a key stakeholder in the game with a representative on The FA Council, supporters were not given an opportunity to contribute to the formulation of these proposals. We were briefed, but not consulted, about the content of the proposals only six days before The FA Council considered them in outline (we also comment in



passing that although the general direction of travel was declared as supported in a straw poll conducted at The FA Council meeting, there was no opportunity for those who were against the shape of the recommendations to register their opposition in a vote).

At the heart of this whole issue is how one views the role of The FA. In its evidence to the Select Committee, the Premier League strongly advanced the view that The FA is an association of interests. The Select Committee concluded that (para 52) *“the FA needs to be able to set the strategic direction for English football. To do this, it needs to be more than just an “association of interests”.*

We agree with the Premier League that The FA is an association of interests in that it is comprised of shareholders who all have an interest in the governance, development and regulation of the game. Those shareholders are to a large extent football clubs at all levels. Several hundred clubs are shareholders in their own right; the County FAs gain their FA shareholding based on the number of clubs affiliated to them; Six Leagues are directly represented on the FA. In addition there are representatives of other key stakeholders: the players, the managers, the supporters and the referees, whose position we refer to below.

The fact that The FA is a membership-based association of interests is not, however, incompatible with its role as a governing body and regulator, acting in an even-handed, effective and efficient way in the interests of the game as a whole. This requires an acceptance by those stakeholders of the right, where appropriate, of The FA to regulate matters which affect the interests of the game as a whole, after due consultation and a defined democratic process. It is also important that sufficient resources are devoted to regulation to make it effective.

Effective regulation and governance doesn't mean either micro-management or undue interference. We believe, however, that the success of The FA as the game's governing body and regulator - a role which it is required by both FIFA and UEFA statutes to discharge - is reliant on competition organisers, whether the Premier or Football Leagues or a local league within the national game, ceding a level of their autonomy for the greater good.

For this reason, we believe that the Government were right to identify that two of the three priority areas for reform relate directly to reform of the governance of The FA and the third refers to a club licensing framework administered by The FA.

We support the principle outlined in the authorities' response of the need to establish clear decision-making structures for the game. The problem in our view is that they have established this clarity by placing some power and responsibility in key areas in the wrong place, and in so doing have gone in the opposite direction to that proposed by the Select Committee and supported by the Government.

To illustrate our concerns on this point, we disagree with the football authorities' proposal to categorise significant issues as being totally outside the legitimate role of The FA. These include such important issues as “..... *club business and operating issues, stadium, customer/fan issues.....club ticket prices; club distributions and parachute payments*” (page 5 of response document).

The Premier League in particular has argued that the control of its commercial income and assets is outside the proper role of The FA. Whilst we understand, and support, the principles of subsidiarity and autonomy for leagues, it has to be recognised that all leagues exist within the football pyramid. As we have seen all too clearly, decisions of the Premier League in particular can have profound impacts outside their own league. For this reason, in our view it is wrong that the Premier League should only be accountable to the owners of its clubs, some of whom have no history of involvement in, or understanding of, the unique nature of the English game and the role and responsibility of its clubs in the football pyramid.

On other issues, such as the crucial one of “*content of FA Club licence*”, under the authorities' proposals even The FA Board would not be able to act without the agreement of one of its subsidiary committees, namely the PGB or the NGB (page 5 of the response). The requirement to obtain the agreement of the PGB in effect means the agreement of the Premier League and Football League. Those two leagues are controlled by the owners of their clubs, who in some cases are the people whose activity may need to be regulated. As was explained by the Premier League Chief Executive in his evidence to the Select Committee, the shareholders (the Clubs) take all significant decisions and the shareholders meetings are effectively the Board meetings. It requires a 70% majority of those Clubs to agree any significant change.

In our view this aspect of the proposals of the authorities is outside the spirit and possibly the letter of both FIFA and UEFA statutes. FIFA statutes state that a League is “*an organisation which is subordinate to an Association*” (A3) and “*Leagues or any other groups affiliated to a Member of FIFA shall be subordinate to and recognised by that member*” (C18). UEFA statutes make very similar provisions.

We believe these proposals would severely undermine the effectiveness and authority of the FA Board which the Select Committee wishes to promote.

The Select Committee described the National Game Board and the Professional Game Board as “*two separate “bunkers”, comprising separate vested interests*” (Para 65) and concluded, correctly in our view, that “*we have concerns that “the current National Game Board/Professional Game Board distinction below The FA Board works against strategic decision-making*” (para 64). Rather than acting to remove or lessen this division, the response of the authorities has been to ossify it, by giving those Boards vetoes over key areas.

This is illustrated by the fact that the Chairman of the NGB has supported greater powers being given to the PGB because under the proposals the NGB will also gain greater powers. This is a kind of Faustian pact which goes in the opposite direction to the recommendations of the Select Committee which were to create an effective reformed main FA Board which can view all issues from the perspective of the interests of the game as a whole.

Of course, there will be many issues on which The FA will decide that it does not wish to act or on which it delegates power and authority to the leagues or the national game structure. This must though always be a decision for The FA as the game's governing body, whilst always recognising the value and importance of consultation and involvement of all stakeholders.

## 2. Comments on the response to the 3 priority areas identified by Government

At paragraphs 65 and 66 of the Government response to the Select Committee report three areas for priority action were identified:

- A. Reform of The FA main board
- B. Implementation of a club licensing system administered by The FA in cooperation with the professional game
- C. Changes to the decision-making processes within The FA, specifically in relation to the Council

### A. The FA Board

It is disappointing that the authorities propose no immediate further reform of The FA Board following the two additional non-executive directors which have recently been agreed (a proposal which, incidentally, was first put forward by the supporters' representative on The FA Council).

They have committed themselves to a reduced Board of between eight and twelve with effect from the beginning of season 2013/14 at the latest. However, their response does not indicate how this will be achieved, i.e it does not address the key issue of the composition of that new Board. Without that information, it is impossible to assess the effects of this commitment to reduce the Board by between two and six. In this context it has been quite apparent that main reason for proposing no change to the Board composition at the present time, despite the strong steer from the Select Committee and the Government, has been the inability of the football authorities to agree any change amongst themselves.

We note that in your letter dated 8 March you state that such a reduction in the size of the Board is a key requirement of the Government, and ask for earlier progress on this.

We would respectfully suggest that this is not just, or even mainly, a question of numbers. In the words of the Government's own response (para 13) "*It is fundamental to get the right balance between professional, national, independent non-executives and FA executive representatives*". In our view, a Board of 10 with the wrong balance would be considerably less satisfactory than a Board of 14 with a better balance.

Although it might not be the option we would prefer in an ideal world (we advanced the "independent commission" model of governance so successfully employed by the Australian Football League (Australian Rules Football) and about to be introduced by the National Rugby League, that code's elite competition in Australia & New Zealand) we support the recommendation of the Select Committee which has been endorsed by the Government, of a Board of ten, six of which are independent non-executive and executive directors, for the reasons which the Select Committee outlined.

### B. Club licensing

The proposals in the key area of club licensing are very weak. Given the problems the game has experienced over the last twenty years and continues to experience, from the Premier League downwards, this is very disappointing. It is proposed to have a very minimal basic FA licence at the bottom of the pyramid, supplemented by undefined "add-ons" which it would not even be in the power of The FA Board or Council to require. The FA Board would only be able to act on a recommendation of the PGB (for the Premier and Football Leagues) or the NGB (for the Alliance level). We strongly believe that The FA should be at the apex of this process, and where appropriate delegate responsibility downwards, and not be on the lowest rung.

Apart from our disagreement with this relegation of the role of The FA (because the PGB in particular is effectively the two senior Leagues themselves), it is also likely to be a recipe for decision-making paralysis, as proposals oscillate between The FA Board and the PGB/NGB, with neither having authority to take a decision without the approval of the other.

There is an existing structure of FA membership for clubs at all the levels which would be covered by a licensing regime. At present this only entitles member clubs to a vote at the shareholders meeting and access to Cup Final tickets. We believe that building upon FA membership requirements, and making FA membership mandatory, offers an obvious and appropriate vehicle by which to introduce an effective FA licence.

We also believe that licensing needs to be backed up with sufficient resources to ensure compliance, and there is no reassurance on this point in the authorities' response. Supporters Direct has produced detailed practical proposals for the key principles for football club licensing in England. We commend the approach outlined in their document as a way forward in response to the recommendations of the Select Committee.

### C. FA decision-making

I have referred above to the proposed vetoes given to the PGB and NGB in certain key areas. The only change proposed in respect of the membership, functions and powers of the Council is that the Committees will report to the Board rather than Council, which will meet less often than it does at present.

This will have two consequences if implemented in isolation:

(a). It will become very difficult for Council members to access information about the work and recommendations to the Board of committees apart from those on which they themselves sit. This will be particularly so for those six stakeholder groups who are not represented by anyone on the Board. For all the faults of the current system, at least by seeing the minutes of Committees, Council members can access such information in which they have a legitimate interest. As the supporter representative on the FA Council it is the mechanism I have to use on most issues in which I have an interest. The authorities' response states that "*one important consequence of committees reporting into The FA Board is that Council members will have the opportunity to impact on decision-making before a matter reaches final approval stage*". It is very difficult to understand how this will be the case, since logically the reverse appears to be true.

(b). Because of a reduced frequency of Council meetings, the unreformed Board will be even less accountable than it is at present.

We have no objection in principle to Committees reporting to the Board and can see the Governance sense in the concept, provided that this is complemented by an effective system for the Board itself to be accountable, either to the Council or some alternative body representing stakeholders. Under the authorities' proposals, the accountability of the Board will be reduced rather than enhanced.

The FSF believes that The FA Council has two related roles. First, as representatives of the whole game, to hold the Board to account. Second, to act as the "Parliament of Football" in debating key issues with the involvement of all stakeholders. We would like to see reform of the composition and ways of working of the Council to enable it to be fit for purpose for these roles. These proposals are not the reform of Council. They are the near-complete marginalisation of Council, which is a different thing entirely.

An important related point is that there are six members of Council, those representing the supporters, the players, the managers, the referees, and the race and disability advisory groups who are not part of either the "Professional Game" or the "National Game". As such they are the only six members of Council who cannot stand for the Board, nominate others for or vote for members the Board. In a very real sense, therefore, those representatives are second class Council members, despite representing a range of key stakeholders. There is no proposal in the response from the football authorities to rectify this significant anomaly.

We also support the proposal of the Select Committee that the Alliance level of the game, which is a very important part of the structure of our domestic football, should be represented on the Board. At present this level is part of the National Game (the logic of which is perhaps debatable in itself), but in practice because of the voting power of the County FAs the 5 national game representatives on the main Board do not include a representative of the Alliance level. It is disappointing that the authorities have not responded positively to this recommendation of the Select Committee.

### 3. Comments on other areas of the authorities' response

#### a. Supporter engagement and consultation

There are a range of proposals including

- Club Forums, with an appeal to the Independent Football Ombudsman
- Supporter Liaison Officers (SLOs) (already to be introduced by new UEFA regulations)
- League consultation
- An annual SLO/Supporter Group workshop
- NGB and PGB Consultation
- League rules to require supporter consultation on specific club issues

In principle, we welcome all of these proposals, although we await the detail of how they would be implemented and introduced into rules. In order for them to be meaningful and effective there would, however, have to be something approaching a sea change in the attitude of the Authorities, the Leagues, and, in particular, many clubs. Many of our members will be understandably very sceptical about whether this represents a real commitment to do things in a different way in future or whether it is just an attempt to “fob off” the Government and Select Committee with proposals which look good on paper but will not result in significant real change in practice.

In this context it is worth making two points. First, although the executives and non-executives of the authorities have made these commitments, some of these proposals would require rule changes by the Leagues, i.e by the clubs themselves, and it remains to be seen whether the executives can deliver a vote by their member clubs to make the necessary significant and effective rule changes.

Second, the track record on supporter engagement and involvement is not good, to put it mildly. Despite the context and high profile of the debate over the last year, our members continue to experience difficulties in the way they are treated and viewed. Key decisions are taken without any involvement of supporters, at both national and club levels. Democratically elected supporters representatives who have voiced unhappiness with the way their club is run, have been victimised and debarred from ticket purchases at more than one club. Even within recent days, for example, the entire Leeds

Supporters Trust Board have had their individual ticket purchasing accounts suspended by the club, using their legal right to (in their words) “choose who we sell tickets to”. To have credibility, any proposals by the football authorities must provide real and effective protection for fans from such practices.

b. Ownership structures

c. Insolvency events

d. Supporters Direct

Our colleagues at Supporters Direct will respond in detail on these proposals.

e. Funding of Supporters’ organisations.

We welcome the commitment of The FA to continue to fund the FSF. We are already experiencing considerable problems as a result of the greatly reduced funding from the Premier League/PFA which is now channelled through the Fans’ Fund. That Fund is project-based which means, for example, that it does not support policy and research work which we believe is an essential component of any meaningful fans involvement in football.

We have previously made a proposal that supporters’ organisations should be funded by means of a tiny levy on the enormous income now coming into the game at the top level, administered by an independent panel. It is regrettable that this idea has not been adopted by the football authorities. The FSF will have to start issuing redundancy notices within the next four months if additional funding has not been secured by then.

f. Independent Football Ombudsman

We continue to have concerns about the “lack of teeth” of the IFO on complaints about the treatment of fans. At present the leagues are supposed to adjudicate on complaints before they go to the IFO. In practice, although the Premier League largely fulfils this role, the Football League effectively acts as only a “post office” between the complainant and the club. It doesn’t have the authority to overrule a club, nor does it appear inclined to try to persuade the club, even where it believes its member to have acted wrongly.

The IFO does not have the power to require that his adjudications are accepted and acted upon despite the authorities giving a commitment when they established the IFO that “only in exceptional circumstances” will the IFO’s ruling not be implemented. The inability of the IFO or the Leagues to enforce his decisions does not bode well for these latest proposals, which only state that the club’s response will be published, not that clubs will be required by rule to implement them.

It is welcome but somewhat ironic that the authorities now propose that the IFO will be tasked with *“meeting club supporter groups and trusts on an annual basis, and reporting the prioritised and relevant issues back to the Leagues and professional game Board”*. The

former Independent Football Commission, (set up by the authorities in response to the Football Task Force established by the then Government in 1997), had that role. It was however abolished and replaced by the IFO by the previous Government, on the recommendation of the football authorities, a change which was made without consultation with the FSF, and despite our opposition to it.

g. Anti-discrimination in football

We endorse the response of the football authorities.

h. Delivering for the grassroots of the game

Inspiring success for future England teams

We recognise and support the value and importance of much of the work outlined in these sections. In our view, these two topics are very much inter-dependent. The future success of national teams is dependent on a strong and well-resourced game at the grassroots level, whilst interest in and a desire to play football is enhanced when the national teams are doing well.

We believe that this area is a good illustration of the need for The FA and the other football authorities to take a holistic view of the betterment and development of the game. For that reason, we support the view of the Select Committee that the division of the decision-making structures up to a very high level in The FA into the “National Game” and the “Professional Game” is not helpful. We also support the view of the Select Committee that that a reformed FA Board should consider whether the current rigid 50/50 division of the use of FA resources between the National and Professional Games should be scrapped and that they would not expect the National game to receive less than 50%.

It is also worth recalling that the Premier League (still legally called The FA Premier League) was established by The FA itself twenty years ago specifically with the intention of assisting the development of the national team. This was partly to be achieved by a reduction of the size of the Premier League to eighteen clubs, but this key commitment has never been delivered. The current Chairman of the Premier League, Sir David Richards, is in fact on record as saying that the PL has harmed the development of the national team, partly through the large influx of foreign players.

The point made above about the inappropriateness of certain areas being completely outside the remit of The FA is also relevant here. The recent decisions on Elite Player development were effectively imposed on the Football League by the Premier League which was not the first time that its financial muscle has been used to achieve decisions which it wants. This does not bode well for any prospect of a new co-operative approach driven by the best interests of the game as a whole.



### i. Strong Professional Game

The reference by the authorities to the “*depth provided by four divisions of professional football*” is an unfortunate illustration of the point made above about non-recognition of the Alliance level. There are, of course, more than four divisions of professional football in England. The Blue Square Conference Premier Division is largely comprised of full-time professional clubs and there are many more semi-professional clubs.

Whilst we recognise and support the improvements which have been made to financial governance and league self-regulation in recent years, in our view the tone of this section of the authorities’ response is too complacent. There have been no less than 92 insolvency events in the top 5 leagues since The FA established the Premier League in 1992. These include one in the Premier League itself and many others which have arguably been caused, at least in part, by the huge gaps in income between the different levels of the game, particularly between the Premier League and the Football League.

The need for a more robust and transparent club licensing regime is all too apparent but we do not believe that the proposals put forward in the authorities’ response are likely to be sufficient to do the job.

### Conclusions and next steps

We hope that you will ask the football authorities to think again on some of these key aspects of their response, because, in our view, the “reforms” they have put forward do not adequately address the needs of the whole game, and in some respects actually exacerbate the problems identified by the Select Committee. They will leave The FA unable to properly discharge its duty as the game’s national governing body. Whilst speed of reform is important, in our view the most important thing is to get the reforms right.

We hope that you will ask the Select Committee to consider whether the response of the football authorities makes real and positive progress towards the objectives set out in their excellent report. We would welcome the opportunity to meet with you to discuss these issues in more detail.

# Formal Minutes

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**Tuesday 15 January 2013**

Members present:

Mr John Whittingdale, in the Chair

Mr Ben Bradshaw  
Angie Bray  
Conor Burns  
Tracey Crouch

Paul Farrelly  
Steve Rotheram  
Mr Gerry Sutcliffe

Draft Report (*Football Governance Follow-Up*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 120 read and agreed to.

Summary agreed to.

Papers were appended to the Report as Appendices 1-3.

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

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Tuesday 29 January at 10.00 am

## Witnesses

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### Tuesday 10 July 2012

	<i>Page</i>
<b>Richard Scudamore</b> , Chief Executive, Premier League	Ev 1

### Tuesday 17 July 2012

<b>Malcolm Clarke</b> , Chairman, Football Supporters Federation, <b>David Lampitt</b> , Chief Executive, Supporters Direct, and <b>Tom Hall</b> , Head of England and Wales, Supporters Direct	Ev 18
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<b>Greg Clarke</b> , Chairman, Football League, <b>Andy Williamson</b> , Chief Operating Officer, Football League, and <b>Roger Burden</b> , Chairman, National Game Board	Ev 24
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<b>David Bernstein</b> , Chairman, Football Association, and <b>Alex Horne</b> , General Secretary, Football Association	Ev 36
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## List of printed written evidence

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1	The Football Supporters' Federation	Ev 42
2	Supporters Direct	Ev 44: 46

## List of additional written evidence

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(published in Volume II on the Committee's website [www.parliament.uk/cmscom](http://www.parliament.uk/cmscom))

1	Cardiff City Supporters' Trust	Ev w 1: 2
2	Leeds United Supporters' Trust	Ev w 3
3	Football Club United of Manchester	Ev w 4
4	Foxes Trust	Ev w 5
5	Mark Jordan	Ev w 7
6	Peter Hodge	Ev w 9
7	Jonathan Keen	Ev w 10
8	RamsTrust	Ev w 12
9	Blues Trust (Supporters' Trust at Birmingham City)	Ev w 15
10	Notts County Supporters' Trust	Ev w 16
11	Fulham Supporters' Trust	Ev w 17
12	Reading Football Supporters' Society Ltd T/A STAR	Ev w 23
13	Argyle Fans' Trust	Ev w 24
14	Mariners Trust (Grimsby Town Supporters Trust)	Ev w 25
15	Dons Supporters Together	Ev w 26

16	R3	Ev w 27
17	Independent Manchester United Supporters' Association	Ev w 29
18	Steve Lawrence	Ev w 31
19	Arsenal Supporters' Trust and Arsenal Fanshare	Ev w 33
20	Blake Welton, Editor, First e11even	Ev w 34
21	The Football Conference	Ev w 35

# List of Reports from the Committee during the current Parliament

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The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

## Session 2010–12

First Special Report	Press standards, privacy and libel: Responses to the Committee's Second Report of Session 2009-10	HC 351
Second Special Report	BBC Annual Report 2008-09: BBC Trust's response to the Committee's Fifth Report of Session 2009-10	HC 352
Third Special Report	Channel 4 Annual Report: Responses to the Committee's First Report of Session 2010-11	HC 891
Fourth Special Report	BBC Licence Fee Settlement and Annual Report: Responses to the Committee's Fourth Report of Session 2010-12	HC 1375
Fifth Special Report	Unauthorised disclosure of draft Report	HC 1638
Sixth Special Report	Spectrum: Government Response to the Committee's Eighth Report of Session 2010-12	HC 1771
First Report	Channel 4 Annual Report	HC 423
Second Report	Pre-appointment hearing with the Government's preferred candidate for Chairman of the BBC Trust	HC 864-I & II
Third Report	Funding of the arts and heritage	HC 464-I, II & III
Fourth Report	BBC Licence Fee Settlement and Annual Report	HC 454
Fifth Report	Pre-appointment hearing with the Government's preferred candidate for Chairman of the S4C Authority. First joint Report with the Welsh Affairs Committee	HC 1061-I
Sixth Report	2018 World Cup Bid	HC 1031
Seventh Report	Football Governance	HC 792-I, II & III
Eighth Report	Spectrum	HC 1258
Ninth Report	2018 World Cup Bid: Responses to the Committees Sixth Report of Session 2010-12	HC 1602
Tenth Report	Channel 4 Annual Report	HC 1175
Eleventh Report	News International and Phone-hacking	HC 903-I & II

## Session 2012–13

First Report	The Gambling Act 2005: A bet worth taking?	HC 421
Second Report	Racism in football	HC 89
Third Report	Library Closures	HC 587

# Oral evidence

## Taken before the Culture, Media and Sport Committee on Tuesday 10 July 2012

Members present:

Mr John Whittingdale (Chair)

Dr Thérèse Coffey  
Damian Collins  
Philip Davies  
Paul Farrelly  
Mrs Louise Mensch

Steve Rotheram  
Mr Adrian Sanders  
Jim Sheridan  
Mr Gerry Sutcliffe

### Examination of Witness

*Witness:* **Richard Scudamore**, Chief Executive, Premier League, gave evidence.

**Q1 Chair:** Good morning. This morning is a follow-up to the Committee's inquiry into football governance, in which we are specifically looking at the response of the football bodies at the request of the Government to provide our assessment of that. I would like to welcome Richard Scudamore, the Chief Executive of the Premier League, as our witness this morning.

**Paul Farrelly:** Thank you for coming, Richard. I want to start by just clarifying from your joint response how you view the structure of the FA board in the future?

**Richard Scudamore:** How we view the structure of it? Obviously we have made a commitment in our joint response to reduce the size of the current board. It is currently 14. In that response we made a promise to reduce it to between 8 and 12 because there are some inherent difficulties. Our original Premier League position was that everybody should reduce by one, so the Premier League, the Football League, the Football Association and the National Game, which would have brought it down to 10. That was our original position and it was the position that we promoted. However, that is difficult to achieve for very legitimate reasons. The Football League currently only have two representatives, and for them to go down to one it is quite hard because they have three divisions, 72 clubs, and that is proving very difficult. Similarly, it is hard for us to go down just unilaterally by ourselves and be the only people that take a reduction. We are still committed to going down to between 8 and 12. We have put a deadline on that. We think it is more efficient if we do that.

Just as a show of good faith, we have not actually reappointed this summer. We could have done. We have three places and we have not appointed one of ours out of the National Game. We are going to operate this season, certainly for the foreseeable future, with two less. We are down to 12 already. The reason for that being a temporary position—and we are basically reserving our rights as to whether that is a permanent position—is to look at the other very important changes and reforms that are promised within the governance changes that we have outlined. If all those go through, and the whole thing works properly, then I think we will be minded to reduce our

representation and encourage others to do so too, to get the board down to a more manageable number.

**Q2 Paul Farrelly:** Is this a Mexican standoff?

**Richard Scudamore:** Again, you have concentrated on the one area probably where we did not come up with a definitive position. It is probably the only thing in our report back to Government where there is not a definitive position. There is a range, that range is there, that will improve efficiency. I do not think it is a Mexican standoff in that sense, but I think you can understand there was a degree of scepticism among my members. I think we have to go back. What has been agreed and worked on by the core group, and the core group you will be aware of David Bernstein, Chairman of the FA, who has led extremely well the core group of myself, Greg Clarke from the Football League and Roger Burden from the National Game of the FA. That core group have come up with what I think is—certainly in my 15 years of being involved in this—an extremely radically very progressive set of recommendations. As I say, taken in the round they are extremely progressive. The board size, everybody is committed to reducing it. It is just a question of who is going to give up what in order to get it there. But we will get it there in the spirit that we have done all the other work. It will happen.

**Q3 Paul Farrelly:** You have done an outstanding job for the Premier League, and that was recently reflected in the share prices of Sky and BT where everyone thought you had extracted all too much money from them. But given that, from the flavour of your comments regarding the board that governs the game, it does not seem that you are really ready to go along with the change of emphasis from representation of the professional game, at least as regards the Football League, to a greater representation by executives from the FA?

**Richard Scudamore:** Again, we state in the current position of the current five, five, four that we only have three out of 14. We are often shown how the Bundesliga and the way German football is organised is better than us. They have five out of 11 in the much-heralded German system, the Bundesliga. So, again, proportionately we think three out of 14 is not

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10 July 2012 Richard Scudamore

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disproportionate given our contribution to the game, generally given the way we do sit at the upper echelons of the game. Having said all that, if our representation is required to go down to two in a more balanced board in order to move forward and make progress, I am sure we will be able to get there if all the other things are put in place. But you can understand how my members feel. Until all those other things are put in place, we need some safeguards that those other things are going to happen.

**Q4 Paul Farrelly:** I am just going to wrap up now. Am I correct in hearing that, in principle, as long as everybody else plays ball—a terrible pun—you are willing to go down to one member in the future?

**Richard Scudamore:** In principle we have been advocating a board of 10. Therefore, of course we are prepared to go there in principle, yes.

**Q5 Paul Farrelly:** If that happens would your nominee be Sir David Richards, notwithstanding the misfortunes in Doha?

**Richard Scudamore:** Obviously as and when these nominations take place, and I do not think it is going to be envisaged that these things will happen much before August. The deadline we have set ourselves to bring all these operational and administrative changes in is August 2013. It is a matter of public record that Sir David's last annual general meeting will be in June 2013, so it will not be him. Does it make sense for the Chairman of the Premier League to be one of those board members? Yes, it does, because then obviously it is better that the FA is populated with the senior people representing the football authorities.

**Q6 Mr Sanders:** What is your approach to our recommendation in our report that you and the Football League should adopt a similar approach to 10-year limits, i.e. a 10-year maximum?

**Richard Scudamore:** We are a great believer in age limits. Therefore, the age of 70 is the age at which effectively our rules and the FA's rules require board members to stand down. That is probably a good position to start. Obviously that is the reason our own chairman will not be continuing beyond next June. When it comes to term limits, I think generally the game recognises that term limits would probably be inappropriate, only because of how important it is that you gain some stability and you gain some continuity, particularly in the vital area of representation internationally. In order to ingratiate yourselves and in order to have a proper position with UEFA and FIFA, it often takes three, four or five years to even get to know who all these various people are and to have standing within those international bodies. Therefore, the idea that you would suddenly truncate somebody's ability to represent us international by term limits we think is limiting.

**Q7 Mr Sanders:** But not every person would leave at the same time. You could factor in somebody with 11, 12 or 13, so you would get to a point where everybody eventually does 10 years but they do not all do the same 10 years.

**Richard Scudamore:** But clearly the shareholders effectively re-elect all the representative people once every year anyway, so you have a situation where for those that represent the game they are re-elected and they are re-elected annually. When it comes to the non-executive directors of the FA clearly there might be a different position. You do get quite a lot of natural turnover. Our representation at the FA has been altered considerably this year, with Phil Gartside being relegated by Bolton, and Rob Coar—who has done an excellent job for us representing the Premier League on the Football Regulatory Authority—is no longer on by definition of Blackburn's relegation, so we naturally have a rotation of representation because of that. Therefore we think that is adequate, and we do not think term limits are necessarily essential, for the reasons I have given.

**Q8 Mr Sanders:** How easy is it for somebody from the promoted clubs to get representation, or is that automatic?

**Richard Scudamore:** No. In some ways it is very easy. We nominate eight people to sit on the FA Council at the moment, and some very recently promoted clubs get on to that. In fact, Jez Moxey when he came up year two was elected to represent Wolverhampton Wanderers. He sadly had to come off it because he has just been relegated, and you can see how this goes on and on.

**Q9 Dr Coffey:** I need to declare an interest. Hopefully at the next AGM the Premier League will appoint me to their charitable board, to sit alongside you, Richard, I believe. Just to follow up on the 10 year, I understand the point you are making that the international relationships are critical. The FA chairman has a term limit, and if you look at other Council members, you are right, they do get re-elected every year. But often they are the only candidate. They are not contested elections. Is there something to be said, if the FA wishes to continue to say, "Carry on for as long as you are re-elected, especially when you do not have any opposition" perhaps you might want to adopt the NFU approach where the president gets re-elected every time, but he or she has to get a higher percentage of the vote every single time in order to get elected. But it really is about saying that sometimes you need a rotation of people within the Council in order to make change, as opposed to, understandably, the resentment that outsiders are suggesting you need change. All these people have done great work for amateur football but actually it would help, and Parliament would resist interfering, if you saw evidence of change from within.

**Richard Scudamore:** That is a question you should really direct next week when the people from the FA are here. I can only speak for the Premier League, and I gave you the answer in relation to the Premier League.

**Dr Coffey:** I will not press any further. That is a fair point.

**Q10 Mr Sutcliffe:** Richard, I understand the point about term. But just going back to age, in the response they said that 75 was the age limit for the FA Council

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members. Do you agree with that? You are saying that Sir David is going at 70?

**Richard Scudamore:** If you look it is 75 for Council members and it is 70 for board members.

**Q11 Mr Sutcliffe:** Why the difference?

**Richard Scudamore:** Probably it reflects the level of intensity of the work. It is an appropriate number. I think it was reached because of the level of the intensity of the work, the complexity of the work. The board, especially now under the newly redefined board and its new clearly articulated powers and responsibilities, which is fundamentally the piece of work that is being done—I have to be careful what I say, I don't want to upset anybody particularly—there is a degree where that is deemed to be the appropriate age.

**Mr Sutcliffe:** It is a consideration I think some of us might have for the House of Lords, in terms of the age profile.

**Richard Scudamore:** Absolutely.

**Q12 Mr Sutcliffe:** Going back to the FA then, the challenge sometimes is that you have a strong, professional Premier League but a weak, bureaucratic Football Association. You have said you have made strides to move that forward. Do you think the FA should continue with the role of its shareholders in their governance roots, or do you think that is a hindrance or is there a way we can deal with that?

**Richard Scudamore:** It is very hard to sit here and advocate that the role of shareholders has no place. First I would say that shareholders clearly have a role to play in any organisation and business, therefore the shareholders clearly have a role. However, what is proposed does make it almost impossible for the shareholders to not go along with what the Council and the board have approved. I know there was one incident in the past two or three years, where the Council voted for something and the shareholders did not. But as you will see in the proposals, the proposal to reduce the majority required from 75 to 66 makes it almost impossible for the shareholders to be able to stop something that the Council have approved. It is almost mathematically impossible, and that is progress, I think.

**Q13 Mr Sutcliffe:** That is a step in the right direction. If you look at other sports, professionalism in other sports means you have to strike the right balance between keeping the volunteers, keeping those people who are at the root of the game who help the game grow, but have a professional body running what is a multi-million pound business, and with football, in particular the ownership of clubs, where we are with clubs and supporters. Do you want to say a little bit about how you think that the FA can help to develop the role of supporters? I know you have an open view about the management of clubs, in terms of different models of ownership. But do you want to say something about how the FA could help the role of supporter?

**Richard Scudamore:** Again, your report makes some very good recommendations. As you say, we are neutral when it comes to ownership models.

Obviously we want good owners who run the clubs properly and certainly we want to know who those owners are. You are perhaps alluding to some of the more co-operative type ownership structures and schemes, which football supporters direct. There is the formal organised supporter groups, which I think clearly have a huge role to play. There are recommendations in your report where you ask Government to look at ways of helping to improve the facilities and the ability, through legal means, of those organisations getting more involved and making it easier for them to run football clubs. We are happy to take part in those working groups.

The Government—DCMS—have committed to forming expert groups. They have not yet formed those. When they do we will happily take part in those and we will do all we can to encourage that. Similarly, despite its inherent quirkiness and oddness, we have continued to fund Supporters Direct and the Football Supporters Federation to considerable levels, and we try to help where we can. Clearly that is also an interesting challenge. You are asking your 20 owners to fund an organisation whose avowed intent in some cases is to remove the owners of the clubs that funded them in the first place. Therefore, I accept that there probably ought to be some alternative methods of funding those organisations. We are actually funding Supporters Direct, which is quite interesting, to work on a project to improve their fundraising, which I think has some merit, where our funding is used to help their capability to improve their fundraising and see if they can raise more funds to be more self sustainable. I think they themselves would admit the last people in the world they really want to be funded by is ourselves, because in some ways it compromises their ability to do what they want.

The whole supporter engagement thing in our response I think is quite clear, we absolutely believe in proper consultation. In our rules this summer we have just approved that every club should have a supporter liaison officer, and that is the link between recognising and having that formal dialogue that must then get reported at senior level into clubs. There are lots more we can do together. Can I just say that—as you do in your jobs, you have activists within your party, you have activists within your constituencies, you also have members and, when you are a constituency MP, you also have people in opposition that you still have to represent in your constituency, and you have the silent majority often as well—we similarly have to listen to all voices in the football world. We have 45,000 people that we currently research and survey every year, and we get feedback from them. We do not take our sources of fan, supporter and customer information just from the representative bodies and the representative groups. We have to take it from a much wider constituency and still, as you do, you have to come up with decisions that you are prepared to live by, stick by and work with. It is complex. It is complicated, and we are in the same business as you are in that regard.

**Q14 Mr Sutcliffe:** I understand that. I would just make the comment that I understand the problems around the funding of Supporters Direct, but as that is



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the only vehicle at the moment it needs to be maintained and continued, and we need to make sure that the mechanisms are in place for it continuing.

**Richard Scudamore:** I do not think anybody has done more than us to help it continue, because we stepped into the breach when others couldn't and have funded probably to the tune of about £1.5 million over the last two, going forward, three years. We are as committed as you are to that.

**Q15 Steve Rotheram:** Just on that point, isn't it an ideal opportunity now, given the enhanced television rights that have been sold, to properly fund Supporters Direct?

**Richard Scudamore:** First of all, two of you now have referenced a new television deal. That is not yet contracted even. We are in an exclusive negotiating period with BT and Sky to try to get that contracted. When that is done we will go through our normal planning cycle, and in October, November and December of this year we will start to think about what is the right thing to do with that funding. Already the clubs themselves are saying, "We want to have serious discussions about what this income can do, once it is contracted, for the benefit of our clubs and the benefit of the sustainability of our clubs", so that discussion will be had. The right time to do these things, and it is the same with our solidarity discussions with the Football League, PFA, LMA, all the other organisations, that comes into play to be agreed probably around about February, March of next year, so it is a little early. There is no ink yet on any contract with those deals. When it is though—and hopefully it will be—then, yes, that is the time to sit down.

As I say, I think football generally needs to decide what the most appropriate way of funding things is. There are lots of rather complex interrelationships, where we fund certain things and then people fund certain things separately and everything else, but, yes, I think there is a conversation to be had. The line is already building around the block outside my office of people who want to come and talk to us about various things that could be funded. But I certainly do not disagree that one of the top priorities is finding a way, because I think there has to be a better way of properly funding those particular organisations.

**Q16 Louise Mensch:** Let us talk about your response to our criticisms of the National Game Board and the Professional Game Board, and indeed structures in football governance in general. We said that the National Game Board and the Professional Game Board ignored key interest groups, in particular, the associations representative of women's football, under-represented lower league clubs and non-league clubs. Apart from that key problem of under representation, all those important groups within the game were there to provide a silo mentality. We said that you should look at getting rid of them but instead of taking on board the criticisms that we made of those two things, your response was actually to reinforce or even to strengthen their position within the game. Why are you ignoring our recommendations on these key bodies?

**Richard Scudamore:** Let me just talk to the Professional Game Board, I think you will have to speak next week to people regarding the National Game Board and the rest of the FA. But in terms of the Professional Game Board, we have absolutely committed to form groups underneath the Professional Game Board. It must actually involve the other professional interested groups that you have referred to. At the moment, for example, the Football Supporters Federation have a seat on Council. That does not get them near—in their arguments, and I think probably in your report—to the people where the action or the decisions are taken. Therefore, whether that has come through in our actual response, certainly the working group paper that we are working through the core group specifically says that the supporter groups and those other interest groups, whether it be the league managers or the players, will absolutely be represented on effectively technical working groups beneath the Professional Game Board. It will feed straight into the FA board via that and, therefore, we are taking it very seriously.

**Q17 Louise Mensch:** Why not the Game Board itself? From what I am hearing, you are going to allow them to feed up to the Professional Game Board through subcommittees. Why are they not going to be represented in the Professional Game Board itself, if you propose to strengthen its position?

**Richard Scudamore:** That is where the Professional Game Board, the National Game Board, the National Game, the Football League and the Premier League, that is how we think it works best in that sense.

**Q18 Louise Mensch:** In general, we wanted you to consider reducing the number of bodies involved in football governance, rationalising some of the duplication of bodies involved in football governance, and your response back to us appears to suggest an even more complicated structure with even more bodies, some of which appear to duplicate the others. The Regulatory Policy Group and the FA Regulatory Authority, how would you answer the accusation that these two things are just reinstating under a new name the current setup with the FA board and the NGB and PGB committees, just renaming it?

**Richard Scudamore:** Again, I can only go back to my opening statements. In 15 years this is a very, very radical shift, where clearly the Regulatory Policy Group is absolutely deliberately involved in policy-making and is the main advisor to the main board in terms of policy-making. The Regulatory Authority is absolutely the arm's-length implementer. Therefore, it is very, very different. In fact it is a semi-autonomous body, as I understand it to be. That is a very different structure than the one we have now.

The Football Regulatory Authority, if you were to read the minutes of those meetings, they do cover both policy issues and they cover all sorts of other issues, implementation issues. It is a very different structure. Therefore, if you look at the clarity now that this proposal puts forward in terms of the role of the board, the role of the board and its ability to make recommendations on rules and regulations. If you look at the role of the Regulatory Policy Group and you

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look at then the implementation group, the Regulatory Authority, these are much, much clearer defined, much tighter roles, much better roles, and also acknowledging the fact that the FRA can step in where leagues fail to apply their rulebook. Therefore, as I say there is much greater responsibility and accountability. For those of us who worked within—and I understand it is hard to appreciate necessarily, if you are looking at this from the outside—this is a radical shift; it is a very progressive radical shift from where we are now.

**Q19 Louise Mensch:** Let us take the Regulatory Authority. It is proposed that under the Regulatory Authority, which is a new body, there will be further specialist subcommittees to look at individual breaches of the rules and disputes of the rules and regulations. Within the Regulatory Authority itself, you are proposing not only to have these two new bodies in addition to the board, but within the FA regulatory structure to have subcommittees that report back on individual breaches. So like the Hydra, you cut one head off and 15 more spring up in its place. We are trying to streamline football governance here and to get a more transparent structure. With the new proposed regulatory authority there will be subcommittee after subcommittee beneath it reporting up. How is that providing more streamlined football governance?

**Richard Scudamore:** Look at the report in its entirety. The committees now no longer report to Council, all the other committees report straight into the board so there is a streamlining there. There is a streamlining, as I have already talked about, between Council and the shareholders. There is a streamlining in terms of the way decisions are made. There is an absolute clarity now as to where decisions and authority lies between what the board is carrying out in its own right, what the board is carrying out after consultation, what the board is carrying out after recommendations from either the Professional Game or the National Game. There is a huge clarity in what we are proposing. But you also have to understand it is a complex business, you cannot expect one small group of people to necessarily have all the detailed expertise on particular topics. The reason for subgroups or subcommittees is quite frankly to make sure you can populate those, so you have operational expertise and operational competence.

I can only give you my honest view, having sat and witnessed often the molasses of trying to get things done over 15 years. I believe—I can only give you my honest opinion—this is real progress, it will provide real clarity and I think it will improve the governance procedures within football immensely.

**Q20 Louise Mensch:** As you say, the Regulatory Policy Group is going to have decision over the broad sweep of policy, and that is going to include compliance with international law, affordability, robustness, all those types of things, and it is also going to deal with disputes. Given that, what is a less constituted FA board to do then?

**Richard Scudamore:** There is a lot for the FA board to do. This is only policy in relation to regulatory

policy. If you look at what the FA board has to do, the FA board effectively has to run the FA as a business. Therefore, it has huge business decisions to take and it has to take those in its own right. Even our representatives—when we send them—will not be taking a representative line or whip when it comes to those decisions, those decisions have to be made under fiduciary responsibilities in what is the best interest of the FA board as a business. Things, like whether to build St George's Park or not build St George's Park, what we do with Wembley, huge assets that the FA owns, how to sell the FA Cup rights, which television broadcaster to sell them to, all those things that the Premier League must not have any sort of self-interest in. Those decisions have to be made by the FA board in a free and independent way.

Then there are other decisions that the FA board ultimately has to be able to take for themselves. If FIFA, by statute, requires certain things to happen in a football regulatory sense, for example you have to have a disciplinary system for miscreant behaviour, if FIFA require that then the FA board—independent of whatever the Professional Game or the National Game might think—ultimately has to be able to implement and make good those commitments that FIFA have imposed upon the game by way of statute. Therefore, the FA, yes, they have to consult; yes, of course they have to consult widely with us, but they have to make those decisions. I could go on and we could go on to way past hopefully the time we are allocated, but the actual FA board themselves will have an awful lot to do and they will be busier than before, not less.

Specifically in regard to regulation, then, yes, the Football Regulatory Group will be recommending regulatory policy to the board but that is a very narrow part of what the FA does.

**Q21 Louise Mensch:** Overall, the shift of our recommendations were designed to make football governance more transparent, especially for fans of the game who are looking at a structure that they see as complicated with no one body having overall control, endless tensions between people. I hear what you say, but it is pretty hard for the football fan who is not sunk in football governance to understand how two new umbrella committees, a raft of subcommittees, the continued existence of a National Game Board and the Professional Game Board, and then an emasculated FA board that is only going to decide principally on certain punishments and on financial matters. That looks to most people from the outside as replacing one system, which we think is too complicated, with an even more complicated system and emasculating the role of the FA board. What is your response to those criticisms that will undoubtedly come forward from that?

**Richard Scudamore:** Again, I think you have to ask these questions of the FA itself. We are a part of the FA. We have to understand, though, this is a complicated business. It is a complicated industry. You have heard me say this before. There is a football industry that is a wider issue than the football business, which is a wider issue than the regulatory function that comes within the role of football, regulatory function in terms of on field and off field

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regulation. Unfortunately it is unavoidably complicated in many senses, but all I can do is repeat myself. I think there is a clarity to what we have proposed that clarifies, once and for all, that the Football Association of this country is the governing body of football in the country. We have no problem with that. It defines what their role is; it defines when they are acting in their interests. What it does, it cuts into two their role as the Football Association as its own business and the role of the Football Association when it is carrying out its governing body and regulatory requirements. It splits that in to two and tries to articulate that, that is what I think a lot of people get caught up in. Mrs Mensch, it is very difficult for us to be able to go out and say to the man in the street that there is one single body, because people tend to then want to embody that in the person who leads that body, which can sit and decide on everything that goes on in the entire industry.

Patently what this proposal does, if you read the submissions carefully—and you clearly have—is it tries to break down and make some sense of what looks like a very complicated mess. My argument is it makes it clearer, it brings clarity to it. It is about accountability and responsibility, and I think it is going to be improved under what is proposed, not made worse. I cannot avoid the fact that it is complicated because it is a complicated industry, let alone a complicated business.

**Q22 Chair:** Just before we leave the governance structure, you describe what is proposed as being the most radical shift for 15 years. Nevertheless, as all my colleagues have pointed out, it falls some way short of what this Committee recommended, and particularly in terms of composition. The Premier League understandably wishes to retain a strong presence on the board. Therefore is it fair to say that it is the Premier League who regards the proposals in the joint response as about as far as you are willing to go?

**Richard Scudamore:** That is a very interesting question, John, the way you have proposed it. Again, I think you need to speak to others. In all these things, when you have had four people in a room discussing how you can all make progress, there will be others you will speak to next week who think their constituency have been pushed far, far further than anybody thought they would have been pushed at the start of this exercise and I am not going to necessarily name names at this point.

We have managed to convince our clubs to give up quite a degree of what we might see as autonomy, and actually give some clarity as to where the FA are clearly our governing body, and we have to respect that and do that. In terms of some of our proposals around the application of the owners and directors' test, and everything else, where that is going to be moved ultimately into FARA, into the FA to do that, there are some things where the whole game is affected. Therefore, you have to have whole game solutions and whole game applications of regulation and we have given stuff up.

You have characterised it as: is it as far as you can go? If I say "No" to that, then you are going to press

for more, and if I say "Yes" to it, that is the more obvious answer. Understanding this is only part of a journey. We have only reached this far so far, and clearly we want to see how far we can go with this. We have never been idle. When you look at our rules evolution, when you look at what has happened our 800 rule book was only 300 when I got there, 12, 13 years ago. We will go on evolving our rule book. We will go on evolving our own processes and I am absolutely sure this is a living, breathing exercise.

I do not think the whole thing is entirely set in stone. But I would commend at least us trying to implement and get going what is quite a complex organisational shift, not just within the FA, within our own representation at the FA and the way we manage our representation at the FA. Therefore, I would just ask you to at least allow us to get on and see if we can get this to work as a very good starting point on what is inevitably a journey.

**Q23 Mr Sutcliffe:** Just to follow that up, are you frustrated by politicians and Government getting involved in your body?

**Richard Scudamore:** No, not at all. I tell you, we would not be here now if it was not for this Committee's work. I said at the start, my view is the impetus that your inquiry and your Committee's work have given this, we have been walking around the corridors of football saying, "We must do something. Something must be done. This is a serious business. This is a serious issue". You can take some pride and some credit, if you wish to take credit for the progress that is being made, because I think that is the truth.

**Q24 Steve Rotheram:** Within these organisational improvements how long will it be before we see evidence of a much more representative structure, i.e. people from black and minority ethnic groups, women, the lower leagues, the non-leagues and people from different socioeconomic backgrounds, whatever it might be? How long do you envisage that we will actually see some evidence?

**Richard Scudamore:** Again, I think you have to ask your question of the FA. Certainly, you have wrapped an awful lot up in there. Non-league, is clearly entirely represented, lower leagues are clearly entirely represented. The professional game and the National Game represent those that play the game at all levels. We could go off and spend a lot of time, in terms of what is going on in terms of anti-discrimination, in terms of the inclusivity stuff. I think the FA next week will be very well placed to talk to you about the huge progress that is being made in the inclusivity, that whole agenda that is absolutely right.

I cannot put time limits on the specific answer to your question, but we clearly take very seriously the supporter views. We spend a lot of money making sure we understand where our supporters are. What we have to try to do is make sure that the policies and the decisions that are taken are in some way framed or shaped by that, if it all possible, and can be reconciled with what the clubs wish to do and with what we wish to do, so we take all that very seriously. We are small part of this. We are 20 clubs who have 20 owners, but when you look at the many thousands

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of clubs and what is going on at the FA I think they will be in a better place to answer. But I certainly sense a significant level of work, involvement and development in terms of making the game as inclusive as it can be at all levels and we have a good track record of inclusivity.

**Chair:** Can we move on to the next area, which is money, I suppose.

**Q25 Jim Sheridan:** Richard, I would like to ask a question about football agents. There is a school of thought within communities that agents are somewhat disruptive, they take money out of the game without putting anything back in again and are seen as a luxury that the game cannot afford. The Committee have put forward a recommendation that you have probably heard, but I will read it out anyway. It is that, "Agents should be subject to tighter regulations, particularly with regard to the tapping-up of players and the FA should press for an international solution to this for the collective good of the game". Do you have any views on that?

**Richard Scudamore:** Yes, I agree with it. However, we are all swimming against the tide and FIFA do not agree with it. FIFA in fact are on the verge of—I would not say—ignoring your claims that FA should get international action on this. FIFA are almost doing the opposite, and are almost on the point of deregulating agents because they do not feel they can effectively regulate them. They are putting the onus entirely on individual players and individual clubs to police the regulation of agents.

We have gone through oscillation in terms of our regulation of agents. We had relatively loose regulation, then we had very tight regulation in terms of stopping dual representation, and then I think we came up with the current FA regulations. It is not the Premier League that regulates them it is the FA, because clearly it is one of those whole game issues. The current FA regulations on agents are, we think, proportionate and quite tight or at the tighter end in terms of regulation. FIFA are looking to liberalise that and take those away. We certainly would support your view. We would support the view that agents do need proper regulation, and we are still continuing to lobby FIFA to get it back to a slightly more proportionate position than the rather looser arrangements that they are proposing on a worldwide basis.

**Q26 Jim Sheridan:** Does FIFA have the final word on that? For instance, if the Premier League clubs collectively decided not to recognise agents could you do that or would that be breaking FIFA rules?

**Richard Scudamore:** It would be very difficult. It would be very difficult because you would be basically breaking FIFA's statutes, yes. Also, it puts you in a ridiculous position competitively. Where your recommendation is absolutely right, it needs an international solution because any local domestic solution, given the international nature of the game, is just not going to be effective.

**Q27 Jim Sheridan:** The difficulty I have, given the past revelations of FIFA, I do not have an awful lot of confidence in them, especially when it comes to

money exchanging hands. I can understand why they may have a preference for the status quo. However, moving on, could I also ask you, Richard, about the Football Creditors Rule? Again, the recommendation is that it should be abolished either by the FA or indeed the HMRC. An important recommendation is that the Government positively encourages excessive financial risk-taking and it is harmful to the communities that the clubs are supposed to represent and serve. Can I just say before you answer the question, you have probably recognised by now that I come from the northern part of the country where there are severe problems in terms of football?

**Richard Scudamore:** You will have heard me at my past appearance here put up a sporting defence of the Football Creditors Rule; sporting in both contexts. However, I cannot in any way morally defend the idea that businesses go in to administration and ditch debt. That has an impact further down the line on businesses and everything else. Therefore, clearly that is an abhorrent position to be in.

A couple of points: the HMRC have driven the challenge to the Football Creditor Rule and, as you know, they have just lost the case to the Football League and have decided not to appeal that recent case. I am limited as to what I can say in one sense because we are still in active litigation with HMRC on a similar basis. All I would say is we have moved on into a much more positive position in terms of HMRC who are the main drivers of the challenge to it. We introduced rules back in 2010 that said no clubs could have outstanding HMRC debt, and we have not had a club fail that test at any time. One has to ask the question I think, Mr Sheridan—both north of the border and south of the border—as to how HMRC over the past 15 years have allowed such debts to be run up because I certainly as an individual, and I am sure many of your constituencies running small business, are not allowed to run up a day's worth of HMRC debt. Again I think there has been a tightening of the authorities, and speaking to them, as I have over the past two or three years, they have been vigorously lobbied by members of your profession, when a club gets into difficulties, to treat those clubs relatively gently because of their community aspect and their community value. I think there is a degree of being cruel to be kind in this. I am glad to say, though, that the incidence of HMRC indebtedness has been eliminated from English football. I think the Football League is in a similar position to us, and that has got to be right. That has got to be a good starting point.

As I say, you have heard before my sporting reasons for defending the Football Creditors Rule, in terms of its ability to sustain a club within the division that it is in, or slightly below, rather than having to completely go the route that unfortunately Glasgow Rangers are going. It is a situation that, because of our new financial rules, because of future financial information, because of our sustainability tests and everything else, I am hoping you will see—and certainly I do not wish to see, and I cannot say it will never happen—the likelihood of facing the administration as a Premier League club is awfully slim now from the changes that have been made. It will be for Greg Clarke next week to talk to you about

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the progress that the Football League has made, in terms of sustainability with their rules and regulations. I would not want to steal his thunder, but I think you should ask the same question of him and I am sure you will. I think the answers will be very encouraging.

**Q28 Jim Sheridan:** It would be fair to say that the chances of Rangers going into administration a year ago would have been extremely slim as well. But even in the Premier League, Richard, we are talking about £445 million pre-tax loss in season 2010 and 2011. Then of course we have the example of Rangers in the Scottish Premier League. I have to say that we did invite the SFA to come along today, but for reasons best known to them they could not make it. The difficulty that the fans have is trying to get some sort of answers from the people who run the football, particularly in Scotland, and we are totally dependent on the press and media, who themselves are struggling to get some answers from people and the SFA.

I really do not want to talk about football because the SFA and the FA and others in the game often confess that they know best about football. But we are now talking about taxpayers' money that politicians are extremely responsible for. If you look at the situation in Ibrox, Ibrox was sold for less than you would pay for a cup of coffee at that stadium. No consultation with the fans, nothing whatsoever, and these people—that is people who have spent their life supporting the club—are seeing it taken away from them, and I think it is just absolutely disgraceful. While I am asking you to comment on the details of what exactly happened are there any lessons that you have learnt, even from a distance, which could help?

**Richard Scudamore:** Yes, huge lessons. If you take our regulatory journey, from the time we started to introduce what we then called the “fit and proper persons” test, obviously Portsmouth was out big salutary wakeup call, and we have confessed to that. We confessed to it at the time and we continue to confess to that. Again I go back to: HMRC should not allow anybody to run up a penny of football debt, quite frankly, because that would be a good starting point. Then you look at the future financial information, you look at the disclosure of ownership. Again, all our rules changed entirely after Portsmouth when we had that series of owners that went through Portsmouth in a very short space of time. We have tightened up on disclosure ownership. We have tightened up on finances; future financial information and banking information; 19 of our clubs last year applied for the UEFA licence and met the UEFA licensing criteria. There is a huge raft of changes that we have made in the last five years in order to address those lessons.

I cannot comment specifically on the Rangers' situation, but for the grace of god. It is a club not on my watch, but I clearly feel very sorry for what is a great Scottish football institution and the troubles they are having. I certainly know that the Scottish Premier League and the Scottish Football Association do not have the same level of rigour of rules that we have adopted in the last five years, as a result of what has happened in this country.

**Q29 Jim Sheridan:** Finally, notwithstanding what you have said about HMRC and that they should have far tighter rules or regulations in terms of football, do you also think that the FA or SFA, or whoever it may be, should be responsible for carrying out fit and proper tests on the people who buy football clubs? The standard is now anybody can buy a football club with no one checking up on their background. Would that be helpful?

**Richard Scudamore:** Yes, but clearly we do. We spend considerable sums of money now investigating the bona fide nature of football club owners, and again we do exhaustive tests. But we do exhaustive tests on the legality of whether they can, on their source of funding and the legal nature of that funding, on their ability to fund and their ability to pay. But you will understand that that falls short of an entire competence test and people still come and buy football clubs and make mistakes and not do well managing them. But as far as we realistically can, and we work closely with Government, we ask the Home Office, we ask the Foreign and Commonwealth Office, we are into BIS; we are into all the Government Departments. We are very co-operative, in terms of making sure that the people that do come and buy football clubs in this country, as I say, there is nothing to prevent them or nothing you would have prevent them and there are stringent tests. We require absolute proof of funding and we engage directly with their banks and their banking organisations. We make sure that they can fund and sustain the club for the short to medium term, recognising of course that they can make business decisions at any point down the track from that that alters that situation, which is why we can require further financial information at any time. Also, on change of ownership we require a whole new set of those tests to be passed. Yes, I would commend what English football has done collectively in the last number of years to increase sustainability because actually, when all this discussion about finance and money goes on, the single most important thing, in my view, is the sustainability of the club, making sure it is there for future generations. That is by far the most fundamental concern.

**Q30 Jim Sheridan:** In a Scottish context, hindsight is a wonderful thing but has any individual organisation been refused the opportunity to take over a club in England?

**Richard Scudamore:** Yes, a number. We have refused a number in the last three or four years, yes, a considerable amount.

**Q31 Jim Sheridan:** Would you like to share them with us?

**Richard Scudamore:** No, I cannot.

**Jim Sheridan:** I thought so. Thanks, Richard.

**Q32 Chair:** As you were saying earlier, it is too soon to say exactly what the outcome of your negotiations is going to be in terms of the revenues from broadcasting rights. Nevertheless, it is quite clear that the Premier League is going to receive a huge sum of money from international broadcasting rights for the next three years, probably £3 billion. Is there any

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reason to believe that that money is not going to go, as it always has before, on astronomic salaries for a small number of players and transfer payments and that the level of debt will not be reduced?

**Richard Scudamore:** Yes, I think there is reason to believe that it will not all go that way. There was an interesting reaction by my 20 clubs to the announcing of the deal. After the “Thank you very much” first reaction there has been a very sobering reaction with quite a considerable number of them saying, “Right, now is the time we should sit down and really think about what we should do with this money”, and those discussions have taken place.

We had a very, very good discussion at our summer meeting. Our annual general meeting took place on 31 May, which was long before they knew about the new TV deal. Even then we were talking about what to do, in the light of the fact that financial fair play clearly is coming in and impacting at the UEFA level and do we extend that down through the rest of the league. That was a very good discussion and we are forming—sorry Mrs Mensch—more working groups to discuss that particular issue, because it is a democratic organisation where we have to sit round and think these things through and not just impose it from on high.

But we will sit round and discuss not just that but the whole wider issue of what to do with these increased funds. We will be doing that again to fit that timescale I spoke to in reference to Mr Rotheram’s question. The planning phase of that will be October, November, December. As you know, it is quite busy in August around football. The season starts and Olympics and all that stuff. Autumn will be when we do that, going forward to proposals in front of clubs probably in February, March next year. By the time the season kicks off in August 2013 we will see some things.

Yes, there is hope for increased infrastructure spend. Certainly youth development, all the progress we are making with the elite player performance plan and all that youth development investment, I think there is further scope for investment there. There is further scope to take some of that money to reduce losses and therefore improve sustainability. But one would come back fundamentally though to the Premier League—to keep what you know I describe as a virtual circle going—will want the clubs to make sure they invest in top talent, and make sure that we still attract some of the world’s top talent, and ultimately that is what it enables the clubs to do. Will some of it find its way into acquiring talent and paying for the top talent to come to this country? Yes, it inevitably will, and I am not going to either shy from that or apologise for that.

**Q33 Paul Farrelly:** Before we move on, I want to pick up on Jim’s point regarding agents and FIFA. On the one hand, FIFA has been in the dark and has been told to improve its game because of the corruption that has afflicted it. Yet, on the other hand, it is moving in a direction on agents that does not necessarily increase transparency or eliminate conflicts of interest, which are breeding grounds for more corruption. I was just rereading Tom Bower’s book *Broken Dreams* at the weekend—I see your reaction—which can serve as a

warning, even if you do not believe everything that is in there. When it is being held to account on the one hand, why do you think FIFA is moving in the opposite direction on agents?

**Richard Scudamore:** Again, it is a question that I will try to answer only from my perspective. I can only imagine it is because I think there is a level of complexity on a global basis that is very hard for them to deal with. You will recall Lord Stevens did a Stevens inquiry into a huge tranche, I think, of two or three seasons’ worth of our entire transactions, and we ended up with a batch of those that we could not verify. I think there were 17 that we could not say ultimately had been done properly and in accordance with all the regulations, and we could not work out the funds for those and everything else. We send them off effectively to FIFA who do not have the machinery, or did not have the inclination to want to deal with it, because it was where international agents were involved.

In some ways, they have decided that it is too hard. It is in the too difficult pile and too complex pile to regulate these things on an international basis. They have tried to come up with an alternative system, which is where you effectively say to the player in a club, “You are responsible for the behaviour of anybody that you pay to represent you”. I do not want to be disrespectful to players, but that is probably not their core competence in terms of what they are paid to do. What fills us with some horror, and I think the Players Union as well, is the idea that you put the responsibility on the individual player to make sure all the financial moves, the transactions and everything else are entirely bona fide. It is quite difficult, and I cannot do anything but agree with you. I just think there is an application really that is not good for the game.

**Q34 Paul Farrelly:** Clearly they do not have the strong sense of subsidiarity and letting other people get on with it where those other bodies are more capable.

**Richard Scudamore:** Yes. Except for, if you do it on a subsidiarity basis how does that work on an international basis? Again you go back to there is no point in the English FA doing one thing and then all the other FAs doing a different thing, when the issue is at international level. It is an international trade issue, really, and again I would welcome any influence you have in terms of improving that.

**Q35 Jim Sheridan:** There seems to be a lack of political will. Do you think that is the problem?

**Richard Scudamore:** Yes.

**Q36 Mr Sanders:** The fit and proper person test, is it the same for clubs in the league as it is for Premier League clubs?

**Richard Scudamore:** Yes. It has now been renamed owners and directors’ test because I think the words “fit and proper” has an interesting connotation. People think it is a competence test, and therefore they are all going to make the right decisions. It is an owners and directors’ test. Following our solidarity moves two years ago we asked the Football League, in

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exchange for giving them some extra money, could they bring their financial regulations, their disclosure regulations and their owners and directors' tests into line with ours and therefore there was an alignment. It was not a one way alignment. We aligned some of our rules with theirs and they aligned some of theirs with ours and therefore, yes, that was all part of that deal struck two years ago where they are the same test.

**Q37 Mr Sanders:** Can you explain that test, how it works, precisely what is disclosed and how you seek that disclosure, given that most people do not like having to disclose their bank accounts and their wealth and shareholdings? How do you go about that and what level of disclosure do you obtain?

**Richard Scudamore:** First of all, we have a very wide definition of "owners" and "directors", and so it is not just the legal owners and those who have shareholdings. It is those who by virtue of funding we think can exercise influence over those that do own the shares.

**Q38 Mr Sanders:** What does that actually mean?

**Richard Scudamore:** What it actually means is if we take directors. Obviously there are directors of a company. We apply it to anybody who is going to be a director of the company, but we also apply it to anybody who is going to be an owner even though they may not be a director. Clearly, there is no point in just applying it to the directors if the owners decide not to take a seat on the board and own the club, so we apply it to owners as well. We apply it to anybody who may be acting in concert parties. We take the widest Companies Act definition of what a concert party is. Also, we take it to its furthest level as to who the ultimate beneficial owners are. If some offshore trust decided that they were going to be the owner, we do not just stop at the off-shore trust level, we actually go in and establish who they are, and if they are not prepared to tell us they will not pass the test.

We have to be able to work out who the ultimate beneficial owners are, even of those trusts, so that we can make sure that there is no conflict with ownership in other clubs and make sure that it is bona fide. We go in, we basically ask for a declaration as to who the directors are, who the owners are, and who the ultimate beneficial owners are of any trust arrangements or any other financial arrangements. We obviously do desktop research through the normal research agencies and we actually employ a business intelligence company, a covert business intelligence company, to go in at multiple levels within foreign jurisdictions—and within our own jurisdiction—so they go in at political level, they go in at legal level, they go in at security services level, right into the heart of another country's jurisdiction and ask questions. Then we go into Government. We go into the Home Office. We go into BIS. We basically go into the relevant Government Departments, just to make sure that what we are being told about these people is bona fide and that they do not actually have any reason to fail our test. Then obviously we go into the financial aspects, which is the source of funds, where the

funding has come from, obviously all the money-laundering tests, and all the money laundering tests that the banks have done and everything else. We make sure that the money is bona fide money, so there is an exhaustive list of stuff we do before somebody is allowed in.

**Mr Sanders:** If only that had been in place in the past it would have saved a lot of error.

**Q39 Louise Mensch:** It sounded like you were saying that you were hiring Kroll Associates to go into owners and directors and investigate them. Is that the type of thing you are talking about?

**Richard Scudamore:** It is certainly the type of thing we were talking about. The fact that you have heard of the name Kroll, by definition, would mean it probably would not suit our purposes. It is even more covert than that.

**Q40 Louise Mensch:** It is even more black-ops than that, is it? I have written spy novels in the past and this is what it sounded like.

**Richard Scudamore:** The fact that you can name them would rule them out as being suitable for the purposes of this work.

**Louise Mensch:** All right, double, double secret probing.

**Richard Scudamore:** It is serious stuff. Actually, I have to say, 15 years ago when I signed up to join this business I did not think I would be involved in doing it, but it clearly is an important part of what we do.

**Q41 Steve Rotheram:** Perhaps I should declare that I was a football fan as a fanatic a long time before I was a politician, and I was leafleting for the Labour Party when I was 10 years of age. I am glad to hear you leafleted the Labour Party. It is very good.

In regard to what you said earlier to Mr Sheridan's questions about complacency about what is happening at the moment, there are people who are complacent. I speak to people from football clubs, and basically they believe that not only is it a virtual circle but it is a bubble that will not burst. Do you agree with that?

**Richard Scudamore:** Sorry, it is a bubble that will not burst?

**Steve Rotheram:** That will not burst, yes, the Premier League.

**Richard Scudamore:** You cannot be at all complacent, can you, and we are certainly not. When you say, "a bubble that cannot burst", what we do is produce something that people are interested in. People have been interested in it in increasing numbers since we started. In 1992 9 million people came through the door that season and last season 13.5 million people came through. Across the world, 12 years ago when I got there we had one international broadcasting contract. There are now 212 countries that watch it. Clearly there are increasing interest levels but we are not complacent. The interest levels in our league only continue while it is a sporting competition, first and foremost. Simon Barnes writing in *The Times* on Monday said, "Please, it is not an entertainment business first and foremost. We are involved in sport". Sport is about proper sporting competition.

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Therefore I do not underestimate that the only reason why people are so interested in what we do is because the football that is put on, and the way the game is played on the field of play, is admired and is admired around the world. It is admired for many, many things. It is admired for its pace, its commitment and its honesty, quite frankly. There are other football regimes in the world where it is not necessarily as honest a sport as it could be. Therefore there are huge things that we should be proud of, in terms of why English football is played the way it is played. But clearly, as an industry, we have to face the ongoing challenges of making sure we continue to be of appeal to those people. I have said many times, and you have heard me say before, we have lost some supporters but by definition, and the mass prove, we have picked up more than we have lost but you cannot go on losing core chunks and not being able to pick up new ones. Therefore it is a continual challenge to make sure we are as inclusive as we can be, to make sure that there are people still wanting to fill the grounds. That is the most important thing, filling the grounds, because that creates the part of this thing that is so attractive to people across the world.

So while there is a virtual circle and it is a bubble—if we keep on doing the right things and we keep on being encouraged to evolve, move the regulation on and move the business on the way we have moved—I cannot see why it should burst. That does not mean to say it cannot, and that does not mean to say we do not all have to be very vigilant to make sure we keep protecting and preserving what we have.

**Q42 Steve Rotheram:** Uniquely, I represent a constituency that has two Premier League football clubs, Everton and Liverpool, so hopefully this next question will never be an issue to—

**Mr Sutcliffe:** Manchester—

**Steve Rotheram:** Manchester might have two teams, but no MP has two in the same constituency. You do not; not Premier League. Mr Scudamore, you told the Committee—

**Richard Scudamore:** Just carry on among yourselves.

**Steve Rotheram:** It is not an argument anyone can win. I uniquely have two Premier League football clubs in my constituency.

You told the Committee during its inquiry that you want clubs to be competitive when they enter the Premier League, and you need to protect them when they go down. What do you say to the argument that parachute payments to relegated clubs do not smooth out the transition, but rather encourage clubs who receive such payments to over extend themselves?

**Richard Scudamore:** I think “over-extend” is interesting. Again, we have put the regulations in that means they cannot. The minute they get promoted they have to put in their future financial information. You can probably imagine that a promoted club’s future financial information looks a whole lot rosier the day they get promoted than it did the day they leave to stay in the championship. Even so, that is now regulated in terms of what they can spend. Yes, there have been clubs that have come up and “bet the farm” on staying up and have perhaps not entirely

protected the club. We now have regulations that stop that.

The fact that we have extended the parachutes over four years—albeit, on a much reduced basis—again, it is the flipside of the same coin, isn’t it, on a risk-return basis. Yes, you could argue it allows them to over-speculate, but on the other hand we absolutely need them to come up and take part because otherwise you end up with meaningless matches. If a club just comes up and says, “I am not going to take part in this. I am not going to attract new talent. I am not going to improve. I am just going to continue to play at the level I played in at the Championship and go straight back down again”, it seems almost pointless. Therefore, we do want them to strike the right balance between investing the extra money they get in improving not just the playing talent. I think I have spoken to you before about the Blackpool effect. Blackpool came up and made a very good fist of it, almost stayed up on the very last day, were an asset, were an incredible bonus to the league, from the manager through to the fans, the way the club behaved. But they built a new stand while they were up. They built a whole new community scheme. One of their teams on the enterprise scheme came down and won the national awards, even though it took place after they had been relegated. They took part in so much more infrastructure, as a result of having invested the money that came from being in the Premier League, and therefore we want them to do that. I think the way we now manage future financial information, we now manage their accounts and we now manage the finances, I do not see any reason why they should be threatened when they go down.

**Q43 Steve Rotheram:** Is it not the case that it does create a destabilising influence on those teams who are not in the Premier League, or have been in the Premier League and come down, and received the parachute payments?

**Richard Scudamore:** It is interesting, when you look at the data—and again, Greg will probably be able to fill you in more on this—the number of teams that bob straight back up, having gone down, is very, very few; very few indeed. We only had one last year. I do not think we had any the year before, and maybe one the year before that. So it is very unlikely that the clubs that go down come straight back up.

It is also very encouraging this year that, as you know, the three that came up stayed up. That is very encouraging. The championship is the hardest of all divisions in many ways. You have the clubs that have come down, you have the aspiring clubs that have come up and clubs have come right through from division to division, Norwich the season before, Southampton last season, right from League One straight to the Premier League in one fell swoop. It is a very competitive league, is the Championship.

Yes, football is under stress and strain at every level, at every division, trying to make ends meet because that is the eternal struggle that is football. Again, I think the championship is a good division. Greg will talk to it next week. The way the parachute system works, and potentially there are 12 clubs at any time who have a parachute within that league, makes those



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clubs more sustainable, not less sustainable that, which again, goes back to my earlier answer as to what the absolute key priority is.

**Q44 Damian Collins:** What is stopping the Premier League getting rid of the Football Creditors Rule in your own competition?

**Richard Scudamore:** Remember it is not just our own competition, of course.

**Q45 Damian Collins:** The Football Conference does not have it, so they have to run their competition.

**Richard Scudamore:** No, but we trade between us and the Football League as well. Therefore our clubs will have football creditor debts to other clubs in the pyramid. Remember we are in a slightly different position, Mr Collins. We have central funds that we can withhold for the purposes of administering the Football Creditors Rule. This is not a situation where a club has gone into administration. There is only a small amount of assets compared with the liabilities and, therefore, the idea that out of this small pot of assets, post-administration, you are being asked to pay off certain liabilities before general creditors get hold of the money.

In our situation, if clubs start to fall behind with their payments to other clubs, we are in the fortunate position that we have central funding where we can redirect that funding. For example, because of the Football Creditors Rule—the Football Creditors Rule, post-administration, we obviously applied the Football Indebtedness Rule before then, which is the pre-administration version of the Football Creditors Rule—we were able for example to keep Watford afloat. Had we not been able to pay the money that Watford was owed, Watford probably would have been in administration as well as a result of Portsmouth's indebtedness. You will speak to the Football League next week who see more of this than we do. The argument for the Football Creditors Rule is effectively the domino effect of the indebtedness that gets passed on, which threatens more and more clubs. Therefore in order to get rid of it unilaterally I think it would be quite difficult.

**Q46 Damian Collins:** Are you saying that, as far as you are concerned, it would only work if the Football League agreed as well?

**Richard Scudamore:** Not quite like that. You have rather cleverly led me into almost suggesting I would if I could remove it, but I—

**Q47 Damian Collins:** Mr Scudamore, I take at face value what you said earlier. I am very sorry to interrupt, but you gave us this wonderful sort of homily earlier on about how it was morally totally wrong, and last time you put a sporting defence of it but you do not really agree with it. I am not trying to put the question in a clever way, I am saying if you really believe that—

**Richard Scudamore:** Let me take you back. When I say “a sporting defence”, there are sporting reasons why I think it should exist and currently I am defending it. I currently continue to defend it being the least of a bad set of alternatives, in terms of

preventing the cascade effect of clubs being affected down the line. What I find morally difficult is the idea that anybody runs up debts, walks away from them and does not meet those debts.

It was you and your previous colleagues, probably, in this House that have put a very liberal set of insolvency laws in place, and if you wish, as your Committee, to recommend the insolvency laws generally do not allow that situation to exist. Certainly that will be fine and we can apply that to all businesses, not just football. We pay all our debts. We pay on time. We pay very regularly and, therefore, clearly my view is every business should do that.

All I am saying is the Football Creditors Rule I understand and I am a supporter of it, because I think the consequences of the cascade effect it would have on other clubs, if those other clubs were not paid, is very damaging. Quite frankly, the only alternative would be if a club did go into administration—we are talking about a situation, which clearly we have done a lot to try to prevent—the only realistic alternative is liquidation of that club and the removal of that club. That is when the huge fan pressure comes on. Therefore the 92 clubs are saying, “If you want to carry on playing as a professional league club, you’ve got to pay us off”. Putting it another way, clearly there are charges that have taken over assets that get preference in any administration, so if you have a mortgage on an asset the bank comes in and takes that mortgage first. That money never ends up as part of the creditor pot in an insolvency situation. In effect, the football debts that you have run up in our situation, because we have central funds to distribute, they come out of that central pot first. That is the way it is. I can understand that some people disagree with that, and I know how strongly you disagree with that, but I am happy to defend it being the least worst alternative in order to keep a football club in business.

**Q48 Damian Collins:** I would believe the answer you have given now actually represents your true opinion. I think the earlier answer you gave to Mr Sheridan is a slight smoke screen to make it look like you do not really agree with it, but actually you fundamentally do because—

**Richard Scudamore:** What I do not agree with is clubs going into administration or any business going into administration and not paying their debts, and that is the same with any business.

**Q49 Damian Collins:** I know you do not share my view on this but I want to put it to you anyway. The rules as they stand at the moment mean that when clubs get into financial difficulties, they know that the money they owe to other football clubs is protected. Their debts will be paid. The clubs do not have any kind of real interest in ensuring that other clubs can afford to pay the debts that they owe on transfers. The players know that the money they are owed is protected and they have their special status, but other creditors—including the taxman—do not get that status at all. Why is it fair that the taxpayer is subsidising the performance of football clubs and small businesses are subsidising the performance of football clubs? Maybe getting rid of the rule will be

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part of a necessary process of correction in the way football clubs run their finances, and we just have to let that happen?

**Richard Scudamore:** Again, you have your view. HMRC I have dealt with. There are no HMRC debts being run up by Premier League clubs. When it comes to the small businesses, if legislation existed that certain small businesses under a certain threshold were protected then you would have the power as MPs to alter that. Frankly, what we are trying to reconcile is the difficulty between a very liberal insolvency law in this country that allows people to do these things, and a very difficult public situation where people do not want clubs just to disappear. That is what we are trying to reconcile.

**Q50 Damian Collins:** There are two things there. In terms of change, I propose to support a number of my colleagues in changing the insolvency laws in this country by amending the Insolvency Act 1986 to get rid of the Football Creditors Rule. Would you support a legislative move like that to relieve you of this problem?

**Richard Scudamore:** No, not just singling out football; I think that would be wrong. I just think we are in a very difficult place.

**Q51 Damian Collins:** But then football has a special status because of the way that football creditors are protected against other unsecured creditors because you treat yourself as a private club. Football clubs have a very different status from other businesses.

**Richard Scudamore:** That is the thrust of it, and you have heard me say this before. The 92 are forced to play each other the next week and that is why it is very different to normal businesses. The club only has a value if it can maintain its status, as clubs are finding out. What football has said, in order to maintain that status then you have to make a hole around this football club. That is the nub of it. You do not disagree with it. I know some of your colleagues do not. I will say it again, as the least-worst alternative, I agree with it on a sporting basis.

**Q52 Damian Collins:** Our concern is that the status of some of these clubs is being sustained on the back of debts they owe to people that will not be recovered, and that is unfair. From an administration point of view, when a club goes into administration, presumably, one of the biggest costs basis the administrator has to deal with are the football costs. That is where most of the money goes. It goes to football players. It goes to football costs. Therefore, it would surely seem sensible that an administrator could restructure those costs as part of trying to turn the club back into a going concern?

**Richard Scudamore:** That is exactly what they are doing. If you speak to Mr Birch down at Portsmouth and what he has had to do in the last x-number of weeks, that is exactly what they do. They sit with the players and they do those restructurings. They alter timings, payments and everything else. That is exactly what goes on in the real world.

**Q53 Damian Collins:** Through what was reported about the value of the new television deal for the Premier League business, the £2 billion figure that was reported, can there be any excuse for clubs getting into the situation at all? Can there be any excuse, and why should they be protected when they do?

**Richard Scudamore:** I said it long before Portsmouth went into administration—I think I said it six months before they did—the idea that through the Premier League we centrally provide £42 million to a football club, the idea that that is not enough to sustain yourself as a football club is wrong. At the end of the day, along with their other income, yes, I agree with you, there is no reason whatsoever why a Premier League club—and I am talking Premier League specifically here—should get themselves into that difficulty. I agree with you.

**Q54 Damian Collins:** Why do you think the Bundesliga is more profitable than the Premier League?

**Richard Scudamore:** I will try not to be flippant. German car manufacturers are different to English car manufacturers. There is a huge sociological study as to the way German sport has evolved from the mid-nineteenth century, all the way through to where they are today; where English sport has developed and where German sport has evolved from and to. They are just in a different place, and they have a different situation.

**Q55 Damian Collins:** Do you not think it is because we spend a lot more on player salaries than the Germans do?

**Richard Scudamore:** Individual players. What we have is more clubs. Our 20 clubs are in the top 50 clubs in Europe, by virtue of our incomes. The Germans fall somewhat differently. Less of their population exist in large urban centres as a country. Their fan bases are different. Their fan bases and the economics of their clubs are different. The way their top clubs are and the way their top clubs compete in Europe is different to ours, just like Italy is different, just like Spain is different. We have the English sporting model that we have. I am proud of it. I am an evangelist for it as you would expect me to be.

**Q56 Damian Collins:** Just looking at the Deloitte report, the incomes for the Premier League is £800 million greater than the Bundesliga. The salary cost of the Premier League is £600 million greater, so the gap is £200 million. Regardless of someone taking a socio-economic history of sporting competition in England and Germany, you might say the reason that you are less profitable is because your club spent a lot more on the costs associated with employing footballers?

**Richard Scudamore:** Yes, as the result of which we are universally much more popular around the world than the German league.

**Q57 Damian Collins:** I think it goes back to the question about financial sustainability, does it not? Because, again, those figures also suggest that there is

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more evidence that Premier League clubs are probably living beyond their means than what they can really afford?

**Richard Scudamore:** Except I go back to my point. Germany within Germany is extremely popular. Premier League within this country is extremely popular. Taking it around the world to those 211 other countries other than ours, we are far more popular than the Germans are who do not export very well. Therefore, we look at them and we know there are some things they are doing extremely well and they look at us and know there are some things we do extremely well. I am not keeping a balance sheet at this point. I would not swap what they have for what we have.

**Q58 Damian Collins:** A couple of quick questions. On England versus Germany, this is last year and I have not checked if the figures have dramatically changed or not. The Germans spent more in cash terms on young player development than the Premier League clubs do, which seems to be a very good thing, and that is probably why they are performing more strongly internationally than the England national team is. Do you think the Premier League club should be spending more on investing in developing young talent?

**Richard Scudamore:** It is interesting that, after some disappointing international results 10 years ago, the Germans came over and looked at what we were doing with our academies and went away, and—I have to say, candidly—not only did what we were doing but did it better. Therefore, thank goodness we have managed to get the entire FA football league and ourselves to agree to the new Elite Player Performance Plan. It is a huge investment. It is a monumental investment, not just in economic terms but in time, effort, energy and improvement terms. It is going on around the clubs. The revolution is starting. It is starting now. We will see the first of it this season. I absolutely know it will reap rewards because it is first and foremost a qualitatively-based system, and therefore we will be absolutely improving our youth development game. Thank goodness we managed to bring the whole of football with us.

**Q59 Damian Collins:** Is it your hope that because of the change in the rules clubs will now invest more money in those specific issues?

**Richard Scudamore:** Yes. It is not just investing the money. Clearly it is investing in the right things. It is coaching hours. It is coaching time. It is quality of coaching. It is the whole education thing. Again, the improvement made to the scholars in education, the whole piece. There has been absolutely no element of this that has not been looked at.

**Q60 Damian Collins:** As a layman you might say it is a better system, and probably a more expensive system as well, because it is better, because the clubs have more freedom in what they can do and how they can work with the young players?

**Richard Scudamore:** Yes.

**Q61 Damian Collins:** Finally, I just want to touch on something that has been discussed briefly, which is the role of the Football Regulatory Authority and its powers. Looking at what the football authorities gave back to our report, you could say: what has really changed? We create this new body who oversee it all, but largely the application for licences are very similar to what clubs have to do already. Clubs have to abide by the rules for their own competitions anyway. That is part of being a football club. But to me the only interesting new bit seems to be the power of this body to go into a league and say, “Is the league enforcing its own rules?” and therefore I agree with what you said earlier that that is a loss of autonomy potentially for a league.

**Richard Scudamore:** Yes.

**Q62 Damian Collins:** The most tantalising example of this was the debate about Leeds United. I know when you last came before us that was something we talked about quite a lot. As a result—if we believe what we read in the press—your chairman intervened quite successfully on the issue of Leeds United Football Club’s ownership rules. In your view, how is the Football Association’s Regulatory Authority going to interpret these rules on club ownership? Whose standard will they follow? Because clearly there you had a situation where the Premier League and the Football League interpreted rules, around understanding who the ultimate beneficial owner of a football club is, in different ways. Will that be allowed to continue or will there be a new way in which this is done?

**Richard Scudamore:** We hope not, that is the whole point of it. First of all, there is an absolute commitment to make sure the rules are consistent across the 92. There is an absolute commitment from both ourselves and the Football League. Then obviously, the consistency of application is very important. The league situation did get caught up in the change to the new rules. The rules were changed. As you know, we had a very robust view of what that meant and we have gone and applied it. Certainly, I would hope that ultimately FARA will not have to come in and look at where our rules have not been applied. I will be setting my regulatory colleagues the challenge of never letting them in, only in the sense of we should have nothing that we have not applied. If they do then, yes, I think it is absolutely right that they should come in and apply them in the most robust and consistent way, because I think that would be the right thing to do.

**Q63 Damian Collins:** Could this mean that if there is a point to having this body, this would seem to be one of the most important areas where it ought to come in?

**Richard Scudamore:** I agree.

**Q64 Damian Collins:** So you say “hope”, but is it more than hope? Have you been given any assurances from the FA about how this will work?

**Richard Scudamore:** It has not formed yet. They would only be coming in if we had not applied our rules. They are coming in to make sure we have and,

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therefore, their definition of whether we have or have not will be for them. That is the whole point of it. They can come in and the public should have confidence that we are applying our rules. Remember, the people who are most concerned about us applying our rules are the 19 other clubs. We have a huge police force called the 19 others who are not the miscreant in any situation, and they are the people who come on and hold the board and the Premier League most to account in terms of rule application. That is why we have set it up and we have bought into it. I think it is right that there is that extra level of scrutiny.

**Q65 Damian Collins:** I appreciate obviously the recommendation has not come into force yet, but Coventry City is a club and we do not know who the owners are. Presumably you would not let Coventry City play in the Premier League. You are not being asked to make that decision for a couple of years.

**Richard Scudamore:** I cannot comment on a club that I have not investigated and I have not asked the questions of.

**Q66 Damian Collins:** The Football League have admitted they do not know who the investors in the trust are that own the club, so they do not know who owns the club. Yet they are still playing in the Football League without any hardship at all, just as Leeds United were until it looked like they might be promoted. There still seem to be big issues in the interpretation of these rules in a live situation. You seem to apply the rules unambiguously, and I congratulate you for that, but I would like to see greater consistency across the competitions.

**Richard Scudamore:** I am sure you can direct your questions next week to the appropriate people.

**Damian Collins:** I will, yes. Thank you very much.

**Q67 Steve Rotheram:** I was trying to get in on the Football Creditors Rule. Supporters Direct have provided us with some written evidence. In 3.4 G of that evidence, they welcome the football authorities' willingness to engage in a working group, with the Government and supporters groups, to consider the specific circumstances of club insolvency. Just as it is an opportunity, would you support that and would you give some backing to push for that to happen as soon as possible?

**Richard Scudamore:** Yes, I would. I have to be careful. I cannot here because, remember, we are currently in litigation with HMRC supporting the current Football Creditors Rule. Certainly I would welcome that engagement and that involvement, but I cannot say any more than that in terms of what that might result in.

**Q68 Jim Sheridan:** Richard, given what happened in terms of the MPs' expenses, and also in terms of the banking industry, do you think the football world would welcome criminal investigations into clubs that go into administration or liquidation?

**Richard Scudamore:** Only where prima facie evidence existed that there might be criminality. Yes, of course we would but only in that situation. As you know, there are various investigations that the police

get involved in that we provide evidence towards, and we get production orders the same as many other organisations. We willingly co-operate with that. When it leads to litigation we provide evidence and, if necessary, would do our proper duty and be witnesses to those.

**Q69 Jim Sheridan:** Given the impact that has on communities when major clubs fail or go into liquidation or administration, should there not be an automatic investigation by the police?

**Richard Scudamore:** No. Clearly, I would not advocate automatic investigations into anything unless there is evidence of any wrongdoing. It raises an interesting point. While we have talked a lot about layered regulation, whether it be our own regulations, we all have to abide by the law of this land, and most of what we do is regulated by you and the statutes that you put on the books here in this House. However, I am sure the Enterprise Act did not envisage that any business that ever went into administration suddenly has a police investigation as to what went on. Clearly, the administrators go in. They have an absolute legal duty when they go in, and if they identify any criminality they have to report it because, by definition, they are professional people appointed by the court. I think it would be well dealt with and well covered by those processes.

**Q70 Dr Coffey:** Mr Scudamore, you must have been rubbing your hands this summer. It is great for the Premier League, Chelsea winning the Champions League and three out of four goals in the Euro final being scored by Premier League players. Just building on something Mr Collins mentioned earlier about the Elite Player Performance Plan, I think that is going to be a welcome thing about developing our players for the future. Could you tell us more about how you are going to measure the success of that interlinking with St George's Park? While two out of three aims were great for the Premier League, sadly, England did not progress further and that is ultimately what a lot of football fans want, as is recognised in the joint response.

**Richard Scudamore:** Yes. I cannot do justice here in this hearing today to what is going on, in terms of: the input, the output, the accountability, the monitoring, the evaluation and the measurements. We would happily provide this group with either a document or maybe even a presentation, for those who are interested, in terms of what the Elite Player Performance Plan really is going to deliver and the objectives it has set itself. But the whole monitoring process—just what the clubs have gone through—we have already had 12 clubs go through the audit assessment process. You can speak to any of those clubs about that process. It is an extremely robust process. It leaves no stone unturned. I just think this is a complete step change in terms of output, but what it is about is home grown talent coming through in ever increasing numbers. Why it is absolutely essential that St George's Park is linked into it—rather colloquially it may do the FA some injustice—if it is the university of coaching, and all good things about coaching, clearly that should be generating a whole

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generation of coaches who are not just involved in the elite level of football but will be used to encourage people in terms of the grassroots level.

What is our objective really, to take the wider objective? People have to be incentivised to want to play. The next most important thing is somewhere to play, which again is hugely important that we recommit, that you encourage the Government to recommit to funding things like the Football Foundation and all that it has done in terms of facilities and facility enhancement. Having decided you want to and you have somewhere to play, the critical point then is coaching, good coaching provision that goes on to enthuse young people to want to play. Therefore, the whole thing is interlinked. The elite system is entirely dependent on how many young boys want to start playing football or young girls want to start playing football in the first place, and so it is a grassroots initiative in its first instance. When they are good, it becomes an elite issue, with which of course we are primarily concerned. But the whole thing is interlinked with facilities and everything else. I cannot do it justice in the time we have. But certainly we would be more than happy to give you a more detailed answer to what is a critical question for the future of English football.

**Q71 Dr Coffey:** I am sure some colleagues would welcome that. If I develop a little bit further, I attended the School of Excellence games hosted at Arsenal, and one of the things there was the focus on girls' football. If I also go back to the response, there is a desire to have a women's committee to develop the whole game, reporting direct to the board. Given your Premier League colleagues, I think it is interesting that neither Manchester team has a ladies' team in the Women's Super League. I also visited Arsenal, the Emirates, when they hosted Chelsea. It was great to have a Women's Super League game in the Emirates Stadium, as opposed to in a smaller stadium elsewhere that regularly hosts conferences. What are you doing with your member clubs to try to encourage the growth of women's football and, also, could you encourage them to have at least one fixture in the main stadium?

**Richard Scudamore:** Again, we do not have, either by rule or by constitution, a women's football initiative. That is very much the FA. As you know, the women's FA Premier League—and I will get the title wrong, but it is something like that.

**Dr Coffey:** The Women's Super League, yes.

**Richard Scudamore:** Women's Super League. It used to be Premier League but so as not to be confused with ours we changed it to the Super League, which is probably a good thing to do. The FA are responsible for women's football. We do nothing to discourage but we do not actively sit around—very candidly—and encourage our clubs one way or the other to get involved in that. As you said, clearly there are no Manchester teams but there is a Bristol team. At least there is in the Premier League, as you well know. Women's football—the numbers are fantastic when you look at the grassroots numbers, when you look at the uptake. When you look at what is happening in women's football, of course, it is a great success story.

But again it is difficult. The women's game has to stand on merit, has to have its own structure and has to have its own league and pyramid, which allows Doncaster and Bristol and other teams to be in that league or not. I do not think it is just because our game comes up this particular pyramid. I do not think the two necessarily have to come across, but I absolutely know our clubs would welcome the idea of the odd game being played on hallowed turf. As you know, people are not even allowed to walk on the pitch at Arsenal, let alone play games on it, but that was a good experience. I know it was, yes.

**Q72 Dr Coffey:** It was. It was great. That is why I am interested in your response there because you did particularly focus on girls' football at that schools' tournament, linking to every premier club.

**Richard Scudamore:** Absolutely. But that does not mean to say we have to have a mirror structure on the right-hand side, where the 20 clubs that are in the Premier League have a 20-club Women's League.

**Dr Coffey:** I understand that. I would like to encourage your club.

**Richard Scudamore:** Yes, I think it is a point well made.

**Q73 Mr Sanders:** I would like to go back to something you said about how you withhold money under the Football Creditors Rule as the Premier League. Does the Football League do the same?

**Richard Scudamore:** Yes, they do. I have to be careful. The Football Creditors Rule, per se, is a defined term when somebody is in administration but we also have a rule that talks about the same list of people; the same list of football creditors with another rule, which is, basically, if you have any indebtedness to this particular list of people before you go into administration then the board is able to withhold central funding in order to pay off these football debts. The Football League does have the same rule, but clearly their central distributions are much smaller and, therefore, at any given time they do not have the same sums of money that we do to cover this off. For example, even in Portsmouth's situation, even though their debts were huge, because of the parachute situation, we were always going to have enough money—albeit, over time—to pay off any football creditors that arose, whereas the Football League's central funding is not as great. Therefore, they do not have the same ability to guarantee or at least cover any club's football debt.

**Q74 Paul Farrelly:** The Football League withheld money from Port Vale, which has just recently been in administration.

**Richard Scudamore:** That in itself is contentious as well, because you are withholding money that stops the club from carrying on.

**Q75 Damian Collins:** Because other clubs are being disadvantaged before the point of administration, and then they do not even get treated equally after administration.

**Richard Scudamore:** But you must understand that in this club—and I understand the emotiveness of it—

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other members of the club get quite aggrieved if the people do not abide by the rules. It is the same with the Scottish Premier League deciding last week that they did not want Rangers newco to rejoin them in their club. It is the same. There has to be a respect for that, albeit—

**Q76 Damian Collins:** With respect to the people who pay their satellite television subscriptions and pay their season ticket prices, and yet they get treated very badly. They are the people paying for all of this. You would not be sitting where you are now if it was not for all these television subscribers, in particular, and yet as taxpayers they get treated very shabbily when this happens.

**Richard Scudamore:** But there is a choice about whether you subscribe to pay television or not? There is a choice.

**Damian Collins:** Not if you want to watch live sport, live football every night.

**Richard Scudamore:** It is a different topic.

**Chair:** I think it is probably—no, it is not, my attempt at curtailment.

**Q77 Jim Sheridan:** I do not understand why you said that the SPL and the SFA do not have the same level of vigour that the English Premier League have when it comes to Portsmouth?

**Richard Scudamore:** No, I said that I do not think their rules currently envisage the same processes as we have precisely now. If they do now, they did not at the time. Clearly, the HMRC situation could not have developed had they had the rules five years ago.

**Chair:** That is all we have for you. So, Richard, thank you very much for coming.

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**Tuesday 17 July 2012**

Members present:

Mr John Whittingdale (Chair)

Dr Therèse Coffey  
Damian Collins  
Paul Farrelly  
Steve Rotheram

Mr Adrian Sanders  
Jim Sheridan  
Mr Gerry Sutcliffe

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**Examination of Witnesses**

*Witnesses:* **Malcolm Clarke**, Chairman, Football Supporters Federation, **David Lampitt**, Chief Executive, Supporters Direct, and **Tom Hall**, Head of England and Wales, Supporters Direct, gave evidence.

**Q78 Chair:** Good morning, everybody. This is the second session of the Committee's follow-up to our report on football governance, to take account of the joint response produced by the football bodies. For our first session I would like to welcome Malcolm Clarke, the Chairman of the Football Supporters Federation, David Lampitt, the Chief Executive and Tom Hall, the Head of England and Wales, Supporters Direct. Since one of the original areas that we concentrated on was on the involvement of supporters in the governance of the game, can I ask you perhaps to give a general comment to begin with about what you found most encouraging and what you found most disappointing in the joint response?

**Malcolm Clarke:** Thank you, and thank you for the invitation. We identified only two recommendations out of the 33 that you made that we felt might have been deemed to have been implemented properly in the proposals. One of them was a more structured approach to supporter representation. In that sense, we welcomed the principle of that. However, it is totally lacking in detail at the moment. I am talking about supporter engagement at both the national level, through the structures of the FA and the leagues, and the club level. Certainly there are some things in there that indicate a good direction of travel, but there is no detail. What we want to see is this written into rules and we want to see what the rules say, because I am bound to say that some of the history of it is not good, to put it mildly. So I would give it a cautious welcome, subject to what the detail is.

**David Lampitt:** I would echo that. Thank you for inviting us back and giving us the opportunity to make representations again. I would echo what Malcolm has said. There is reason for cautious optimism but, at the same time, I think the lack of information about the timetable for making any of the changes that are potentially being proposed and the lack of detail about how those are going to be put into practice is still cause for concern and cause for concern for this Committee, in terms of seeing that those recommendations that we say are very welcome are put into some meaningful effect.

**Q79 Jim Sheridan:** My question is to you, Malcolm. What single change do you think would have the most positive impact on the game from the perspective of the supporters? Also, how important is it to the average football supporter to have representation on the bodies of football and regarding the details of it?

**Malcolm Clarke:** The single most important change is quite a difficult question to answer because there are so many. Obviously, the single most important thing that most supporters want is a guarantee that their club is going to be there and operating as a stable business in the future and that it is not run by people who do not have the best interests of the football club at heart and/or are not very competent at running it. When we have had 92 insolvency events since 1992, the history of that is not good. Turning more specifically to supporter involvement, we would like to see, as I have just said in the previous answer, some meat behind these proposals to see that at club level there is meaningful supporter engagement and ownership—David can speak a bit more about the particular involvement in terms of shareholding and things like that—and, at the national level, that the engagement means something because this is not like a normal, commercial industry. We are talking about institutions here that are part of the cultural heritage of their areas, and that is why the engagement of the supporters is so important.

**Q80 Jim Sheridan:** You seem to be suggesting that people who are in charge of clubs or buy clubs should be fit and proper persons. Last week Mr Scudamore suggested that the FA—and unfortunately not the SFA—have very robust measures in place to deal with the fit and proper persons issue. Is that correct?

**Malcolm Clarke:** Again, I am sure David can comment in a bit more detail on this. I would say that it is better than it used to be because at least we do now have some tests. I can remember being told in Lancaster Gate, when I first got involved in the supporters movement, by the then representatives of the FA, that having a fit and proper persons test in football would be completely impossible and inappropriate. We have moved on since then, but we want to see it stronger and you can make your own judgments about whether some of the people who have had control of our major clubs have been fit and proper people. Probably there is nobody better than David, as the former chief executive of Portsmouth, to comment on that. We would want to see it even stronger than it is now and we would also want to see it consistent, but some progress has been made.

**David Lampitt:** I agree with what Malcolm has said. The important thing from our point of view is that, in order to deal with some of these difficult and complex issues, there has to be a package of measures and it

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cannot be a cherry-picking exercise. Again, that comes back to our concerns about the responses from the football authorities in doing some things but not others. The package has to be right. The package has to be forward-looking financial controls over football clubs as part of a licensing regime. I would say that is possibly the one thing that I would like to see coming out of the recommendations in a meaningful way, and independently overseen, but that has to be backed up by other measures such as a robust ownership test.

**Q81 Jim Sheridan:** Supporters on the Board would have a positive impact, do you think?

**David Lampitt:** We say, absolutely, supporters on the Board would have a positive impact, but we recognise and part of our submissions to the Committee is that there has to be a progressive relationship between supporters and clubs and there has to be improved engagement. Part of what we have set out is a pathway for that to happen so that supporters can become more involved. We see that as an important part of what supporters can bring in terms of value to the game. They can offer vigilance at local level over what goes on at their football club. That has been described in the past as a kind of shadow equity involvement, because there are lots of clubs where supporters cannot buy shares; they are not openly available. They might not necessarily get a seat on the Board, but there is some space for supporters to provide value by having that oversight and vigilance role.

**Q82 Steve Rotheram:** Mr Scudamore described the changes to the new structures of football as extremely radical and progressive. To what extent do you believe the proposed changes to the governing structures address the issue of complexity and lack of transparency, and do you agree with Mr Scudamore that the systems are necessarily complicated and complex?

**Malcolm Clarke:** We are talking about the football authorities' response here. Well, they are certainly complex. I do not agree that they are necessarily complex—I do not agree that they have to be. Unfortunately, what seems to have happened, in my perception, is that the focus that has been put on the composition of the FA Board, particularly the numbers—and I do not think it should be a numbers game, it should be a balance game rather than a numbers game—has rather deflected attention from the fundamental issue about the roles of the respective three bodies. I am bound to say it is partly a consequence of the Government asking for a joint response from the three authorities, because this confused the role of the three authorities, because the governing body of football in this country is the FA, as laid down by statute and by FIFA statutes where it says that the leagues are subordinate to the FA.

So it confused the position to ask for a joint response, so that what we seem to have is a response that everybody can agree with. But what has unfortunately happened, in my view, is that a great many key issues of responsibility have now been set either completely out of the remit of the FA in certain financial matters and other matters or deemed as issues that the FA

Board can only decide with the agreement of the Professional Game Board or the National Game Board, as appropriate. In governance terms, it is very odd that the board of an organisation cannot do certain things unless one of its subsidiary committees agrees. That is the first point.

The second point is that it is potentially a recipe for paralysis, because the Professional Game Board, under the proposals, will have one vote for the Premier League and one vote for the Football League. So they would have to agree for the Professional Game Board to agree, and then the main board would also have to agree. It is a bit like a three-legged tripod where all three have to agree before anything can happen. But our fundamental point is that so many of these issues affect the whole game, including the financial issues, that, at the end of the day, it should be the governing body of the game that has ultimate responsibility. It has certainly added to the complexity, I think, but not in a way that is satisfactory and progress on the Board has been achieved at the expense of taking away responsibility from the Board in key areas, which I do not think is what you intended. That is my perception.

**Q83 Steve Rotheram:** Before we move on, do you deny or contend that the changes have been either progressive or radical?

**Malcolm Clarke:** I think they are radical in the rather unfortunate sense that, to use a phrase that I used to the FA Council last week, in terms of the role of the FA, I described it as the greatest betrayal of a birth right since Esau. It is radical in that sense, but I think it is unfortunately radical and, from the perspective of the FA, I think that is extremely unfortunate.

**David Lampitt:** I have to say I am not convinced that the changes are particularly radical. I think the thrust of the recommendations from this Committee were about simplification of the processes and about better balance in the decision-making bodies to bring about better decision making. On both of those counts, I am not convinced that much progress has been made, based on the recommendations that have come forward.

I accept Mr Scudamore's point that there is necessarily some degree of complexity in the arrangement of the regulatory structures within the sport, but the key issue—and I will come back to it—is one about the balance of decision-making authorities. I agree with Malcolm that our concern over what has been put forward is that, while there may be some changes proposed in relation to the structure of the FA Board, that has been married up with a devolution of decision-making powers to the bodies below that Board, which do not have the same balance that is now being put in place in the FA Board. So we will make some changes to the FA Board to create a better balance there, but we will devolve significant elements of the decision-making issues, particularly around licensing and the financial regulation of the game, which again were a focus of this Committee, and take those into the bodies that do not have that balance.



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**Q84 Steve Rotheram:** But you agree that there is some necessary complexity and is that because the FA is both a regulator and a multi-million-pound business? The second part of the question is, are those two roles compatible, or should they be separated further for the sake of the game?

**David Lampitt:** Is that the reason for complexity? I think the reason for complexity is that the FA oversees a multi-faceted game played by many, many people, but played at lots of different levels. Each of those levels has different sets of challenges, from a commercial point of view and from a regulatory point of view. That would be my response on that point. In relation to the second point about the representative nature of the decision-making bodies, I can only come back to the point I made a moment ago, which is that I think getting the right balance in those bodies is the critical aspect and, in the way in which the proposals have been put forward, I am not convinced at all that that balance is going to be improved by what has been put forward in the responses of the authorities.

**Q85 Steve Rotheram:** In your response, you spoke of simplification. It seems that you are allowing the excuse to be made that it does need to be necessarily complicated because of those factors. Is that a contradiction?

**David Lampitt:** Possibly there is a contradiction. It is not intentional. There can be simplification within the structures that exist. I guess I am excusing a certain level of complexity because it is necessary based on the nature of the game. Within that necessary level of complexity, I think things can be simplified; but for me, as I say, it is more important that the decision-making bodies are constituted in a balanced way to enable better decision making. That had to be the key outcome. Even if you accept that there is a level of complexity, having the right balance in those bodies means there are good, independent strategic decisions being made on behalf of the football authorities. It is the critical factor.

**Malcolm Clarke:** Can I add a quick comment to that? I think simplification is a difficult word. Clarity is clearly desirable and, on occasion, separation is desirable, and the business elements of the FA in some respects should be separate from some of the other activities. Unfortunately, with the football authorities' proposals, the clarification about who does what has resulted in key issues being delegated down to a lower level where, as David said, it is inappropriate. In effect, the regulated will become the regulator under these proposals and that is what we are unhappy about.

**Steve Rotheram:** I think we have some questions that will be asked of the FA.

**Q86 Mr Sutcliffe:** Obviously, a key issue is the FA Board, and, in the joint response, they said that this would be an opportunity to enable the Board to delegate decision making to the most appropriate body, avoiding the duplication that currently exists. I think we all agree that the status quo is unacceptable. But how convinced and confident are you, notwithstanding the remarks you have just made, about the Board reducing in size, as per the aspiration

in the joint response? Do you think that will happen? For instance, Mr Scudamore told us that the Premier League had three places. They are now going down to two. Do you think that will ever get to the position of having a board that is able to meet the requirements of the joint response?

**Malcolm Clarke:** It has just been reduced by non-replacement of vacancies from 14 to 12, and the authorities, in their response in February, said they would reduce it to between eight and 12 by approximately a year from now. If nothing changed now, that commitment would have been met. As I said earlier, I do not think that numbers are as important as balance. A slightly larger board with a better balance, in my view, is better than a smaller board with the wrong balance. That is the key issue and we are a long way from the kind of balance that you proposed in your report. The other two issues are, first, what the Board can do—which I have already dealt with a minute ago, so I will not repeat that—and the second is accountability.

There needs to be a structure, as there is in any organisation, where there is effective scrutiny and accountability of what the Board is doing. I would accept, personally, that the FA Council, for all its merits and there are many merits of it, because of its size and structure is not a particularly effective way of holding the Board to account. The problem is, that is not effectively addressed in the football authorities' proposal. What they do is to take the FA Council out of the equation to a certain extent by making it meet less often and not replace it with any other system of effective scrutiny or accountability. That is the other area of concern.

I would also like to put on record, as a member of the FA Council, that our concerns are very largely around the relationship with the professional game and the problems that professional clubs have experienced. I would like to put on record that many of the things that the FA is now doing—St George's Park, on the development of youth football, on the development of women's football and other areas—are excellent and I would not want it to be thought that we have a blanket condemnation of what the FA does. There are some excellent people working there and some excellent work being done in those areas. It is this interface between the role of the governing body and the position of the professional clubs, given the history of financial problems that we have seen, that is our major area of concern.

**Q87 Mr Sutcliffe:** But you would not see the FA getting involved in ticket prices for clubs and things like that? That, surely, is a matter for the Premier League?

**Malcolm Clarke:** There clearly has to be appropriate degrees of delegation, yes, and, by and large, I think the answer would be that you probably would not. But the issues of things like parachute payments and financial distributions are issues for the whole game. It is arguable that the gap between the top and the next level, and it goes down, is one of the major causes of some of the financial problems that we have had, because everybody aspires to the next level and have

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not behaved always in a financially responsible way in order to achieve it.

**David Lampitt:** I have very little to add. I would simply reiterate what Malcolm said about balance and not numbers. It is not a numbers game. It is about getting the right balance of the right decision makers in there. I would agree on the issue of delegation as well. I think it is absolutely right that there is delegation of certain areas and certain powers and authority from the FA, whether it is to constituent bodies within the FA or whether it is to the leagues as the bodies within the game, but that delegation has to come with accountability. One of the key phrases that I picked up out of the most recent proposals that the FA has put forward in terms of the changes that they are proposing is that, on certain matters, the FA Board would have no authority to decide against the decisions or the recommendations of the PGB and the NGB, the Professional Game Board and the National Game Board. Again, that cannot be right. There has to be delegation, but there also has to be a proper level of accountability and oversight to go with it.

**Q88 Damian Collins:** Listening to the answers to the previous question, I suppose the mechanism that has been created to try to allow some sort of intervention is the FA Regulatory Authority, if you like, as a sort of guarantor of the licensing system. Do you think it has enough power of intervention, from the way its role and remit has been set out in the recommendations from the football authorities, particularly with regard to intervening on issues like supporters and directors tests, and has that been correctly applied by the different leagues?

**David Lampitt:** Again, I think it comes down to the devil being in the detail on this because, as I understand it, the proposals are that the FARA, newly constituted, will have overall oversight of, for example, the directors and owners test, which most would say is a good thing. There can be a consistent approach and a consistent standard applied across the game rather than what has happened hitherto, which is a test being applied by the Premier League and a slightly different test being applied—or, even if it is the same test, there is the opportunity for it to be applied in a different way between different constituent parts of the game. That is a positive step. The concern again comes back to the overall authority for certain other areas. You mentioned licensing and my understanding is that licensing as an overall issue will be, certainly from the point of view of the policy and indeed from the point of view of operation, delegated through PGB as the decision-making body on policy matters affecting the Professional Game, and will be delegated to the leagues to implement. Again, in terms of accountability on implementation and on policy development, potentially it is not ending up in the right place. That is why we say, until we have seen the detail of exactly how this is going to pan out, it is very difficult for us to welcome the changes. In fact, we probably have an equal number of concerns about the changes as we had before as to whether they are answering the recommendations from this Committee.

**Q89 Damian Collins:** With regard to the financial performance of the clubs, do you think this is an area where a regulatory authority should have reasonable powers of intervention if it feels that the leagues are not taking early enough action or appropriate action against a club that is clearly getting into financial difficulties? In some ways, that seems to be at the heart of the German licensing model.

**David Lampitt:** Can I just clarify? Are you saying should there be a level of intervention in the clubs or are you saying should there be a level of intervention for an overarching regulator if the leagues are not seen to be intervening quickly enough?

**Damian Collins:** Yes, the latter.

**David Lampitt:** That probably comes back to the answer I gave a moment ago, which is about accountability. Ultimately, there has to be that overarching responsibility—and empowerment or authority or whatever you want to call it—that rests in the overall governing body that is able to act with a reasonable degree of independence from the club owners who run the leagues, effectively, and are the shareholders of the leagues. I think that separation is important. Having said all that, I think we have to also recognise—and one of the things I would certainly commend on the record and I am sure the representatives from the leagues will talk about this in more detail—the steps that have been taken, particularly in the Football League, in relation to the financial fair play model that they are adopting, which is absolutely a positive direction of travel that we see as representing a move to a more sustainable model for football generally, and that has to be right.

**Q90 Damian Collins:** I suppose you mean some of the frustration of fans of clubs that are in difficulty and, certainly where the ownership of a club is uncertain, the frustration seems to be that there is no redress. Obviously the Football League is not going to intervene when Leeds or Coventry City change structures or get clarity. There is no one to go to, and I think it would be desirable if this authority had that sort of power in that case or at least the power to intervene if they chose to.

Finally, I wanted to ask you, we recommended the abolition of the football creditors rule in our report. The Football Authority has ignored that recommendation in their response. Do you feel, as representing supporters' groups, that it would be a positive step to remove this rule, which obviously affects community organisations, community businesses, more than probably any other type of creditor?

**David Lampitt:** Yes. If I could just add one final point on the previous question, I think, in terms of intervention we would definitely say, without a shadow of a doubt, that intervening and therefore prevention in some way is better than sanctioning at the back end when things have gone wrong. Therefore, I think that has to be a more appropriate way of regulating overall. You referred to the German model and that is effectively the model they operate. In relation to the football creditors rule, it is obvious from the evidence that was given previously and from the evidence that was given last week by Mr

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Scudamore that there is no moral defence put up in relation to the rule, but there is a sporting defence. We, as supporters, have to be careful not to commend the abolition of something without being constructive in looking at alternatives that could be put in its place, alternative ways of dealing with the issues that it sets out to protect against. For me, if there was a move towards proper investigation involving those supporters groups and local businesses who are, as you say, affected by this on the ground then I think that would be an incredibly positive move.

We do not say anything against the recommendations of the Committee, in terms of the fact that the rule is unfair—it supports or it props up an irrational business environment where there is a safety net, effectively, for more reckless spending. If the rule were taken out I genuinely believe that part of the response from clubs would have to be, “Well, in order to know that we are dealing with a club that is solvent and able to continue trading, we would need a proper licensing system”. So the two things go hand in hand. In that respect I will come back to the point I made about the package of measures. I think it is hard to deal with each of these things in isolation and cherry-pick things that might work or might not work. I think you have to look at all of those things in the round.

**Q91 Damian Collins:** In short, do you think football would be better off without the Creditors Rule, even if that meant there had to be a period of transition while it was being phased out?

**David Lampitt:** I think that would depend upon what happens in its place or how you respond to the removal of the rule. If the response is a better licensing system that protects against insolvency and, therefore, protects against the very issue that the football creditors rule sets about to protect, then yes, that is a positive step. I think the other thing we put in our submission this time around is that, in relation to recommending alternative measures, I genuinely think there are things that can be done and should be looked at as a matter of urgency; simple things like relegation clauses and having those enshrined as part of the collective bargaining agreement. So every contract has an agreed percentage for relegation clauses, which means that the significant financial burden that clubs carry with them when they get relegated and which is often one of the key factors in a club’s insolvency can be managed in a different way. There are other ways of doing it. That is all I am saying. There are other ways of doing it. They need to be explored, and the rule itself has had its day.

**Malcolm Clarke:** Can I just give a quick response to your first question and it relates to the other answers. The content, even of the FA club licence, which is the first rung of the licensing system, is in the category of decisions that the FA Board cannot take unless the Professional and National Game Boards agree. The issue of commercial and financial matters relating to the operation of clubs is in the category that is totally outside the remit of the FA. I think that is the answer. That is not, in our view, the right way to approach this.

**Q92 Damian Collins:** But the FA must have some oversight of commercial and financial matters?

**Malcolm Clarke:** Yes. Delegation and subsidiarity are fine. Abrogation of responsibility is something completely different.

**Q93 Dr Coffey:** The most recent club to be taken over by the supporters’ trust is Wycombe Wanderers and, in the context of licensing, I guess in order to balance the books they said they basically had to scrap their youth scheme. They will be the only League club without a youth policy. Is that a price worth paying for Supporters’ Trust involvement?

**Tom Hall:** They have changed that now. They have managed to find some funding to ensure that the academy continued—

**Dr Coffey:** Is that in the last few days?

**Tom Hall:** In the last week or so.

**Q94 Dr Coffey:** In the last week. What is the lesson that Supporters Direct and other organisations can give to supporters’ trusts wanting to take over clubs?

**David Lampitt:** I think probably that highlights one of the key elements of our evidence the first time round. The reason we feel strongly as an organisation about governance structures that promote sustainability is that, when supporters manage to get into a position of ownership of a football club, they are operating in an environment that is not sustainable, and yet they are trying to operate on a sustainable basis. So they are competing against other clubs, broadly, that support the benefactor model through the pyramid, which makes it almost impossible to compete and, therefore, they have to make these sorts of difficult decisions that most other clubs might not make in different contexts.

**Q95 Dr Coffey:** I am a little bit surprised by that answer. I thought one of the whole reasons supporters’ trusts would want to take over is to make sure, obviously, the club is viable, but also to support their local players and their youth. But, anyway, thank you.

**Malcolm Clarke:** Could I just pick up the question of youth development generally, because I think this does go to the heart of some of the issues that you addressed last time, where you said that the distinction between the Professional Game and the National Game was not helpful to strategic decision making? Under these proposals, youth development in the Professional Game and youth development in the National Game are clearly separate and they are identified as such, which we do not think is helpful. One of the most depressing sentences in the core group’s latest proposals is the one that says, “Recognising that change is affecting grassroots football holds little interest for representatives from the Professional Game”. How depressing is that as a statement from the three football authorities?

I think one of the themes of your previous report was that we need to look at all of these issues in a whole-game approach, including youth development, because it is very difficult to separate them. One of our concerns is that, far from tackling that great division, it has ossified it in a quite unsatisfactory way.

**Chair:** Jim, very quickly.

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**Q96 Jim Sheridan:** Just very quickly, do you think your organisation is representative of supporters groups? I quote Mr Scudamore—who said an awful lot last week—who said that clubs have a large range of stakeholders and sometimes had a silent majority, which would not necessarily agree with the supporters' group.

**Malcolm Clarke:** If it is a silent majority, I do not know how he knows it is a majority. All I would say is, this is an allegation that has been put forward to us many times. I have never seen any evidence from the Premier League, or any other body, to show that a major policy that we have adopted is not agreed with by the vast majority of match-going and, indeed, non-match-going football supporters. If somebody can show a survey of wider supporters that shows on issue X they think A, and the supporters organisation think B, then let them show it. But I have never seen it and, as I say, it is a smear that I am afraid he cannot substantiate.

**Q97 Mr Sanders:** First a declaration. I am a paid-up member of the Torquay United supporters' trust, so I am very keen on supporters' trusts. My question is to Malcolm. You said in your letter to the Minister for Sport in April that you would have to start issuing redundancy notices within the next four months if you could not secure additional funding. Has your funding situation improved?

**Malcolm Clarke:** The funding situation is that in the year that has just ended we received the same amount from the FA and the new Fans Fund. For the year that is now starting, we got a reduced element from the Fans Fund, which is effectively the Premier League, and the same element from the FA for one further year. The year after that we get a further reduction from the Fans Fund, and we do not know what the FA position will be. I pay tribute to the FA for continuing their funding at the same level.

Unless we can replace our lost funding with alternative sources of income, we will be making staff redundant. We are doing everything we can to develop new commercial approaches. I don't have to tell you that, to say this is not the ideal time to be entering the market, to use the jargon on that, is to put it mildly. Secondly, we are an organisation of football supporters, not people who are particularly used historically to developing those kinds of relationships. We are launching a new fans' card within the next few months, which is a kind of loyalty card and so on. So we are doing everything we can, but if that does not succeed then we will have to make staff redundant.

The proposal that we put forward, and Supporters Direct have as well, is that for an almost minuscule percentage of the total media rights income that the football industry gets—and which, just in the case of the Premier League, benefited from a further huge increase—you could secure the role of ourselves, Supporters Direct and the other supporters' organisations. A tiny fraction of 1% or a 10th of 1% would be more than enough to achieve that, so we do not think we are asking for a great deal. We would like that to be administered by an independent panel. It is not the Premier League, for example, who would directly decide.

We do not think it is unreasonable. They give quite a lot of money to the Professional Footballers Association. I am not decrying that at all. It is an industry not like other industries. For the reasons that I said earlier, we are talking about part of a cultural heritage of local communities. If the industry takes seriously the value that its loyal supporters can contribute to it, then such a small sum of money should not be beyond their means. The Government said in its response that it should be within the skill of the football authorities to achieve that.

**Q98 Mr Sanders:** Mr Scudamore said that the Premier League was giving money to Supporters Direct in order to help it find alternative sources of funding. Have you been able to use the funding from the Premier League to generate other sources of funding?

**David Lampitt:** That is an ongoing process and that funding effectively went towards us being able to employ a commercial person to try to generate some new revenue streams for the organisation. That is an ongoing process. I think the point that we would make, and I would reinforce what Malcolm has said, is that if there is a recognition of the value of supporters organisations—and I think there is and I think the supporters organisations have demonstrated that to this Committee and to the football authorities previously—then there has to be a longer-term solution to the funding arrangements, and I believe that is what this Committee was calling for. For there to be a constant drip-feed and uncertainty about the supporter organisations' ability to carry on operating does not allow the supporters organisations to do their job very well—that constant uncertainty for their staff and their place within the game. The key issue for us is that there should be a recognised longer-term funding proposition, whether it is a formula or whatever it might be, that allows that to happen and allows those organisations to get on with the important work that they do.

**Q99 Mr Sanders:** But ideally would it not be better to not be reliant upon football governing sources for your funding? You seem to be hoping that the football governing sources will give you a more secure longer-term deal with funding, whereas it would be better not to be dependent upon those governing bodies for your funding.

**David Lampitt:** I think it is a balance and there are some important points to make on that—first of all, the opportunity for our members who already obviously give a huge amount financially to the game and who also generally give a huge amount in volunteering to the game. For us to say that those members also have to fully sustain us is probably unrealistic, in terms of the finances involved and in terms of being able to deliver what we want to be able to deliver to the game.

I think there are wider issues around the overall funding of other PFA bodies within football. Malcolm referred to the PFA, and by no means is this a slight on the PFA, but there are funding arrangements in football recognising the important role that these bodies play. We believe that supporters are an equally

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important part of that. Having said all of that, Supporters Direct has put in place a business plan. As you may know, I am new to the organisation, in the last month, but we have put in place a business plan to diversify our revenue streams. That is exactly why we have employed a commercial manager. We want to find a better balance between the reliance upon Football Authority funding and outside funding, because I think that is also important for our own independence and long-term security. However, I think it is unrealistic to say that that should not be done. I think it is entirely possible for that to be done with a long-term funding solution from the football authorities which allows that level of longer-term assurance.

**Q100 Chair:** Can I just ask you one final question? This Committee, as you are probably aware, has basically been tasked with saying to the Government whether in our view the joint response is sufficient as a step in the right direction with, hopefully, more progress to come, or whether or not it needs a bigger push coming from the Government. What would your advice be?

**Malcolm Clarke:** My advice would be that it does need a bigger push. In our latest evidence we have set down a series of steps, building on some of the

existing framework, because I would not wish to pretend that there is nothing there, as I said earlier, that is of value. But in certain respects, unfortunately, I think it has gone in the opposite direction and in other respects we need much more detail and, in particular, we need things written into rule. Of course, until we see what the football clubs themselves are prepared to write into rules it is difficult to make a final assessment, because when we talk about the leagues agreeing this or the leagues agreeing that, what we are talking about is the club owners and we have to wait and see what they would agree to. I think the answer to your question, Chairman, is it does need a bigger push. Obviously your report did not give us everything we would ideally have liked, but we did recognise that in many respects it was a significant step in the right direction. Unfortunately, we do not feel that the joint response, as elicited by the core group, takes that as far as it should do.

**Chair:** Do you agree with that, David?

**David Lampitt:** Yes, I wouldn't deviate from that. I think, absolutely, if there is a step in the right direction it is a very small step and it is a step that comes with other compromises.

**Chair:** In that case, let us move on to the next group. Thank you very much.

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### Examination of Witnesses

*Witnesses:* **Greg Clarke**, Chairman, Football League, **Andy Williamson**, Chief Operating Officer, Football League, and **Roger Burden**, Chairman, National Game Board, gave evidence.

**Q101 Chair:** Thank you. Can I welcome to the second panel this morning, Greg Clarke, the Chairman of the Football League, Andy Williamson, the Chief Operating Officer, and Roger Burden, the Chairman of the National Game Board. I am going to invite Damian Collins to begin.

**Damian Collins:** Thank you. I would just like to ask about the negotiation over the recommendation on the membership of the FA Board. It was reported that the Football League was unwilling to reduce its representation to one member of the Board, with the Premier League following suit. They wanted to keep it at two. I want to ask, was that the case? Was it your reluctance to reduce your representation to one member that prevented the FA getting agreement on the Board of just 10 members?

**Greg Clarke:** Yes, absolutely true. We are a highly democratic organisation. All of our debate about the engagement with this process, which we decided to be proactive on and to engage in in good faith, and all our recommendations and discussions were debated by all 72 clubs in the quarterly meeting with the chairmen and chairladies of each club. We went through the position and the view of our clubs, which I absolutely support, is that we have 72 clubs with over 16 million people watching them each season. We felt that we deserve two seats on the FA Board and that was our position.

**Q102 Damian Collins:** I can see why you want equal representation on the Board with the Premier League,

but if the Premier League were prepared to go to one member, why should the Football League not have one member as well?

**Greg Clarke:** As far as I am aware, the Premier League were not willing to go to one member. They were willing to go to two members, which was equality with the Football League, and we were quite happy with that proposal.

**Q103 Damian Collins:** But would you follow it? If the Premier League went to one member would you go to one member as well?

**Greg Clarke:** I am not a big fan of the Football League or the Premier League going to one member. Like many people in this room, I have sat on a lot of boards—FTSE 200 companies, global companies, Football League board—and it helps to be able to chew things over with people who are in the room, who are not speaking when you are speaking, and developing positions. I think being the only representative is sometimes very difficult because there are a lot of complex issues. You have to make your decision as a board member with fiduciary responsibilities for that organisation while you are in the room, and not having someone who is on the same page as you, from the same organisation, to say, “What do you think of this counter-proposal? Can we compromise on that?—I think losing the value of that debate would slow down the whole decision-making process, because you would have to come back and consult all the time. I think there can be benefits to it.

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Our view is two board members would be better for the Football League and better for the FA because people could then take decisions.

**Q104 Damian Collins:** It is the FA Board. There are other committees, there are other panels where these sorts of debate can take place, but we are looking at the main board and our recommendation was to try to make that as tight as possible. Are there any other reasons why you do not think the Football League could be represented by just one person on that board?

**Greg Clarke:** To be perfectly frank, I think it is a complete red herring. Some of the most effective organisations globally have much bigger boards than eight, 10, 12 people. I could run up a string of best-in-class Fortune 500 companies, FTSE 100 companies, ASX 50 companies, who are extremely well run; produce excellent performance; manage all their stakeholder interests with boards of 13, 14, 15 or even 20. I have sat on boards in Germany, in France—committee d’entreprise and so on—with shareholder representatives. It has not happened in this country but they have representatives on board and it works extremely well. None of them have ground to a halt because of the size of the Board. It is the quality of the Board that counts, in my opinion.

**Q105 Damian Collins:** Do you think the balance of the Board as recommended now is right?

**Greg Clarke:** I think it is a good compromise. “Right” depends on what set of pre-judgments you make. My view is if you have the right people around the table, with the right expertise and the right long-term mindset—a vision of where you are taking the organisation for the long term, and not compromising over short-term expediency—the size of the Board I am not fussed about.

**Q106 Damian Collins:** One final question on this; I appreciate your preference is to have two board members.

**Greg Clarke:** Sure.

**Damian Collins:** But do you think it is possible for one person to represent the diverse interests of the Football League on the Board if you only have one member?

**Greg Clarke:** I have not met that person.

**Q107 Damian Collins:** So it is not you, then?

**Greg Clarke:** No, I don’t think so. I do not put myself on a pedestal as better than any of the other administrators in football. I often sit at a Football League board meeting and I come in with one point of view and, after I have heard the debate, I come out with a completely different point of view because I have learnt from the people around me. I think having the ability to chew over the issues with someone who has heard all the debate, but represents the same stakeholders as you, is an important thing to maintain.

**Q108 Damian Collins:** Presumably you could do that with your own board before the FA Board meeting?

**Greg Clarke:** You could do, but the trouble with pre-meetings is you have pre-meetings about pre-meetings

about the FA Board, the Professional Game Board, the Football League board and, before we know where we are, we do not do anything other than have meetings.

**Q109 Damian Collins:** I just wonder if it says more about the Football League as an organisation than it says about the FA Board that it is difficult for you to come to a view on anything.

**Greg Clarke:** No, I never said it is difficult. I have a view on everything, and I am quite happy to share them with you. What I am saying is I am not always convinced I am right. Sometimes I am wrong and I have enough intellectual humility to want to chew things over with other people who have heard the whole debate and say, “In this situation you are right, I am wrong and we will do it your way”.

**Q110 Damian Collins:** Yes, I appreciate that. That is part of running an organisation, but what we are saying is, can the Football League come to a corporate view on things to an extent that it makes it easy for one person to represent that view on behalf of the Football League?

**Greg Clarke:** Only if it can pre-judge and predict the whole debate.

**Damian Collins:** No, that is not an answer to that. I think we—

**Q111 Chair:** You are not suggesting, however, that the two representatives on the board of the Football League are sometimes going to take different positions, are you?

**Greg Clarke:** They often do.

**Q112 Chair:** They often do. The Football League will produce two conflicting views?

**Greg Clarke:** Absolutely. We empower our directors to go there, listen to the debate and make decisions in the best long-term interests of English football. You cannot be parochial. Sometimes we have to do things that are problematic for the Football League but are in the best interests of English football, and we often do that. People make those judgments and sometimes they disagree, because they come from different backgrounds, clubs of different sizes, and clubs of different financial strengths. If we employ, to use a political term, a three-line Whip on our directors and tell them what the answer is, they can add no value and cannot take any strength from the debate around the FA Board table. So we do not do that.

**Q113 Damian Collins:** From what you just said, is that the real issue: that the size and financial performance of clubs in the bottom half of League Two is so different from the Championship that it is difficult to manage them as one group, because Championship clubs that are former Premier League clubs are gravitating towards the Premier League, and they are operating on a totally different scale from clubs much lower down the football pyramid?

**Greg Clarke:** It is true throughout football that you manage a wide church. Those issues are the same. For example, Swansea and Norwich have a different agenda than Manchester United and Man City in the Premier League. One of the challenges of being a

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football administrator is to find a common agenda that includes all of these people with different objectives. We had to work very hard at that within the Football League, but, as we have shown with financial fair play, it is possible to get the collective will to prevail.

**Q114 Damian Collins:** Given the answers that you have given, I do not think the Premier League seem to have the difficulties you have, and I imagine that is because, although there are differences between the clubs, they are still more similar than the range of members you have?

**Greg Clarke:** We have a lot more diversity than the Premier League. That is for sure, yes.

**Q115 Chair:** The position is that you are going to want equal representation to the Premier League and that the National Game is going to want equal representation to the Professional Game. If you have your two places, that is eight places already defined, and, as the supporters said and as we believed, it is balance that is important. So the only solution to that, if we were to get the balance that we are seeking, is a board of 20?

**Greg Clarke:** You could take that view. I take a different view and my view is that I am quite capable of being a good Englishman and a good British person as well. My view is the Football League has a duty of care to the long-term future of English football and we are very, very capable of bringing people to the table who have been in football and managing football clubs and around football. Both of our directors have been owners of football clubs and chief executives of football clubs for over 25 years. We believe that is valuable experience for an organisation charged with the future of English football. So we would not put people on the FA Board whom we did not believe had that mind-set and that level of experience.

**Q116 Chair:** I am sure there are plenty of people with that mind-set and that experience, but that does not mean they should all sit on the FA Board.

**Greg Clarke:** Given the number of football clubs that are looking for chief executives at the minute and having difficulty finding people with that experience, I think we should be very careful not to squander it.

**Q117 Dr Coffey:** Mr Burden, what are your reasons for rejecting term limits on Council?

**Roger Burden:** Term limits? Council is elected.

**Q118 Dr Coffey:** When did you last face an opponent in your Council election?

**Roger Burden:** In my own county?

**Dr Coffey:** Yes.

**Roger Burden:** When I was first elected.

**Dr Coffey:** How long ago was that?

**Roger Burden:** That would have been in 1995.

**Dr Coffey:** In all your annual elections since then you have never had an opponent?

**Roger Burden:** No, nobody has stood against me.

**Q119 Dr Coffey:** What are your reasons for rejecting term limits?

**Roger Burden:** My reasons are that I am assuming that all of us, rather like MPs, are elected because they are best. In Gloucestershire, my own county, we are choosing from representatives of leagues who have lots of football background, different business backgrounds. For reasons best understood by people in Gloucestershire, perhaps not by people on this Committee, they decided I am the best person to represent them. That would be a typical example across the county. I am county chairman. I have been county chairman for many years and that gives me a fairly broad understanding of what goes on in the county. I have some business background, too, which helps me when I am in the boardroom and that is why I think I have been elected to Council. Now, if I am forced to stand down, fine, I will stand down; but, presumably, that means Gloucestershire has to find somebody who is second-best. It will not be the chairman; it will not be the chief executive because he is too busy. I am not sure who it will be but, of course, somebody will put themselves up. People who elected me will think that that is the second-best choice. So I cannot see what use that is to anybody.

**Q120 Dr Coffey:** The other reason I have heard is that it is about fostering international relationships, which I fully understand, but the chairman of the FA is limited to a certain number of years.

**Roger Burden:** Yes, he is.

**Q121 Dr Coffey:** Clearly that is a pivotal figure in trying to foster that. If I may I will give you a bit of context. Your answer was very honest and very illuminating. My impression of many of the Council is, absolutely, they put their heart and soul into the game and being on Council is an element of leadership but also an element of reward. I suppose from the outside, one of the reasons why perhaps it is parliamentary Committees like that this are then inspired to try to instigate change is as a result of not a great deal of turnover of representatives from the Council.

**Roger Burden:** It depends what sort of turnover you are looking for. We have to retire when we are 75 anyway, as I am sure you know, and that generates some turnover and, I am guessing, there were certainly six if not seven new members this time. So that would be fairly typical with people standing down or not being successful in the election.

**Q122 Dr Coffey:** That is over 120, is that right?

**Roger Burden:** I do not know how many members there are. I am not sure how many councillors there are, but over three or four years you will get reasonable turnover and it takes a bit of time. You will know yourselves from Committees, it takes a bit of time to pick up speed. I do not like the two-year term for the chairman, and I think that is the recommendation generally in corporate governance. I do not like that, but it is there. I think if the chairman is good enough he should be allowed to stay.

**Q123 Dr Coffey:** Just progressing a bit further, I fully understand why, once you have been on Council, if you get on to committees, there is the question of

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maintaining that experience, but for the people who are understandably doing a good job representing their county or Oxford University or the armed forces football, why do we not say internally, “You are here for so long and if you don’t make progression within the leadership of the structure, then it is time for somebody else to come in and do that”? I mean, when was the last contested election, say, in your neighbouring county?

**Roger Burden:** There are contested elections.

**Dr Coffey:** Okay.

**Roger Burden:** Oh yes, there are. In West Riding there was a contested election and the standing member did not get in. So it happens.

**Q124 Dr Coffey:** But it does seem very rare. So I hope you can understand why from the outside it does seem a bit extraordinary that you are wedded to not quite a job for life, I understand that; but there are very few elections.

**Roger Burden:** “Job” is not the right word.

**Dr Coffey:** Very few elections, then.

**Roger Burden:** I am a volunteer. Yes, it may look like that from the outside but hopefully I have explained how people get in and some people will just automatically vote for the Tory and he will go back in, or the Labour candidate. It just happens and as long as it is the best person by democracy, then that person can stay for—I do not know if there is an age limit here.

**Q125 Dr Coffey:** You might want to have a look at the NFU model, whereby the president needs to get an increasing percentage of the vote and people backing him. So even if he still wins and is the only candidate, if he does not get the ongoing support he has to go.

**Roger Burden:** Yes. Okay.

**Q126 Dr Coffey:** Can I ask a bit more about the appropriate level of control of the FA by shareholders? Will the proposed changes achieve that level of control? We were recommending a greater simplification, yet the decision of the football family has been to continue that distinctive role of shareholders and Council.

**Roger Burden:** Yes. We have changed, though, because at the moment what I thought was a quite simple process where the Council has some decision-making authority and the Board has some decision-making authority—and it is fairly clear that Council is responsible for stuff and the Board is responsible for stuff—is changing now as a recommendation from this Committee. It has all been thrown at the Board, and that is probably why people are thinking it is looking complex. It probably is a bit more complex than it is now, but you started it.

In terms of the shareholders, the shareholders are there. They are a bit of a pain in the neck sometimes, aren’t they? You should ask some of the directors of national companies. But they are there and they are there to test people and our shareholders are different. They are representative, we think, of the football family. I think the paper just touches on that. I don’t think we can ever get rid of shareholders. What we

have done is eliminate decision making from Council so that everything goes to the Board and I think that is what you asked for.

**Q127 Dr Coffey:** I understand the element of using committees going direct to the Board and similar. I think it is just a question of trying to understand, to the average football supporter, the same person—are you a shareholder on behalf of Gloucestershire FA, as you are on—

**Roger Burden:** I hold one share. Yes, I hold a share.

**Q128 Dr Coffey:** Is that to try to preserve the equality of counties, regardless of their size? You just explained before—

**Roger Burden:** No, it is not regardless of size. Again, I am guessing. Gloucestershire holds 22 shares; so there are 22 shareholders in Gloucestershire.

**Q129 Dr Coffey:** How many council members do you have?

**Roger Burden:** One.

**Dr Coffey:** Just the one?

**Roger Burden:** Yes. Whereas a large county—or Birmingham, London—such as Hampshire, I think, might have 30 shareholders and the smaller counties have two or three. The idea is that the shareholders do fairly represent the number of football teams in the country. That is what we do. We are allocated a number of shares in Gloucestershire, in accordance with the number of football teams that we have and then the Professional Game have their allocation too.

**Q130 Dr Coffey:** Finally, given the benefits, and perhaps the clarity of decision making, which I hope some of these recommendations we propose would achieve, is there anything you would press further for greater simplification of the FA structure?

**Roger Burden:** No, I am content with the paper that you have in front of you and some of the progress that we have made since, because obviously the core group is still working. I am content with whatever our final recommendation is, and there is some direction.

**Dr Coffey:** Spoken like a true politician.

**Roger Burden:** I have been involved in it, I have been given a fair crack at it and I am content.

**Q131 Mr Sutcliffe:** I want to come back to this idea of representation. You have the Professional Game Board and the National Game Board that are going to have wide-ranging responsibilities, but how are they going to be more representative? In terms of the National Game Board—no women on there, no supporters’ representation. So how is it going to become more representative?

**Roger Burden:** I am sorry, did you say “National Game Board, no women on there”?

**Mr Sutcliffe:** Yes.

**Roger Burden:** We have women on the National Game Board.

**Q132 Mr Sutcliffe:** That is good news, then. But in terms of supporters, then, what about supporters?



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**Roger Burden:** I am a supporter. I go to football every Saturday. I pay my money and I support football teams.

**Q133 Mr Sutcliffe:** Supporters' representation, then. Somebody from Supporters Direct or somebody from the—

**Roger Burden:** If I just pick up the National Game Board issue. I do not think support is our National Game—our general feeling is supporters in the way you have described them, in terms of the bodies, belong to clubs. We support a club or we support England and it becomes Club England, and the FA chairman can talk about that. Apart from the fact the National Game Board members are ordinary guys like me who pay their money every week, and so I am a supporter and I will have a crack at people about prices, I think supporters generally belong to the professional clubs.

**Q134 Mr Sutcliffe:** We have been told that the Professional Game Board and the National Game Board are going to look at every element of the game and its future. You do not see any role for the wider support and representation? We just had the earlier panel where we talked about the funding for supporters bodies and things like that. You do not think the National Game Board has any role in that at all?

**Roger Burden:** What we have to do is divide up responsibility. We cannot all be responsible for everything. It was my recommendation that Dr Clarke, who is on the Council, becomes a member of the Professional Game. That is my recommendation, which the Professional Game guys are considering because one of his concerns, I think rightly, is that there are six members, including the managers and the players' representatives, who are not allocated. They are sort of sitting without portfolio in Council and it is my suggestion, which I think people are beginning to agree with, that the referees and the equality group and the disability group become part of the National Game and the players, the managers and the supporters, become part of the Professional Game. That would give them a bit more status.

**Q135 Mr Sutcliffe:** Is that your working groups, Roger?

**Roger Burden:** Yes.

**Mr Sutcliffe:** Mr Scudamore, when we asked him the question, said that it would be working groups that would report to the National Game Board and that is how you would get down to the nitty gritty of key issues. They would make recommendations to the Board.

**Roger Burden:** Yes. We do have already an equality working group that reports into Council, and my recommendation is it will come into the National Game Board, although I think for things like equality and disability they will be directly into the Board because they are quite significant football matters.

**Mr Sutcliffe:** That is the relevance of it?

**Roger Burden:** Yes.

**Q136 Steve Rotheram:** If the new Regulatory Policy Group is going to determine policy in a whole host of different areas—and we have a lengthy list here but I am sure you are aware of them, to save reading them out—what remains for the reconstituted FA Board to do?

**Roger Burden:** In terms of regulation, it may be not a lot because the whole idea—and I think this is what you were suggesting—is the regulation is at arm's length, to me as a director as well as a member of the National Game. There is, I think rightly, a degree of independence and arm's length. It is within the FA but it is real Chinese walls. I think that is probably right. In the end the regulation does report into the Board, but certainly the stance the Board has adopted to date will be no different as the regulation people adopt more responsibility following your recommendation, which is that they are left to do these things without interference from the Board. We do not interfere with disciplinary matters in the boardroom, for example. That is at arm's length.

**Q137 Steve Rotheram:** Obviously quite rightly as well, the recommendations that came from this Committee have triggered some changes to the shape and structure of the Board, but also to the functions and responsibilities as well. In other words, are we going to be left with an FA Board that is literally a shell and does not do any of the things it did previously because they now are held in different structures within the organisation?

**Roger Burden:** Yes, I understand that. The issue comes back to, at the moment that FA Board is currently doing FA Board business, and the Council does a lot of the feedback stuff and certainly some of the county nitty-gritty. Because committees are now going to report directly into the Board, we have to delegate. We had a Council meeting two days ago, which lasted two hours, and the papers were that thick. The normal board papers are that thick. So the Board would be handling papers that thick, if it did everything. The more we pile on to the Board, the more the Board has to delegate and that is where we are getting what is fairly complex issues of delegating between the Professional Game Board and the National Game Board. But I do not see that the Board will have nothing to do. It will have to rely on the Professional Game Board and the National Game Board to deal with the day-to-day decision making, but in the end the Board will be receiving reports, as it does now, from the National Game Board and the Professional Game Board. It is not abdicating at all, but it does have to delegate more because the recommendations of the Committee expect it to have responsibility for everything.

**Q138 Steve Rotheram:** Say there were some recommendations around licensing; where would that sit now?

**Roger Burden:** The recommendations with licensing will finish up with the FA Board, but they will go through the regulatory authority first, I believe, before it comes to us.

**Steve Rotheram:** So it would be a lower tier or a different tier or a sub-tier, and then—

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**Roger Burden:** To get through the nitty-gritty, yes, and then the FA would be given some recommendations.

**Steve Rotheram:** But ultimately the FA Board?

**Roger Burden:** Yes, and it is the same for the National Game Board and the Professional Game Board.

**Q139 Steve Rotheram:** Mr Scudamore told us last week that under the new system there would be absolute clarity as to where authority lies. That is slightly debatable from what you have just said there, but are you satisfied that the proposals to create such clarity will do exactly that? Will they create clarity?

**Roger Burden:** I will answer that one quickly. I think they are more complex but we can make them clear. They will be divided up rather more than they are now because of the delegation, but there will be absolute clarity. We are moving towards that.

**Greg Clarke:** I do not see an issue. Just because it is complex does not mean it can't be clear. What we are doing at the minute, we are moving from policy documents to procedural documents to process documents, who will do it, what the job specs are and who will overview it. We have had lots of debates. For example, the Football League is responsible for enforcing its rulebook, but there are processes in place whereby the FA Board can say, "You aren't enforcing your rulebook as you said you were. We are going to look into it". So those checks and balances have to be in place at the minute, and what the FA are going to be very busy at over the next six months is writing down all of these things so they are subject to both clarity and scrutiny to make sure that they do what they said they would do and are fit for purpose.

**Q140 Steve Rotheram:** So it is not necessarily about simplification, but clarification of rules?

**Greg Clarke:** Clarification; some things have to be complicated.

**Steve Rotheram:** Even if it makes it slightly more complicated?

**Greg Clarke:** Absolutely.

**Q141 Chair:** There is a suspicion that the FA Board, which we have talked about and where we made very strong recommendations for a change in the composition and the balance—that to some extent is being proposed; not as far as we would like but there is a step in that direction—but at the same time the power is now being given to the regulatory policy group whose composition is almost identical to the existing FA Board, which is the one we said was not satisfactory. Therefore, while you have attempted to appear to move in our direction, power is passing to a structure that is much the same as exists at the moment. Is that unfair?

**Roger Burden:** No, I do not think that will be the case, Chairman. The composition of the regulation authority—and there is, I think, more than one—is still under debate and I think you will see rather more independence on the regulatory authorities than there is on the Board today. It is not something I am very close to. As I say, I am arm's length from it, purposely.

**Greg Clarke:** I think it is worth explaining what we are trying to achieve, which is a separate regulatory authority that will hold football to account for obeying the rules and regulations that have been set and, while subject to the will of the Board, are behind a Chinese wall so they cannot be leant on. For example, disciplinary affairs, Owners and Directors Test will be enforced by an organisation that is accountable to the FA Board, and cannot be leant on by any of the leagues or any of the clubs. That needs a lot of documentation. It needs a lot of independence. It needs a lot of expertise, but that will not be people from the FA Board. It is a completely different skill-set.

**Q142 Chair:** But the balance on it will be pretty similar to that that exists on the FA Board? It was suggested to us there would be equal numbers of National Game, Professional Game and non-representative appointments?

**Greg Clarke:** Yes, I expect there will be a lot more non-representative appointments because, for example, we have—

**Chair:** A lot more but not a majority?

**Greg Clarke:** The problem with having a majority is getting a balanced debate because, for example, on the FRA we have some quite senior legal figures who help us get the process right and get the natural justice aspects right, but they also need to understand the context in which those decisions are made by people who play the game and administer the game. Certainly the Football League, and I do not believe the National Game or the Premier League, are hung up on having a football majority there. What we want is the right balance of people to make sure the game is run properly and being seen to be run properly and independently from the line authority of the FA.

**Q143 Steve Rotheram:** Can I just finish that off, because it is in the note? Actually, I do not think it is, but I will ask the question anyway. Do the panel believe that this provides absolute clarity as to where authority lies?

**Greg Clarke:** I think it will provide absolute clarity because it is pointless moving towards an agreement on policy and then putting the implementation in place, until you have the policy agreed. We are in good faith. The core group have come up with a proposal, which we brought back to this Select Committee as part of the consultation process. When we get agreement, or not, because it is for you to decide, we will then work to make complete clarity, with each of the committees coming out with specifications, processes, membership lists and so on, so that anybody can say, "This part of the process, how does it happen? Who oversees it? What are the rules? What is the appeal process?", so that scrutiny can place. But that is the next step, to give you that level of transparency.

**Q144 Damian Collins:** Just following that, the owners' and directors' test is quite a good example of this, and it is an area of competence that the joint recommendation from the football authorities sets out for the FARA. I suppose the example we looked at as

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a Committee last year was the ownership model of Leeds United, which then changed, I believe following the intervention of the Premier League, who said they interpreted the rules on when you had to declare a stake or an ownership of the club differently from the Football League. In a situation like that, will it be for the FARA to say, "Well, we think we agree with the Premier League's interpretation of the rules rather than the Football League's interpretation and, therefore, in this case we want the full ownership to be declared"? Is that how you see this working, as an example?

**Greg Clarke:** That is how I see it working. A regulatory authority has to have the final call on whether you are obeying the rules. We cannot say, "Well, we disagree and we are going to do it this way". One of the reasons we are putting them in there is that it is useful to have consistency across football. One of the problems we have is we work in a liberal democracy and if there are no facts that show a person is a bad person, like regulatory black marks or criminal convictions, we cannot say, "Well, we don't like the cut of their jib. You can't own a football club".

**Q145 Damian Collins:** But the concern is when you do not know who they are?

**Greg Clarke:** There is always a concern. We know across the Football League who owns all our football clubs. There is a process by which we have to ascertain that nobody owns more than 9.99% of a football club without declaring that they are a beneficial owner, but sometimes we are subject to confidentiality agreements that say, "We will show you that to show that we are obeying the rules but you can't tell anybody because we don't want people to know". There are good reasons sometimes why people do not want to be known. For example, I have been a programme seller, season ticket holder, fan, director, chairman of a football club. People have said to me, "I am going to put some money in a football club but don't tell anyone it's mine", and you say, "Why not?" They say, "Because I don't want my door kicking down when we can't afford a new centre forward on a Saturday night", because 99.999% of football fans are wonderful people but there is a small minority who get exercised and take it out on the owners and some people just do not want it to be public information that they have provided money for their football clubs.

**Q146 Damian Collins:** Just to take the example of Coventry, SISU is the official owner. Are you saying that you know who the investors in the trust are at SISU that own the club?

**Greg Clarke:** We know who the investors are.

**Damian Collins:** So you know the ultimate beneficial owners of the club?

**Greg Clarke:** I do not know because I am the other side of the Chinese wall, but our experts in the regulatory department at the Football League know who owns Coventry City.

**Q147 Damian Collins:** They have been shown documentary evidence by the club of that?

**Andy Williamson:** No individual owns more than 9.9%.

**Damian Collins:** But you have been shown a list of all—

**Andy Williamson:** Yes.

**Q148 Damian Collins:** How do you verify that this is true information?

**Andy Williamson:** We have sworn statements from legal representatives that that is a representation of the investment trust that owns the club.

**Q149 Damian Collins:** So who gives sworn statements in that regard?

**Andy Williamson:** The legal representatives.

**Damian Collins:** Of who?

**Andy Williamson:** Of the trust.

**Damian Collins:** Of the trust?

**Andy Williamson:** Yes.

**Damian Collins:** So they give sworn statements and they give you documentary evidence showing who all the investors in the trust are?

**Andy Williamson:** Correct.

**Q150 Damian Collins:** If you take a case like Sheffield Wednesday, where the club is owned by a company that is registered in Delaware, there is no legal obligation on their part to declare who the ultimate beneficial interests are in that trust, but you would still require them to give you documentary evidence in that case to show who those people are?

**Andy Williamson:** Yes.

**Damian Collins:** Even though they are under no legal obligation to do so, you would require that?

**Andy Williamson:** Correct.

**Q151 Damian Collins:** I suppose there is a separate question of, do fans have the right to know who owns their club? I personally think if I was a fan of Coventry City I would feel very aggrieved not only at the financial state of that club and the terrible way it has been run, but the fact that the fans themselves do not know who the people are behind it, who the investors are. There is a separate question there. Regardless of what investors might like, do you think this is right?

**Greg Clarke:** My personal view is that people should know who owns their football club. I think transparency is a wonderful thing. You then get to the situation where there is not a big queue of people wishing to own Football League clubs. The big ones in the Championship, if they think, "I might be able to get them in the Premier League", yes; but if people come along who say, "I am a person of repute. Check me out. Here is a certification. Here are my advisors. Write to them. I have no legal problems. I have never committed any crimes. I've never been blacklisted by any regulatory authority. But here is my ownership structure, which is perfectly legal within your country. I would like to use it", it is very difficult for us to say, "No, you can't". What happens then is we drive away the capital necessary to keep our clubs in business. What I am saying to you is, of course, we prefer transparency, but if it is at the cost of turning off a

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source of capital from bona fide, well-qualified, well-funded, reputable people, we might not be doing those communities a favour.

**Q152 Damian Collins:** It is a point to debate. Are people that want the cloak of anonymity the sort of people you want investing in football clubs, particularly if they are doing so from vehicles registered overseas in tax havens? It does invite the question as to whether the real reason people do not want to have their interest declared is not that they are worried about people knocking on their door at midnight but that they do not want to pay tax when they sell the club.

**Greg Clarke:** I think that is a bigger issue than football and I think, while this country has a legal system that allows people to have offshore trusts and ownership structures and so on, putting that problem at the door of football is the wrong place to put it. I think all businesses should declare who owns them and why and where they pay tax. That is my view.

**Q153 Damian Collins:** But football is not shy in creating its own financial rules that serve the interest of its members when it wants to.

**Greg Clarke:** I think we should be careful in defining "members". When I took the job as chairman of the Football League the Board said, "Why should we give you the job?" I said, "My number 1 objective will be to keep the community football clubs in business to the best of my ability". I have a moral quandary with the football creditors rule.

**Damian Collins:** You are not the only one.

**Greg Clarke:** Yes. But imagine that the consequence of cancelling it without putting something similar in place were that we lost more football clubs, maybe at three times the rate that we are losing them now. Would that be a price worth paying? The moral quandary is, do you protect the community asset and the hundreds of thousands of people who have an affinity to it or do you protect the small creditors? I am hugely sympathetic to both parties, but my personal view is we have to keep the clubs alive for their communities. Until we can find something better than the football creditors rule, that is what we are stuck with. Nobody loves it.

**Q154 Damian Collins:** I will come on to the football creditors rule. I want to get back to the premise of that question, which is about football. You said that under the club ownership you cannot create your own rules, but with the football creditors rule you do create your own rules. I think if you are unhappy with the rules of only businesses in the UK applying to football clubs then you would be perfectly at liberty to change them if you saw fit to. That seems to be the way that football runs its affairs.

**Greg Clarke:** No. What we try to do in the Football League is always obey the law of the land and we continually beat HMRC in court because we obey the law of the land. We obey the laws that you guys set to the best of our ability. We are a private members club and if you join a golf club or a tennis club or a working men's club and you don't pay your bar bill or you do not pay your fees, the other members kick

you out. What I am trying to do is not create a set of circumstances where the only sanction available to other Football League clubs is to kick out any club from the league that gets into financial trouble. That is a terrible price for any community club to pay, and it falls on the backs of the local people.

**Q155 Damian Collins:** But I think the reason clubs are getting into this situation is that they are living beyond their means. They are spending money they cannot afford and they are doing that off the back of their other creditors, including taxpayers and businesses in their community, and they are using that money to fund their football performance and then, when there is a problem, they can walk away from the debts they have to the rest of the community but not to other football clubs. There is this question about morality. You have raised it, and Mr Scudamore used the word. There is no moral justification for it, but do you think getting rid of it is part of a necessary adjustment that football needs to make to get away from this model of people within football living beyond their means and protecting each other from the risk of doing that?

**Greg Clarke:** I think you put your finger on it with the issue of causation. I am not obsessed with fixing problems; I am obsessed with preventing them happening in the first place and in the last two and a half years I have spent most of my time and the time of the executives getting the Football League to support financial fair play, which is putting rules in place that should make it less likely over the long term that clubs get into financial difficulty, because they are required to limit the amount of money they can spend. Some of them are required to break even. The clubs unanimously voted across all three of our divisions to put these rules in place. That is the first league in Europe, maybe in the world, to put these in place and, as we go down that road and people can spend less and less money that they do not have, it is likely that they will not become insolvent and that means we will not face the moral dilemma any more.

**Damian Collins:** I appreciate that, and I think the league should be applauded for the steps forward you have taken on financial fair play. In some ways you said something similar to what Richard Scudamore talked about last week and for me, in some ways, this makes the existence of the football creditors rule even worse because, if the leagues have power to intervene, to help support clubs or, in the case of the Premier League to divert funds to other football clubs to cover football debts that are not being honoured, and yet that club still fails, it is even more galling than that the unsecured creditors from the community and the taxman do not even get equal treatment at that stage as well. I agree with you, you should try to avoid clubs getting into that position if you possibly can; but, once they do, I do not see why all creditors should not be treated equally if a club has been given every possible chance of avoiding getting into that state of affairs.

**Greg Clarke:** We try to step in before a club is liquidated. For example, if you look at our public announcement on the latest Portsmouth situation, we have tried to stop too much debt being rolled over to

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a secured position in the new vehicle. We have put a number of financial provisions in place and monitoring of their profit and loss account, how much they are spending on players, their players' budget. There are a lot of ways we try to make sure that when a club comes back to life it comes back to life in a sustainable form, but it always comes back to the fact that when you sit around a table and you have a bunch of clubs, 72 at a club meeting or a Football League Board meeting where you have club representatives, they sit there and say, and I have heard them say it, "This club that has gone bust has been outbidding me for players. They have been beating me because they have been spending money they do not have". It is a very small step to the rest of the clubs saying, "We do not want to play with them anymore". We worked night and day to keep Plymouth afloat and we nearly lost it. A town of 300,000 people nearly lost its football club this time last year. Portsmouth may still lose its football club this year, another town of 300,000 people. My job is to swallow my moral scruples about football creditors and keep football alive in those communities. It takes a lot of swallowing, because I do not like it any more than you do.

**Q156 Damian Collins:** No. Let us not be over-dramatic. It might be the end of that club as a business. It is not the end of football in that town. Even clubs like Aldershot and Accrington Stanley have demonstrated that clubs can come back from financial ruin.

**Greg Clarke:** Yes. But just imagine, because I have to face these clubs and their fans and the local press and say, "Don't worry, guys, 10 or 20 years down the road you could be back, just like Aldershot". That is not what they want to hear.

**Q157 Damian Collins:** I know, it may not be what they want to hear, but I think it is what they need to hear. The trouble is it is too easy for clubs to rack up debts, go into administration, walk away from them, carry on playing, and there is not a downside to this. I think as well maybe there needs to be a period of correction and probably there are lots of clubs in your league that have financial problems. Maybe there needs to be some sort of amnesty or some sort of process whereby you correct this, remove the creditors rule and then have a much fairer system moving forward.

**Greg Clarke:** Well, put it this way, we are putting a process in place that, over the next few years, should make the Football League financially sustainable. When we put together our first strategy study when I joined two and a half years ago, it showed that we needed to raise an extra £1 billion of working capital for the Football League over a five-year period. The credit markets, debt markets and equity markets are closed to football clubs, so that money is either coming from offshore owners or the local communities. That persuaded the clubs they needed to act and they needed to act now to stop wasting money and just spending more than they had. Let us put that to one side. We have put that in place and my firm belief is that will be fixed. What I have not found yet

is an alternative to the football creditors rule that would not result in the loss of many more football clubs. That is not a cost that I am willing to tolerate as a guy who grew up in community football. It may be a cost that you guys are willing to impose, and you can.

**Q158 Damian Collins:** Well, in fairness, that is down to you. I think Parliament could legislate to get rid of the Creditors Rule. I think that would be the fair thing to do and we have heard evidence from lots of people on that, but then it is down to you how you choose to enforce your own rules. In Scotland, they do not have a Creditors Rule and there has been a debate about what happens with Rangers and what level they play at. Rangers are still going to be allowed to play in the Scottish League and they might have been allowed to play in the First Division of the Scottish League until quite recently. That is a matter for you. I think Parliament can say, "Should we recommend legislation to set a level playing field and get rid of this immoral unfairness people talk about?", and then it is down to you how you handle that.

**Greg Clarke:** A debate about the pros and cons of closing down your local football club, I would suspect, is akin to the pros and cons of closing down your local hospital.

**Damian Collins:** But you are the one closing it down, not us.

**Greg Clarke:** I noticed that, but I am not going to do it.

**Andy Williamson:** Chairman, just to pick up Mr Collins' point about what has happened in Scotland, there is another notable difference between the Scottish model and ours, and that is there is not automatic promotion and relegation with the structure below the Scottish League. In England there is. When a club goes into liquidation, it does not start at the bottom of League Two. It would start at a point that it can find a vacancy at least, under FA rules, two levels below the Football League. In the case of Aldershot, which has been alluded to, they I think started in Isthmian League Division 3. It took them 17 years to get back into the Football League.

**Q159 Damian Collins:** These are decisions for football. Sorry, Chair, one final short question I wanted to ask that I meant to ask when I was asking about the owners and directors' test earlier on. I just wanted to come back from the correspondence I had with Nick Craig last year where he raised, I thought, a very real concern when he said that the Football League was in a position where it can regulate and seek to require clubs to comply with rules, but are reliant on self-declaration with no official means of independent verification. Is that still the case?

**Greg Clarke:** Yes. We work very closely with the Premier League, for example, because clubs pass from the Football League to the Premier League and back again, which is healthy. The Premier League spends a lot more money than we do and I often see reports coming across my desk that say, "We have heard this, this, this and this. We cannot prove it". David Bernstein, the Chairman of the FA, had a lot of conversations with me when he first joined, just to

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listen. He said, "Would you be willing to give us the owners and directors' test, to the FA?" I said, "Absolutely", and he looked a bit shocked. I said, "But be careful what you ask for". Just because you move it around does not solve the problem, because people can turn up and say, "Yes, okay, you turned me down because there is a lot of scuttlebutt and rumour out there. Meet my QC. He is going to ask for a judicial review of this. You have no data or facts to hang this on and I am going to sue you", and they will win, all the time, no matter who carries out that test. Whoever carries out that test, be it the Football League, the Premier League, the FA, the FARA, they can only act on publicly available facts. We all do our best to get those. We spend a lot of money with reputable agencies who go out there and dig up court records and regulatory records in countries around the world. We speak to the embassies. We speak to local football authorities. The problem is if there are no facts we cannot act on them.

**Q160 Damian Collins:** But Mr Williamson suggested that this was not a problem because people make sworn declarations?

**Greg Clarke:** We do get those declarations, yes.

**Damian Collins:** But what you are saying is if people are not telling the truth you have no way of finding out?

**Greg Clarke:** In good faith, if they give us a legal declaration and we check behind the scenes that there are no outstanding regulatory or legal judgments against them and then down the road something comes out and they are thrown in jail or in court and they are found guilty, we will always look silly.

**Chair:** We are going to have to move on.

**Q161 Damian Collins:** Okay, but we were told earlier there are sworn statements. You are shown all the relevant documents, but what you are saying now is that you cannot be certain that they are true. You have to take it at face value that they are?

**Greg Clarke:** Many processes require self-certification. If anyone has been shown to lie to us or any other regulatory authority, whether it is the FSA, the FA or the Football League, there are severe consequences, but people do tell lies.

**Q162 Mr Sanders:** This is quite frightening because I thought this had been sorted out. My team Torquay went through a period where a new owner came in, unknown at the time that he was coming in on borrowed money, and was then paying himself a salary in order to pay back the money he borrowed to buy the club. It cost a lot of money to get him out of the club and to have now a proper structure with a consortium of a number of people with good intention, and the club is on a sound footing. I thought that had stopped.

What you are saying is somebody could come along in similar circumstances, on borrowed money or with documentation that suggests they have the resources, in order to be the great saviour. They will come in and will offer creditors a pittance outside of the football creditors rule. I know there are examples of where people have used intimidation to get people to agree

to accept a lower payment so that they are not seen as the person who stopped the football club from surviving in that town. You said yourself you were worried about being able to say to people, "Don't worry, in 10 years' time you will come back". You are afraid of that football group there that can be intimidating. This has to stop, surely. This has to be transparent. I just wonder if one of the things behind this is the parachute payments, because it encourages teams that do not have the parachute payment to spend more than they can afford to compete with the people who do.

**Greg Clarke:** I apologise, but I do not understand what your question is.

**Mr Sanders:** Parachute payments is where I am coming to, but I am horrified at what you said earlier.

**Greg Clarke:** I was just trying to focus on the question you want to ask. Parachute payments are a very interesting concept. For example, when we negotiated the last deal with the Premier League there was an enhanced scale of parachute payments for an extended period of time. I worried whether that would distort the competition in the Championship. We only have two and a half seasons' worth of data at the minute, but it is exceedingly difficult for Premier League clubs who come down. For example, this year only one Premier League club of the three that came down went back again, despite the size of those. They come down in such financial distress that they spend most of their parachute payments trying to sort the mess out.

The question going forward is, when you have the immense amount of money that the Premier League has—and I am not here to knock the Premier League because we have very, very few world-class businesses in this country. We have Tesco and British Aerospace and Rolls-Royce and I would class the Premier League as one of them. They create an immense amount of money and most of that is spent in their local communities on cars and cleaners and shops and things like that. So it gets recycled and it is good for this country. But a lot of people look at buying Football League clubs because they want to get into the Premier League. It is a route in. If the reward is £100 million, £200 million, £300 million, because you can stay in it for one year, two years, five years, 10 years, people will say, "Well, that is worth an investment". You might get a return on your investment within three or four years. You might get your money back on a cash basis within three or four years. That is a pretty good investment these days. That is changing the dynamics of English football.

One of the things we work hard at in the Football League is to make sure, when we talk about solidarity payments and parachute payments, that we try not to let it impact the nature of our competition because we have to protect our competition. If we ever got to the point where, on average, if three clubs are relegated from the Premier League over a 10-year period, 2.75 of them are promoted every season, we have a problem because that is not a parachute payment; that is a trampoline. The Premier League are aware of that and the Football League are aware of that, but it is a consequence of the immense commercial success of the Premier League.

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**Q163 Mr Sanders:** But, you see, in business, if a business overspent and then suddenly its customer base changed, it would not get a parachute payment from anybody. It would end up going bust.

**Greg Clarke:** Well, there are a lot of hospitals getting parachute payments at the minute.

**Mr Sanders:** I do not think hospitals are in the same league; no pun intended.

**Andy Williamson:** I think, Mr Sanders, to be fair, that is why the Championship itself has elected to introduce financial fair play, so there will be controls on the level of indebtedness and significant controls on the level of indebtedness going forward. With these measures, as the Chairman has alluded to, we have adopted a policy of "prevention is better than cure". There are encouraging signs. Twenty-one Football League clubs made a profit in the last reporting period.

Now, that is partly due to the measures that we have introduced over recent years, including salary cost management, i.e. cost controls, in League Two seven years ago. So that has been in force for a long time. Clubs at that level are far healthier than they have been for a long, long time and, hopefully, financial fair play will see that improve through all our divisions as we have introduced measures across all three. But as Mr Lampitt alluded to earlier, we still have issues like promotion and relegation to deal with, which create their own particular problems. Portsmouth and Plymouth are two prime examples of how clubs have been paying players too much money, suffered relegation and ended up in severe difficulty.

**Q164 Mr Sanders:** Are you going to do something about checking whether the people who are buying into these clubs do have the means and are bona fide?

**Greg Clarke:** We spend a lot of resources, a lot of resources. We have just signed off a major football club in the Championship that has just changed ownership. Letters from banks, letters from financial intermediaries, letters from solicitors, full due diligence process, where did the money come from, what are the people like, have they been in football before, what does the local Football Regulation Authority think of them, all that sort of stuff. There is a diligent process.

The point I am trying to make is, do not confuse Football League clubs with viable economic entities. The reason I used the hospital analogy is they are a social good that is important to the local community and that has economic consequences. If you use a capital asset pricing model on football clubs, none of them cover their costs of capital—none of them. What we try to do is keep those clubs alive to the best of our ability, obeying the laws of the land, because the local owners are only the custodians of those clubs. We enforce the rules. We do it diligently and we do our best to keep the bad guys out and facilitate the good guys coming in who are going to do the right things by their local communities, but we do not always do it as well as we could and we seek to get better every year.

**Chair:** We are going to have to move on to the FA, who are waiting patiently. Just before we do, I have Jim Sheridan.

**Q165 Jim Sheridan:** Notwithstanding the comparisons with hospitals, can I say that your talents and experiences are a waste of time in England. Should a vacancy come in the SFA then I would be happy to recommend you if you are thinking of going. Can I talk about the supporters' groups and, indeed, the barriers to supporters becoming owners of clubs? What are the barriers, if any?

**Greg Clarke:** There are no real barriers. For example, the good people of Portsmouth are trying to buy their football club. I worry, personally, about supporters owning football clubs, not because they are not well-meaning people. It is because it is a fiendishly risky and volatile investment. Even if you come into it with a lot of capital and a lot of expertise in running businesses, usually it is a very, very rocky road. I have dealt with a lot of fans. For example, when I was Chairman of Leicester City we had a fans directorate. We had money in from the Football League Trust and it worked well. They elected a respected local solicitor who had experience of sitting on boards of companies and he came along and represented the fans and we listened. That is a one-off example of how it worked well.

I had spent many years around the world working with employee directors and it worked fine. As a concept I do not have a problem with it, but when businesses are independently owned you have to let the providers of capital in that town make their own decisions. Some of them embrace the fans and say, "Come on in, talk to us. We will have committee meetings". Some of them do not. But while football clubs are private businesses, largely as long as they obey the law of the land and the rules of the league and the rules of the FA, you have to let them do it their way. I am not anti-fan involvement at all. At heart, I am a fan.

**Q166 Jim Sheridan:** My problem is that some of the current owners in British football do not have at heart the best interests of the clubs or the fans or the communities. That would be different if you had supporters owning clubs because they would have at heart the best interests of the clubs and communities.

**Greg Clarke:** The problem with that argument is not that it is not correct. I just do not know how to deliver it. For example, largely supporters-owned clubs over time get into trouble. They run out of money, because they put all their money in up front to try to buy the club or a share of the club and then they cannot compete in terms of salaries for players, etc. Let me give you an example of a good club, Exeter City, owned by the fans. Edward Chorlton is the Chairman. He was Chairman of the local authority. Great people, great little club, owned by the fans, struggling to compete, got relegated, and they are in League Division 2. That is not because they are not running the club well. It is just they do not have access to the money to compete. The question is not whether fans should own football clubs. Fans are just as entitled to buy football clubs as anybody else. It is a question of where they get the money from to be able to run the football club.

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**Q167 Jim Sheridan:** I would like to develop that further but we do not have time, unfortunately. Just finally, every club or every association says that they want to have dialogue with the fans. What practical steps have we put in place for that to happen?

**Greg Clarke:** Every club has a supporters' liaison officer whose job it is to structure the conversation with the fans so the fans are consulted. How effective that is depends on the mind-set of the people who own each individual football club. If they go into good-faith consultations with their fans about the big issues, it works. If they do not, it does not.

**Q168 Paul Farrelly:** I have to go before the next session, but there is something I wanted to ask. I wanted to address this issue from my own local experience. My club is Stoke City. It is a Premier League club and it is doing its best for the lower leagues because it is playing Torquay in a pre-season friendly very shortly. But we have another club—

**Dr Coffey:** Is that its charitable act?

**Paul Farrelly:** No, it is solidarity. We have another club in Stoke-on-Trent, which is the smallest city to have two professional football clubs, called Port Vale. We have recently seen Port Vale go into administration again. It has been protracted because one of the questions about the preferred bidder is certainly, "Does he have money and can he deliver?" It has been protracted because the Football League, having looked at it closely, has been diligent and the administrator, Bob Young, one of the best in the business, has been diligent as well. But Port Vale has a Supporters' Trust, the Valiants, which was born out of a previous reconstruction and administration. Seeing Port Vale close up in terms of the vying for control, for whatever reasons, between different people to me shows first-hand that the Supporters' Trust, which had all its different factions fighting each other, is not a panacea for all ills. Sometimes it is not appropriate, as you referred to, Mr Clarke, when the sums of money just get too big. Would you agree that Supporters' Trusts and other forms of involvement that are put forward as something that should have to be forced on clubs are not the answer to different situations and different times in football?

**Greg Clarke:** There are very few panaceas available to solve our problems in football. Abolishing the

football creditors rule moves problems around. It does not solve them; it moves problems around. You would end up with a different set of problems, which may or may not be less or more palatable. Fan ownership is problematic because you end up with a highly risky business with volatile funding requirements, with a democratic group of people who sometimes can agree on things but largely do not have deep pockets.

If you are going to move to a fundamentally different model of funding football clubs over the long term—and there are many around the world, for example, the MLS in North America. They have the problem. They have a highly regulated, centrally run organisation that does not do promotion and relegation. If you are in you are in, and if you are on the outside you are on the outside for ever.

The Bundesliga has a completely different model, which relies on money from fundamentally different sources. There are many, many models. We have a model in England that supports more professional football clubs than any in the world. The Football League is the fourth-best-attended league in Europe out of all of them. That gives engagement in a lot of communities with a lot of fans. Having been a fan and having engaged with football trusts and football fans' trusts personally—when we were raising money they put £100,000 in for Leicester City—I would go round the pubs of Leicestershire with two or three other directors and we would give presentations in the back room. There would be 100 people with their pint who put their hand up—"Yeah, we'll do 25 quid each". I have done it; I know what it is like. When you talk to the directors who represent them, they still go back to the pub after the half-yearly meeting and say, "Why can't we buy Torres?" I am being a bit facetious. Yes, I have a propensity to be sympathetic towards fans and engage with them, but giving them the economic problems of football is not doing them or football any favours.

**Paul Farrelly:** Perhaps Torres, unlike Gary Lineker, did not want to live in Leicester.

**Greg Clarke:** Oh, that's right.

**Chair:** I think we are going to have to call a halt there. Can I thank the three of you very much?

**Greg Clarke:** Thank you very much.



### Examination of Witnesses

*Witnesses:* **David Bernstein**, Chairman, Football Association, and **Alex Horne**, General Secretary, Football Association, gave evidence.

**Q169 Chair:** Can I welcome for the final session this morning David Bernstein, Chairman of the Football Association, and Alex Horne, the General Secretary.

**Mr Sutcliffe:** David, we heard from supporters' representatives this morning that they think that the FA has ceded power by the changes that were caused in terms of the new relationships. How do you see it and what is the motivation behind it?

**David Bernstein:** Can I first say that we have listened extremely carefully to your Committee's views or recommendations and I believe that we have achieved a great deal. I think we have shown that football can reform itself. Football has been accused of being an industry that is incapable of that and I think we have shown we can do it. In fact, we have done it through a collective process. I disagree profoundly with the views expressed earlier that it would be better had each body reported individually. I think it was absolutely right of the Government to ask us to do it collectively because we have something that can be delivered.

I would like to address the profound question that you raised in the original report as to the nature of the Football Association. In fact, it is a governing body but it is also a representative body. There is no question about that. It is a members' organisation. It is an association of interests and I think our structure fundamentally reflects that. We have a board that is partly representative and balanced. We have a shareholding structure where the National Game and the Professional Game have golden shares, where they have blocking rights, in effect. I think we have had to take fully into account that structure and the subsidiarisation nature and devolved decision making. Now, the core group, which I have had the privilege of chairing, has been—and it has been an exhaustive process—a difficult process in many ways. It has not been a cosy agreement. There have been very tough negotiations within that body and the consultation, I have to emphasise, still continues. I know there have been, understandably, some questions about the level of consultation, but it has not finished yet. We have a lot to do still in consulting and in talking to our own Council and getting things approved through regulations.

The other thing I would just like to add, because it will touch on, I am sure, questions you will want to ask, is there were three distinct areas of FA operation. One is its corporate business—the biggest user, Wembley, the National Football Centre, Club England and so on, which falls fully within the FA's clear mandate and authority. There is a whole regulatory side of the operation, which clearly again, although rather independently and separately, falls within the FA's authority.

But there was the area of, you might say, representative and delegated matters where I believe we got a proper balance in bringing a great deal of clarity to what was a very confused situation. I do not think what we have arrived at is more complex at all. I think it will be simpler because it will be much clearer, and do a lot of tidying up. What we have done

is delegated to those other bodies matters that reflect that part of our industry's interests, i.e. the National Game and the Professional Game. Certainly, what we have will to some extent preserve the status quo because there are a lot of checks and counter-checks within what we have done. There will be areas in one of the categories, category C, of issues where change will only happen with the agreement of the National and Professional Game and the FA Board. If there is disagreement, then the status quo will prevail, which is not necessarily a bad thing.

I think we have made a great deal of progress. We have listened extremely carefully to what you said and I think, living in the real world, we have achieved a proper balance in terms of the governing nature of what we do and the representative nature of the organisation.

**Q170 Mr Sutcliffe:** As a consequence of that and to modernise, you believe it is right that the power should be shifted away from the FA Council in terms of a representative body? You think it is the right way forward?

**David Bernstein:** I think what we have done with the FA Council—or are doing, is that we are going to make it more effective. The FA Council at the moment spends a lot of time dealing with minutes, dealing with non-productive detail. What is intended is, first of all, all committees will report through the Board, either directly to the Board or through the PGB and NGB. There will not be less Council meetings but there will be less general Council meetings and some will be replaced by National Game Members Council. Frankly, if you sit in the Council meeting and a lot of National Game stuff is being discussed, the Professional Game people are often not very interested and nor need they be in some business. I think it will lead to a much better focus of the Council. What we have also managed to achieve, or potentially, is this reduction in shareholder voting requirement, i.e. we will get to a 66%, or two-thirds I think it is, threshold rather than 75%. That is very important because our shareholders are fairly conservative and in the past there have been one or two issues that have been in grave doubt because of the 75% threshold. I think we will have achieved something there. I think it will be more effective and more efficient.

**Q171 Mr Sutcliffe:** Do you think it will be more open to change? Do you think there will be new things that will be decided, innovative things?

**David Bernstein:** I think the intention will be that serious matters will be debated in Council. At the moment, I do not think Council gets access. It gets access to information but they are not seriously debated. It is not a parliament in that sense for football. Our Parliament debates heavy, serious matters. Council does not do that and I think the structure of Council meetings and so on will enable it to debate the heavy matters and spend its time more efficiently.

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**Q172 Steve Rotheram:** Can I, first of all, apologise, Chair, because I have to go shortly after my question—so it is not in response to whatever Mr Bernstein might say. You have just touched on the question that I have, and certainly in the last panel it was addressed as well, and that is about the size of the FA Board. Is there now a reluctance to go any further because you believe that you have complied with one of the recommendations from the Committee?

**David Bernstein:** Well, I think we have achieved a fair amount. The first thing we managed to do was get two independent directors on the Board. That was a real plus and I have to say we have already seen the benefits of having them on board. They are two excellent people. The second thing is we managed to get the National Game and the Premier League to reduce their numbers by one each, so we have the Board back to 12. That is two things.

I think this question of balance that has been raised is important. We now have a 4-4-4 formation, which still gives a large level of representation for National Game and for Professional Game, but is a better balance than we had before. If you ask me what I think, my optimum aim here was to get to 10. I tried very hard to get to 10, i.e. 3-3-4, rather than 4-4-4. It was not possible and I think we have covered that already. The Football League did have issues, which I have some sympathy for, I have to say, and we got rather stuck and I am very pleased that, because of two people going, we have managed to get the Board back down to 12 painlessly.

I also would like to say when I first appeared before you I had only been Chairman for a month, but having now had a year and a half at it or a year and a third, I have been impressed with the workings of the Board. It has worked well. We have had a lot of big decisions to take. There has been good challenge from the Board, but I think it has worked very well indeed. It has also been very effective in its delegation. I am also Chairman of Club England and, with regard to the England manager change, which I thought was one of the most important things that we had to do, the Board delegated that responsibility to four of us. It allowed us to carry out the whole process efficiently, and discreetly, in I think a much better way than had happened previously, and allowed the Club England board to come to it with a final recommendation.

On having expertise at the lower levels—Club England has Trevor Brooking as a member—we have good elements of expertise and independence at other levels within the FA. We brought two women directors on to the Wembley Stadium board, two very good people, and they are bringing also independence and fresh views. In fact, we are embedding independence within the FA at a number of different levels.

**Q173 Steve Rotheram:** Given that was a painless reduction, in your own words, are there now any plans to put some impetus into further changes? We know that there is an impasse between the Football League and the FA in regard to tit for tat; one will not reduce theirs because the other one refuses to. Are you going to try to tackle that or are you quite happy with things at the moment?

**David Bernstein:** To be honest, I think, having done what we have done, we should let this bed down and get on with our business.

**Steve Rotheram:** So there are no plans for further changes?

**David Bernstein:** No, there are no plans to go below 12 at this stage.

**Q174 Dr Coffey:** I need to declare an interest. I am still the parliamentary Fellow to the FA, I think until the end of the season or the beginning of the next season, and I have attended games as a guest of the FA or its subsidiaries during that time. Why do you think the football family rejected term limits on the Council? I am sure it will not be too different an answer from Mr Burden.

**David Bernstein:** No, I cannot add a great deal to Roger Burden. I have to say that on the international side of things the football family element and people knowing each other well and people who have learnt to trust each other and work together is very important. When I have been going around Europe and other places talking to people from other associations, they do benefit from a great deal of long-term continuity of people, and those relationships are important. I am sure he will not mind me mentioning his name—Barry Bright, who is leader of the Council and does a huge amount of international work, is greatly liked, greatly respected. I have seen him in operation and those relationships are very valuable to us. I think one could say that, from an international point of view, longevity and people knowing each other in that family sense is a very positive thing.

**Q175 Dr Coffey:** Remind me, does Mr White sit on a specific committee?

**David Bernstein:** Bright, sorry.

**Dr Coffey:** Sorry, Bright. Sorry, Barry White is the singer, is he not; or was the singer? Mr Bright, I assume he sits on a specific committee?

**David Bernstein:** I think he is on more than one committee, yes, but he also represents the Association in many different meetings and councils. He is unsparing in his endeavours going to these things.

**Q176 Dr Coffey:** Out of the entire number of people on the Council, which is over 120 from memory, how many are involved in that kind of international work? I do not know if Mr Horne knows.

**Alex Horne:** It is probably a dozen or so across the Professional Game and National Game whom we would class as ambassadors out in Europe attending matches and representing the Football Association, as well as sitting on committees of UEFA and FIFA—12 to 18.

**Q177 Dr Coffey:** That is between 10% and 15% of Council, is that right?

**Alex Horne:** Yes, maybe.

**Q178 Dr Coffey:** How has that changed? I hope you can understand, I am just trying to probe the reason why, given this continuity—I am not disrespecting it. I am just trying to see how it stacks up. How has that

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changed in the last, say, 10 years? Have some new people come into that group of our ambassadors?

**Alex Horne:** Yes. We went through the committee list a year ago. They tend to be in place for three or four-year blocks on UEFA committees and in those roles.

**David Bernstein:** Sorry, if I may add to that. One of the criticisms of the FA in the past has been its poor relationships with FIFA, UEFA and so on. In order to move that agenda forward, we have worked very hard at trying to get additional people on to committees. I think that once people are on those things, it is good to try to maintain that continuity. As I say, the relationships and so on are unbelievably important. You get an awful lot done. I believe that my relationship with Michel Platini over the last year or so has helped us enormously in a number of areas. The relationships are very important. Even if the percentages are not great, if it is 10% to 20%, they could be a very, very important 10% or 20%.

**Q179 Dr Coffey:** Okay. I will give you credit, Mr Bernstein. It took a great act of personal leadership to do what you did at the Congress last year and you had limited support from elsewhere. In terms of developing that relationship, you are talking about getting more people on to committees.

**David Bernstein:** Yes.

**Dr Coffey:** But when I went to some events and met other Council members who have been very dedicated to the game—I do not question that in any way—we got talking about the report. Although I have not made it to a Council meeting yet as an observer, and I would still love to try to get to one, I got to talking about why some of the changes that perhaps we are talking about didn't come in. Dare I say it, it is like being an MP in a party. You do not want to be seen to be rocking the boat in public. Is there a way that you think that this new counter-proposal will allow, encourage if you like, the Council members to be their own critics and their own challengers, as opposed to it being MPs or others harping from the outside?

**David Bernstein:** By that you mean the general package of proposals we are talking about here?

**Dr Coffey:** Yes.

**David Bernstein:** Well, I would hope so. I think a modernisation of process, making the meetings more effective, enabling the councils perhaps to challenge more effectively, is a good thing. I hope the answer to your question is yes.

**Q180 Dr Coffey:** Mr Horne, do you have a view on that?

**Alex Horne:** I would go further than that and say that I think they demonstrated an openness to considering reform. The adoption of the two new independent directors was something David took on personally when he joined, and Council were very open-minded about it. There was a job to do. David went right round the country and saw as many people who wanted to see him as possible, half a dozen roadshows I think it was, and talked through the logic around good corporate governance, suggesting a couple of independent board members on the main board could add value to decision making. It was very, very, very

strongly supported—high 90% support in Council and then with the shareholders.

I think they are genuinely open to reform and progress and I think they have embraced the process of self-reform that has been led by David and the core group. They support, at a high level, the proposal that has come in front of the Select Committee. There is detailed work to be done. We are in the middle of the process and we will now refine and clarify some of the points of concern. We have heard some points of concern today from people who have not yet been perhaps consulted as much as they would like, and that is where we are. This is the point in time where, at a high level, we think this is a better structure. We now need to fill in some of the detail. But to answer your direct question, I think the Council members and shareholders are up for self-reform.

**Q181 Dr Coffey:** The Chairman of the Board has a term limit and I support that. Interestingly, there is a difference in age limits on the Board and the Council. What is the rationale for one being 70 and the other being 75?

**David Bernstein:** I would rather Alex answered that question.

**Alex Horne:** I honestly cannot remember if there was a specific logic to it when it was first introduced. It came about around the time of the Lord Burns proposals, so whether it was a Lord Burns recommendation I do not remember. I think the reality of board work is that with the levels of corporate governance around the Board—David has already outlined the roles of the Board in terms of overseeing the construction and now the operation of Wembley Stadium, the construction and now the operation of St George's Park, as well as the regulatory detail and the other aspects of the FA Board's work—there is a high level of corporate governance required at that level. They are Companies House directors, so the level of accountability and responsibility on a board director is higher than that on a committee. That may explain why it is a younger man's role.

**Dr Coffey:** By all of five years. Well, Mr Chairman, I will not press further. We have a fairly broad view from there and I do hope the Chairman of the FA might allow me to pop in to observe a Council meeting before I give up.

**David Bernstein:** I am happy for you to do that.

**Chair:** She can report back to us.

**Q182 Damian Collins:** Just following up one aspect of my colleague's questioning; you talked about the football family and the relationship of the FA with international bodies. Last week we saw the publication of the ISL court papers relating to FIFA, which probably exposed the biggest sporting corruption scandal in history, where the current Honorary President of FIFA, still in post, and Mr Teixeira, who until very recently held an extremely senior position within the organisation, are guilty of having received tens of millions of pounds-worth of bribes. But probably worse than that, the ISL court papers say that Sepp Blatter knew about the bribes when they were paid; certainly by his own admission knew about it a couple of years after they were paid,

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and yet sat back and allowed these people to continue to hold very senior positions within FIFA for over a decade. As you probably know, the President of the German Football League has said he feels that Sepp Blatter should resign. In the light of the new information published by the ISL court papers I wondered whether you, Mr Bernstein, think Sepp Blatter should resign.

**David Bernstein:** I am certainly not going to say that today. I stood up strongly last year in terms of the election itself and of proper governance and I think that has probably helped for a real feel of change and reform to begin to take place within FIFA. I have to say I am genuinely encouraged over the last year as to what I have seen. Having spoken to a lot of the more progressive chairmen of some of our European countries within UEFA—and some of these people are intrinsically involved in the change—there is a real feel, and I think I have some confidence in it, that there is a real desire and understanding that change has to take place. Clearly, these accusations are absolutely awful. I do not believe they are proven as yet. Let us see where it goes. I am certainly not going to make calls for resignations sitting here today.

**Q183 Damian Collins:** This is a very serious matter and it needs to be discussed as a matter of urgency by the FIFA Council. That should include whether Mr Blatter is fit to hold office, as well, as part of that discussion.

**David Bernstein:** Heaven forbid, but if you had this sort of thing in the UK within the FA that would certainly be taking place. We are one nation out of over 200. Never forget that when we are talking about FIFA. The way we perceive things, even the way that UEFA perceives things within FIFA, does not necessarily lead to the sort of results or changes that we would want. Of course, I sympathise with where you are coming from, we have to, but I think we need to see where this process goes.

**Q184 Damian Collins:** I suppose there is the fact that the President of the German Football League—and I appreciate he is not the President of the German Football Association—may not be a lone voice this time and there will be other people that are prepared to speak out as well, but Mr Blatter has also hinted at extending his term of office by seeking re-election again. That is something he said he would not do. Is that something you would support?

**David Bernstein:** I would not support that, no.

**Q185 Damian Collins:** Good. We can move back to the report then. We have already covered the football creditors rule in some detail. I know you will be familiar with the view of the Committee on that. I just wanted to ask two things about it. One is, why wasn't the football creditors rule and the Committee's recommendations on that covered in the joint response to our report?

**Alex Horne:** Particularly for the simple reason that it was under legal protection at the time. There was a live case ongoing. One of the things we have sought to do throughout the report is to create a structure that can consider these things clearly. I think the reality of

the rationale for football creditors has been rehearsed a lot in front of the Committee, both last time and this time. It is a moral quandary for all of us, but balancing the protection of the other members in that competition, protecting them arguably from themselves in terms of debts they have exposed themselves to and a club that finds itself in difficulty, is a fundamental rule that they all signed up to when they joined the league. It is a rule that they play to every year.

To dismiss that needs careful consequential thought and, therefore, what we have sought to put in place we think is a structure that can consider it in the future. The Regulatory Policy Group, the Professional Game Board and the leagues can consider this and come to a view. If they do not come to a view, status quo prevails. That is one of the things that is clearly set out in there, but we can now encourage the debate around such reform. If there is a consensus view we will find an alternative, but it is not straightforward and there is not an obvious alternative. We have discussed it. You have heard the Football League and the Premier League reference it in their evidence. There is not an immediately obvious alternative. You would need one and it would need to be introduced carefully, and I think we are still under legal protection because I think there are still appeals live around the recent case.

**Damian Collins:** I don't think there is an appeal. Well, Mr Scudamore told us last week they were probably not appealing.

**Alex Horne:** Okay.

**Q186 Damian Collins:** You could say there is a simple redress, which is that clubs have to treat all secured creditors simply. You can amend the law to make that happen if the clubs will not do it voluntarily. Then it is a matter for the leagues to say, "If I sold you a player and you have not paid me the money, does that mean that that club should be expelled from the league or should I be more careful about whom I enter into financial arrangements with in the future?" I think that is a debate within the league. I do not think it has to follow that the direct consequence of getting rid of the football creditors rule is that loads of clubs will be expelled from the league, because that is ultimately a matter for the leagues to determine themselves. I suppose my question to you is, the joint report suggests that the FA is withdrawing from oversight of some commercial financial matters. I wonder whether what this highlights is a need for someone above the leagues to have a role in saying, "Regardless of what you want to do for yourselves, regardless of what you think is in the best interests of your members, we think as the FA what you are doing is not acceptable". There should be a role for that level of intervention and dialogue.

**Alex Horne:** There is certainly a role for that level of dialogue. What we have not at the moment drafted in here is a role for that level of intervention. It is the difficulty we have talked about previously in terms of the role as a governing body. We very, very specifically separated out implementation, which was a clear recommendation from you, and we

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wholeheartedly agree with that. I think the role of the FARA in overseeing implementation, including and up to intervention, is entirely right.

Where rules exist and they are not being carried out appropriately, the back-stop of intervention exists. That arguably is not clear or does not exist at the moment, so there is a significant improvement there in terms of clarity and efficiency of process. Where we are, in terms of regulatory policy, there is a clear framework now and absolutely the FA Board and the regulatory policy group can cajole and encourage debate on a topic. But it is one of those items—and the list is set out in the response—where we believe it is appropriate that the FA Board cannot intervene and say, “This has to be the way it is, even if 91 of 92 football clubs do not agree with us”, because we do not think that is the right way to make regulatory policy.

**Q187 Damian Collins:** Lastly, do you appreciate the concern that people may have that, looking at the recommendations as they stand at the moment, this level of financial oversight and financial performance of the clubs, which is one of the biggest issues of concern in the game—that it appears in some ways the FA will have less involvement in those issues in the future under the new regime?

**David Bernstein:** That is not the case, sorry. We are talking about financial oversight and I think the potential role of the FARA has been underplayed. I think it is an important move forward that the FARA, an independent organisation, will have much greater powers than previously. It will have powers to oversee directors’ and owners’ tests. Greg Clarke said, “Be careful what you wish for”, but if we wish for it we will be doing it. Ground changes, for example, will be overseen by the FARA. It will have powers of audit and direct involvement. I think that is an important step forward for the FA. On those big issues, what the FARA or the FA will not be able to do is get itself involved in ticket prices for a particular club or, as Alex said the other day and it is an extreme view, tell a club it has to have all its seats painted green. That will not be within the authority of the FA or the FARA, but on the big issues, including new ownership whether the financial plans of the new owner make sense and add up, they will be able to look at the business plan. They will be able to look at the cash flows and be satisfied that the new owners are fit and proper in every sense, including the financial sense. I think that is a big step forward.

**Q188 Damian Collins:** One final question is on ownership. The Football League still do not require public declaration of an interest in a club if it is below a certain level. The Premier League is saying that they will. This obviously is quite an important issue. Do you think there should be a common approach or are you happy for the leagues to run their approaches separately, but you will have oversight of whether they are obeying their own rules or not?

**Alex Horne:** My instinct is there has to be a common approach. We have already heard from Greg and we all know about the free-flowing nature of football clubs up and down the pyramid. I think there should

be a common approach and I think we would support the openness that was called for earlier. I think Greg himself said that they would encourage open and transparent disclosure of ownership of Football League clubs.

**Q189 Damian Collins:** In the case of Coventry, that might mean you would require a declaration of who the investors in the trust are that own the club?

**Alex Horne:** Yes. Bearing in mind we have not moved to this system yet, when it is moved over to the FARA I think that would be a requirement, yes.

**Q190 Mr Sutcliffe:** Just quickly on Supporters’ Trusts, we heard from the supporters this morning the issues around funding of supporter organisations and the FA fund. Do you think there should be a more generous settlement, if you like, for a long-term relationship with the supporters? Just briefly, one of the things that I did as a Minister was support Supporters’ Trusts, and I used Arsenal Supporters’ Trust as a model. Are you happy with what is happening in their relationship with the new owners of Arsenal?

**Alex Horne:** Yes. As far as ownership models go, we are a free-market economy. We would encourage all sorts of ownership models. I think the Arsenal model, the fan-share model, is a fantastic model. What is more important is that with the leagues we have, again as a response to the report, encouraged all clubs to adopt supporter liaison officers to encourage club forums. Again, I think as Greg said, it is now over to the clubs to make sure that these are effective. Information flow between clubs and their supporters is hugely, hugely important. That is the most important relationship for a supporter with their own club and we will continue absolutely to support that.

**Q191 Mr Sutcliffe:** You see that as a separate issue, as opposed to funding the national organisations, Supporters Direct, FSF? Do you think they should be supported more longer term?

**Alex Horne:** Yes. We have put in place commitments to FSF. We are also part of the fan fund that was referenced earlier. So we sit on the body that makes the determination about who should get the money. Mr Sanders made a point earlier and I think both organisations sitting here today would recognise that they need to be more self-sufficient. I think Level Playing Field as an example of another fan-interest body would demonstrate that that is possible. They have succeeded very recently in attracting quite a lot of investment from various sources. I think we would encourage self-sustainability models. We make an offer to Supporters Direct and we would make the same offer to FSF if it helped to accommodate either or both organisations. We happen to have office space at Wembley and probably at St George’s Park now if it helps. We would be open to conversations with either or both organisations about office space, and we continue to support FSF and we have budgeted to continue to do so.

**Q192 Dr Coffey:** There was one element of the report where you said the women’s committee is

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going to report straight to the Board. I know personally how many Council members are very keen to see the women's game develop, and we are now in the second season of the Women's Super League. Is there anything you think you could do to try to persuade the member clubs of our established teams to do a bit more on hosting teams? Neither of the Manchester sides has a team. I just wondered about your thoughts on that, and then I have a separate one about grounds.

**Alex Horne:** Yes. Again it is a personal decision for clubs, although the example of Arsenal is a brilliant example where they have always been very, very supportive of the women's side and they have been incredibly successful, champions of Europe multiple times. They invest a lot of money, multiple hundreds of thousands, in sustaining that women's football club. That is a decision that other clubs have chosen not to take. Now, I think, as a result of our investment in the Women's Super League—we invest over £1 million a year in sustaining those eight clubs and we are about to invest even more money in sustaining a new pyramid below that. We have just signed off on that for the next four years. The FA Board take their investment in women's football incredibly seriously and I think, as a result of that, you are seeing other clubs become interested in sustaining their own women's sides. I think there are other clubs who are now looking at whether they should embrace or re-embrace their women's sides. I think it is a process that will bear some fruit. Our investment in the Super League we are very proud of. It is a semi-professional game, but we have great hopes that it can grow—grow in participation numbers, grow in broadcast numbers, grow in sponsorship numbers—and we hope become sustainable over time and, either way, be of more interest to the brotherly clubs, if that is the right expression.

**David Bernstein:** Sisterly clubs.

**Alex Horne:** Sisterly clubs.

**Q193 Dr Coffey:** I hate isolating people, or singling them out, rather, but I am just thinking of David Gill,

of course, who is on the Board of the FA. Admittedly, he is there on behalf of the Premier League, not on behalf of Man U. I think it would be a fantastic gesture to see perhaps a United-City initiative on this thing. The other question was about grounds. I attended the Arsenal v Chelsea game at the Emirates and it produced, I think, one of the biggest crowds of the season. I am all for endorsing and trying to encourage that, as opposed to, dare I say it, trying to find somewhere 20 miles away from the actual home stadium of the club. Is there anything you think you could do to try to encourage our clubs to do that?

**Alex Horne:** I think one of the important things is to house the women's Super League clubs in good facilities. One of the problems the women's game has had is priority, pecking order. The league would not play for weeks and weeks in a row over the winter because they are second and third priority to boys' and men's leagues and they cannot get the pitches. The facilities have always been a problem. Part of the commitment to being a Super League club and to being licensed as a Super League club is a facility with good attendance and sustainable attendance. Our ambition is that we would have 1,000 people watching every game of Women's Super League. Those are big numbers. The Scottish Football League would look for crowds of that size. We are trying to be realistic. They are big numbers in our own pyramid in terms of the men's game and there is no point trying to, today, expect a women's game to fill the Emirates Stadium week in, week out. Where they can bring it to the Emirates Stadium, it is fantastic as a showpiece for the sport.

**Chair:** Good. Thank you very much, Mr Horne and Mr Bernstein.

**Alex Horne:** Thank you.

**David Bernstein:** Thank you.

# Written evidence

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## Written evidence submitted by the Football Supporters' Federation

### INTRODUCTION

1. Although it did not recommend everything we would like it to have done, we strongly support the report of the Select Committee (SC) and believe that were its recommendations to be implemented in full it would represent a very significant and important advance in the interests of the game as a whole in this country. We are pleased that the Government also supported its direction of travel and the large majority of the recommendations.

2. Excluding those directed at the Government, there were 33 specific recommendations in the conclusions and recommendations section of the SC report. In the response from the football authorities we have identified only two which the authorities have agreed in their response to implement in full (Football Association (FA) Committees reporting direct to the Board; encouragement of a more structured approach to consultation with fans at club level).

3. We attach (Appendix A)<sup>1</sup> a letter which we sent to the Minister of Sport on 2 April 2012 which sets out in detail our comments on the football authorities' response and our concerns about some of its content.

4. Although we understand that further discussions have taken place since the football authorities submitted their response, we have not been party to these or given any documentation which sets out the changes, if any, to the position outlined in the authorities' response. For example, there was a meeting of the national game representatives on the FA Council on 25 June 2012, which considered a further report which we have not yet seen.

5. The Premier League has recently negotiated a very large increase in its domestic media rights, on which they are to be congratulated. Other media rights are still to be announced. This represents a great opportunity to positively affect the development of the game in this country without a further massive "hike" in player wages at the top of the game.

### THE RESPONSE FROM THE FOOTBALL AUTHORITIES

6. We believe that, as the Governing body of whole game, the FA, through its Board, must have ultimate authority on all significant issues, and we endorse the SC's view that the current split between the professional and national games works against strategic decision-making. The football authorities' response, so far from tackling that, ossifies it by giving greater power to the Professional Game Board (PGB) and the National Game Board (NGB).

7. One important example of this is youth development. The FA has recently approved a new strategy which we fully endorse. In the context of FA structure, the SC described youth development a cross-cutting issue, a view which we endorse. However, in the authorities proposals, the NGB would have "sole authority" for "national game youth development" and the PGB similarly for "professional game youth development" as though it is possible or sensible to divide up this important topic in that way.

8. Although, as our letter of 2 April explains in detail, we do not support some proposals in the football authorities response and have serious questions and concerns about others, we believe that with a number of significant changes it could represent a basis for moving forward which we can support. We list below some of the changes we would like to see. We refer the Committee to its own report and to our letter of 2 April for more detailed arguments on these issues.

9. We endorse the response from our colleagues in Supporters Direct on Club licensing, ownership, protection of assets, football creditors rule and debt which we will not repeat here, save to make one important philosophical point. At the heart of these issues is the concept of what a football club really is. In our view it is much more than a commercial legal entity. It is part of the fabric and cultural heritage of its local community, and in a real psychological sense, is "owned" by that community and the club's supporters in a way which simply does not apply to other commercial undertakings. As such it should be protected by a combination of statutory and football rules. An analogy might be a listed building where private owners are required to maintain the building in a proper state and do not have the right to make significant alterations to it.

### 10. *Role of the FA*

(i) We do not support the proposals of the authorities (page 5) that on certain issues including youth development, public policy issues and content of the Domestic competition licences, the FA Board can only act with the support of the Professional or National Game Boards, as appropriate. Those Boards are subsidiary to the main FA Board and in the case of the PGB in particular contain the vested interests of club owners. The regulated should not control the regulator.

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<sup>1</sup> Not printed.

(ii) Even less do we agree with the proposal that other key issues including club business and operating issues; customer/fan issues; ticket prices; club distributions and parachute payments should be totally outside the remit of the FA.

#### 11. FA Board

(iii) We support the SC proposals that independent non-executive and executive directors should have a majority on the Board and that the Alliance level of the game should be represented on it. We note that the authorities undertook to reduce the size of the Board to between eight and 12 by the start of the 2013–14 season. There has been a recent decision not to replace two retiring members of the Board (one each from the Professional and National games), which brings the Board down to 12. It is not clear whether this represents the limit of the FA's intentions in this regard. We believe that the balance of the Board is more important than its size per se.

#### 12. FA Council and Board accountability

(iv) We support the SC proposal that the Council and Shareholder meetings should be amalgamated, since these are largely attended by the same people and shareholder agenda items are discussed by Council.

(v) We wish to see an end to the “second class” status of the so-called “football family 6”, the members of Council who represent the supporters, the players, the managers, the referees and the race and disability advisory groups, who are the only members of Council who are not part of either the National or Professional games, and therefore are not represented on the Board, cannot stand for the Board and cannot vote in elections for the Board. There has been a verbal indication that proposals are to be brought forward to allocate us to either the professional or national game as appropriate, but there has been no indication of how this might be done, and indeed, in respect of the professional game, which is just the Premier League and the Football League, it is very difficult to see how it could be done within the present structural framework of the FA.

(vi) It is essential for good governance that there is an effective mechanism for holding the Board to account. We believe that the FA Council is too big and will meet too infrequently to effectively do this, particularly when committees report direct to the Board (a proposal which we support provided that it is accompanied by other changes). We therefore propose a body in between the Board and the amalgamated Council/shareholder body. This should include representatives of all stakeholders and interests with none being dominant. A possible composition of such a body was given in Malcolm Clarke's evidence to the SC as follows:

County and other FAs	12
Premier League	4
Football League	4
Alliance	4
Professional Referees	1
Amateur Referees	1
Professional managers	1
Professional players	1
National coaching system	2
Disability Equality Group	1
Race Equality group As	1
Football Supporters Federation	1
Supporters Direct	1
<b>Total</b>	<b>34</b>

#### 13. Transparency

(vii) Sporting governing bodies should be subject to the Freedom of Information Act, and there should be mandatory disclosure protocols should other football bodies and football clubs.

#### 14. Supporter involvement and consultation at FA level

(viii) The proposed standing and ad-hoc consultation groups should be written into the rules.

(ix) There should be a supporter representative on:

The Professional Game Board.

The National Game Board (for so long as it is responsible for the Alliance level of the game).

The Regulatory Policy Group.

The FA Regulatory Authority (although for this latter body we would support, as an alternative, a fully independent Board with no direct representatives from the NGB, the PGB or supporters).



15. *Supporter involvement and consultation at Club level*

(x) Whilst welcoming the proposed changes as being an improvement on the current unsatisfactory situation, we would like to see much greater detail on the areas on which (a) evidence of supporter consultation (b) evidence of supporter approval by a club will be required before approval is given by the relevant football body.

(xi) More specifically, the document identifies that where supporters believe that a club is acting outside its policy, it can appeal to the League and the IFO. It is essential that these rights are extended to challenging the policy itself. In this context it is important to have more robust rules on Club Charters.

16. *Independent Football Ombudsman (IFO)*

(xii) IFO adjudications should be binding on clubs, leagues and authorities, except in exceptional circumstances which must be individually approved by the FA Board.

17. *Funding of supporters organisations*

(xiii) In its response to the SC report, the Government said that funding for the long-term future of national supporter representative bodies “should not be beyond the skill of the football authorities”. This is, in fact, something which has been recommended by every independent inquiry into the game since the 1960s. We strongly support this because we believe that supporter input has so much to contribute, as has been recognised by the SC. Our income from the Premier League has been cut considerably this year and is due to be cut further next year. If we do not replace this we will have to make staff redundant.

Our members, of course, already contribute substantially through ticket and other purchases but we are not certainly abrogating our own responsibility for generating income and are actively engaged in a range of strategies to generate other income streams from our members and other sources.

We propose that there should be a levy of a maximum of 0.1% (ie £1 in every £1000) of media rights income (television, radio and new media) accruing to the Football Association, Premier League and Football League to enable adequate and sustained funding of the football supporters’ organisations. We believe this should be administered by an independent panel.

Currently this media rights income is about £119 million per year for the Football Association; £1.1 billion per year for the Premier League and £65 million for the Football League. At its maximum level our proposal would produce a fund of £1.28 million. Football can certainly afford this.

The level of these media rights is set to further increase dramatically. The Premier League has just announced a very large rise in the value of its new domestic television contracts to over £3 billion over three seasons 2013–16. When international rights are added (currently over £1.4 billion over three seasons) the Premier League will see a massive boost to its already huge income. Therefore what we are requesting would be an even smaller proportion of the rights income in the future.

It would be strange indeed to see national supporters’ organisations strangled for cash and having to dismiss staff and decrease representative work due to lack of the relatively small sums they expend.

July 2012

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**Written evidence submitted by Supporters Direct**

**CULTURE, MEDIA AND SPORT SELECT COMMITTEE REPORT ON FOOTBALL GOVERNANCE: SUPPORTERS DIRECT (SD)’S CONCERNS ABOUT THE RESPONSE FROM THE FOOTBALL AUTHORITIES**

I am writing to you in your capacity as Chair of the Culture, Media and Sport Select Committee to express the views of SD in relation to the response from the football authorities to the recommendations of the Select Committee’s report on football governance.

We understand that their response has been referred to the Select Committee and, given the positive contribution that the supporters trust movement has made throughout the Inquiry, we suggest it would be appropriate to consult SD on how effectively they will address the Select Committee’s recommendations.

SD, which represents supporters’ trusts with a collective membership of well over 250,000 and which have raised over £30 million for investment in their clubs, welcomed the Select Committee report and recommendations and calls for the reforms to be implemented as soon as possible. We also welcomed the Government response and the apparent commitment to drive reform. SD is committed to working in partnership with the football authorities and Government to develop robust solutions to ensure that clubs will be owned and managed in a responsible, financially and socially sustainable way.

The response from the football authorities, dated 29 February, contains a number of proposals relating to the introduction of a new club licensing framework, supporter consultation (on “*all relevant issues*”) and engagement and supporters’ trust ownership which are positive steps in the right direction. There appears to be a real danger, however, that in a number of areas the vague proposals from the football authorities and the

Government's apparent reluctance to force the pace of change will lead to the potential impact of many of your excellent recommendations being eroded by watered down, ineffective measures.

In particular our main concerns are focused on:

- The weakness of the football authorities' proposals for governance reform as set out in a letter dated 2 April from Malcolm Clarke, the supporter representative on the FA Council and Chair of the Football Supporters Federation (FSF).
- The lack of robust proposals from the Football Association (FA) for a comprehensive and coherent club licensing regime that will stem the chronic problems of unsustainable debt and failing football clubs.
- The lack of proposals for a solution to provide funding for the long term future of SD.
- The delay from Government in convening the proposed Expert Group to address financial and regulatory issues that create barriers to supporter share ownership.
- The apparent lack of urgency from Government to ensure that the proposals will deliver the Coalition pledge to "... support the co-operative ownership of football clubs by their supporters."

#### THE FOOTBALL AUTHORITIES' PROPOSALS FOR GOVERNANCE REFORM

As a member of the FA Council, where he represents all supporters' organisations including SD, Malcolm Clarke, has valuable insight into the current governance structure of English football and the weakness of the football authorities joint proposals. We fully support the views set out in his letter dated 2 April which was copied to you and we will avoid duplicating them here. We urge you to take up these issues vigorously.

#### CLUB LICENSING

SD welcomes the football authorities' recognition of the value in adopting a licensing approach, but the framework proposed in their letter dated 29 February to the Secretary of State and Minister for Sport was disappointing and weak in terms of structure and content. The structural issues are outlined in Malcolm Clarke's letter. SD has addressed the content of the licensing regime by submitting its own proposals for key principles for football club licensing. A copy of this document is attached for your information.<sup>2</sup>

A key concept in SD's proposals is the development of a progressive framework for rights and responsibilities for fit and proper supporters' trusts.

We are continuing to engage the football authorities to discuss SD's proposals and to press for SD's involvement in the development of detailed measures.

#### FUNDING FOR SD

SD welcomed the Select Committee's recommendation that "*the football authorities must work quickly towards a long term funding solution that allows Supporters Direct develop its role assisting supporters trust organisations and makes realistic assumptions of Supporter Direct's own fund-raising potential*".

The Government response in October 2011, included the statement; "*The Government believes that a solution to provide funding for the long-term future of Supporters Direct...should not be beyond the skill of the football authorities*".

It is hugely disappointing, therefore, that the response from the football authorities shows no acknowledgement of the need for long term funding. SD is making significant progress in changing its business model to generate new income streams to compensate for the current and planned reductions in grant funding from the Premier League Fans Fund, which currently has no commitment to grant funding for SD beyond July 2013, but the football authorities are not working quickly towards a long term funding solution. The statements in their response do not suggest they are making any realistic assumptions of SD's own fundraising potential.

SD has suggested to the football authorities a long term solution whereby SD would take some market risk in return for funding related to a tiny percentage of the broadcasting rights deals but this has not met with any response.

To enable supporters' trusts to play the key role so highly valued by the Select Committee and the Government you must not let the football authorities off the hook.

#### THE GOVERNMENT EXPERT GROUP

We welcome the football authorities' commitment to working with Government to remove legal and bureaucratic hurdles to supporters obtaining shareholding interests in their Clubs and to participate in a Government expert working group.

<sup>2</sup> Not printed.

Attached is SD's proposed agenda for the Expert Group.<sup>3</sup> This was submitted to the football authorities and Government in November and we are disappointed there has been no response from Government.

SD is in discussion with the Premier League which is supportive and keen to move this forward. We are currently preparing proposals for SD's own role in providing input and administrative support to such an Expert Group.

We urge you to press the Government Ministers to inject a sense of urgency into convening the Expert Group.

#### THE COALITION PLEDGE

SD and the supporters' trust movement that it represents was hugely encouraged by the inclusion in the Coalition Government's *Programme for Government* of a specific promise to:

*"...encourage reform of football governance rules to support the co-operative ownership of football clubs by supporters".*

The Select Committee report and the Government response to it led us to believe that this is a genuine commitment. The football authorities' apparent reluctance to fully embrace the spirit of the Select Committee's recommendations is now putting this commitment to the test.

There is a direct relationship between the stated objectives of the Coalition Government and the aims of SD.

We do not believe that the current proposals from the football authorities satisfy the Coalition pledge and we urge you to keep the pressure on the authorities and Ministers to take this seriously.

#### THE WAY FORWARD

SD is in dialogue with the football authorities and officials at DCMS. We have developed detailed proposals for the key principles of a club licensing regime and an agenda for the Government's proposed Expert Group.

SD will continue to strive to play a positive role in the reform of football and we will welcome your support in developing our partnerships with Government and football authorities.

I trust that this information is helpful and I would welcome an opportunity to discuss these issues with you.

Your Select Committee report has created a real opportunity for change. Please do not let it go to waste and gather dust in the way of so many previous reports on the need for reform in football, through lack of determination to ensure that the recommendations are implemented.

May 2012

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### Supplementary written evidence submitted by Supporters Direct

#### 1. EXECUTIVE SUMMARY

(a) We reiterate our endorsement and support for the work done by the Select Committee and the series of recommendations put forward in its report. However we are concerned about the extent to which those recommendations have been, or are being, acted upon.

(b) The response from the football authorities does not fully address the majority of the recommendations put forward. In addition, it does not put forward a strategy or a detailed timetable for delivering the recommendations.

(c) The Select Committee must not let the football authorities off the hook. Numerous previous reports into the governance of football have ended up with insufficient meaningful action and it would be desperately disappointing if this latest initiative were to suffer the same fate.

(d) It is clear that football's existing constitutional structure and regulatory framework are incapable of delivering a modern game that is both representative and sustainable. This must be addressed.

(e) The incredible 70% rise in the new domestic broadcasting rights deal for the Premier League provides a golden opportunity to make a difference. It would be shameful if this multi-billion pound agreement were simply to contribute to an escalation of the "prune juice" effect for 20 or so clubs over the next broadcasting cycle.

(f) The Premier League's distribution model rightly deserves to be recognised as one of Europe's fairest in terms of distribution within the League itself. However, the systemic problems elsewhere in the pyramid highlighted by the Select Committee's report demonstrate the need for a more holistic and harmonised approach across football. It is vital that The FA is empowered to adopt this "whole game" perspective.

(g) Making the game more sustainable and vibrant throughout the pyramid is demonstrably in the long-term interests of all stakeholders. The football authorities must find a way (and must be held to account) to utilise

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<sup>3</sup> Not printed.

better the resources available within the game, with a view to giving us a truly world-leading infrastructure that complements the huge success that we already have in our top leagues.

(h) Supporters Direct (“SD”) is a willing partner to enable some of these changes and will continue to be a critical friend to the football authorities for the betterment of the game. Supporters have a key role to play in the governance structures of the sport, driving improved transparency and ensuring democratic representation.

(i) The pledge contained in the Coalition’s Programme for Government “...to encourage the reform of football governance rules to encourage the adoption of cooperative ownership of football clubs by its supporters” would not be met by the proposals of the football authorities. SD has set out a Club Licensing proposal (see section 4.6) which could deliver on the pledge without recourse to legislation.

(j) The Select Committee’s and the Government’s insistence that the football authorities find a collective solution to the long term funding of SD has not been addressed and there continues to be uncertainty over the long term sustainability of SD’s operations.

## 2. FA REFORM

(a) There is a worrying vagueness over the nature and constitutional detail of the structural changes being proposed by The FA. We share the concerns expressed by our colleagues at the Football Supporters’ Federation (“FSF”) on these matters and endorse their submissions.

(b) We would lay particular emphasis on the following points:

- (i) The changes required must bring about a different balance in order to achieve the improvements in strategic decision-making that the Select Committee recommended (recommendations 1 to 3). The proposals do not do this;
- (ii) The selection processes for the various new bodies being proposed are unclear. This must be transparent. The FA must ensure that relevant stakeholders, including supporters and other under-represented parties, are fully involved in these bodies (which involvement should be ratified constitutionally) so that all parties have confidence in the integrity of the process;
- (iii) The proposed changes to the NGB and PGB do not appear to address the fundamental concerns over vested interests and lack of representation (recommendation 9). The full accountability of these bodies to a reformed FA Board, which must retain overall authority within the principles of subsidiarity, is also unclear. This is of particular concern given the devolution of significant matters, including licensing, to these bodies. Matters as important as licensing should not be devolved and should rest within the direct ambit of the reformed FA Board;
- (iv) We would stress the fact that in order to achieve real democratic involvement, supporters, as a key stakeholder, must be part of the decision-making processes and not just consultees;
- (v) We acknowledge the need for The FA to develop longer term relationships with its international partners, but the proposed changes to FA Council are still inadequate and do not address the concerns of the Select Committee (recommendation 6).

## 3. FOOTBALL FINANCES

- The message from the Select Committee in its report and recommendations could not have been clearer—that there has been a collective failure to deal with the administrative and regulatory challenges relating to football’s finances and this has had a deleterious impact on the game’s financial health and viability.
- It is therefore of serious concern that the football authorities’ response did not offer up any material enhancements to its current approach. Rather, they presented a “re-packaging” of existing measures in relation to FA Membership and presented them as a new Licence which is neither forward looking nor does it fulfil the recommendations of the Select Committee.

### 3.1 Club Licensing

(a) The principle of licensing as advocated by Supporters Direct has been accepted and is welcomed, and we commend the adoption of regulations based on UEFA’s Financial Fair Play by the Premier League and Football League Championship. The decision to continue the Salary Cost Management Protocol in Leagues One and Two is also a welcome one.

(b) However, the evidence (including that heard by the Select Committee) suggests that these measures alone will not be sufficient and that they must be backed up by an effective forward-looking and pre-emptive system that is overseen independently, as part of a package of measures addressing other critical areas (eg. ownership, debt and insolvency).

(c) We would also advocate more “bottom up” regulation via increased involvement of supporters’ trusts. The principle has been recognised by the football authorities with their suggestion that supporter groups should be consulted on issues such as ground relocation. Supporters Direct strongly advocates the extension of consultation or potential veto rights to a wider range of issues, including ownership (see 3.2 below).

(d) SD has prepared proposals for the key principles for club licensing (SD Proposal A dated 19 November 2011) for discussion with the football authorities. A copy of this document is enclosed with this submission.<sup>4</sup> To date we have not received a response to these proposals from the football authorities despite cross-party support.

### 3.2 *Ownership*

(a) The Committee's recommendations relating to club ownership have been largely ignored, particularly in relation to leveraged buy-outs and transparency of director loans.

(b) This is of particular concern to SD given the impact these issues can have at club level, and the risks that can be posed to a club's asset base by ownership and owner debt related issues.

(c) SD advocates a stronger ownership test to safeguard clubs and their assets. This is achieved in other sporting contexts, for example the NFL in the United States, the A League in Australian soccer and the J League in Japan. This has to be backed by a robust licensing system that ensures owners act as suitable stewards once they are in place. We firmly believe that there is scope for English football to adopt a more progressive approach (within the licensing process and/or membership criteria) notwithstanding the requirements of English Law. Supporters can and should play an important role in this aspect of football governance.

### 3.3 *Protection of Assets*

(a) SD research shows that at least 54 clubs have been separated from their stadium in the top five divisions since 1992, including high profile cases such as Wrexham and Leyton Orient. It is a particular risk in the non-league where there are often insufficient fans to protect a club's most important asset.

(b) The Localism Act offers the possibility of protection by designating stadia as Assets of Community Value. It appears all parties involved in the Governance Review, including the football authorities, support such protection.

(c) SD would strongly urge the Select Committee to use its influence to ensure specific guidance is included as part of the implementation of this aspect of the Localism Act in order to safeguard football stadia.

(d) We see no reason why The FA and/or the leagues could not introduce regulation to place additional restrictions/conditions on lending secured against a club's ground. This already exists in other areas (such as the securitisation of central revenues).

### 3.4 *Football Creditors Rule ("FCR")*

(a) Despite the strength of the Committee's recommendation on the FCR (recommendation 13), the football authorities have not responded on this issue.

(b) Since the Committee's report, HMRC's legal challenge to the FCR has been lost, and therefore legislative change may be required if the football authorities do not take steps to adjust their approach.

(c) SD believes that the inherent unfairness of the FCR, and the irrational safety net that it provides to football's trading environment, must be addressed urgently.

(d) We believe that removing the FCR would promote more responsible trading. It may also mean that clubs would require greater assurance about the stability of their trading partners; this simply reinforces the need for a more robust licensing system to provide these safeguards.

(e) We believe that there are alternative approaches that can help preserve the integrity of competitions whilst also providing greater fairness, and we would be a willing partner in assisting the development of a revised approach.

(f) For example, as part of an alternative approach we would advocate the simple adoption of standardised relegation clauses between the professional divisions as part of football's collective bargaining agreement such that the financial impact of relegation (which is very often a major contributory factor to club insolvency) can be better mitigated. We see no reason why this measure should not be adopted as soon as possible.

(g) In this regard we acknowledge and welcome the football authorities' willingness to engage in a working group with the Government and supporter groups to consider the specific circumstances of club insolvency. Of particular concern is the ability to protect the right of a supporters' trust to develop a bid within this process. We would ask the Select Committee to do what it can to ensure that this working group is convened as a matter of urgency.

### 3.5 *Debt*

(a) The adoption of regulations based on UEFA's Financial Fair Play by the Premier League and the Football League Championship is welcomed.

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<sup>4</sup> Not printed.

(b) We do not suggest that debt is necessarily bad per se. However, as identified by the Committee the potential use of loans to cover trading losses is of very great concern for the following reasons:

- It loads unmanageable debt onto a club's balance sheet;
- It perpetuates inflationary pressure;
- It often involves the securitisation of a club's assets (normally its ground) which can paralyse the club; and
- It creates an unhealthy and unsustainable dependency.

The use of debt for this purpose underlines the systemic problems in the football pyramid which drive overspending and excessive financial risk-taking, and which must be addressed as part of a long-term solution.

(c) The Committee's report identifies the issue of tax relief and the difficulties of granting such relief in the current economic environment. We would invite the Committee to consider the opposite approach: namely the removal of group tax relief for losses incurred at football clubs unless those clubs fulfil certain requirements regarding sustainability and community benefit. This would enable the Government to incentivise positive behaviours in football in both a financial and community context.

#### 4. SUPPORTER INVOLVEMENT

- We welcome the wide acknowledgment of the important role that supporters and supporter organisations can and should play in the governance processes. We also welcome the football authorities' response stating that "club's interests are best served through having effective working relationships with its supporters".
- We re-emphasise the fact that in order to achieve real democratic involvement, supporters, as a key stakeholder, must be part of the decision-making processes and not just consultees, as recognised by the European Commission White Paper on Sport 2007 "A formalised involvement of supporters can reinforce the governance and financial stability of clubs".
- We therefore fully endorse the proposals from the Football Supporters' Federation that supporters should be represented, inter alia, on the PGB, NGB, the Regulatory Policy Group and the FARA.

##### 4.1 *Expert Group*

(a) We are grateful for the support of the football authorities in the proposed establishment of the Expert Group. Despite our regular communication with DCMS since the publication of the Committee's recommendations on this issue and provision of a proposed agenda, the process has not moved forward. We would urge the Select Committee to use its influence to ensure the group is established as soon as possible so that its objectives can be fulfilled.

(b) SD's suggestions for the agenda for the Expert Group were put forward in SD Proposal D dated 19 November 2011, a copy of which is enclosed with this submission.<sup>5</sup>

(c) SD would willingly act as the secretariat to the Expert Group and the Premier League has offered its support to enable this to happen. On this basis there really is no excuse for the Government's continued delay in establishing the Group.

##### 4.2 *Relationships with clubs and the Independent Football Ombudsman ("IFO")*

(a) We welcome the approach of the football authorities on the issue of engagement between clubs and supporters. We would urge that SD are involved in the process of developing the terms of the structured relationship with clubs as well as any other supporter related proposals that leagues may adopt in their own licences, and would ask the Committee to endorse this approach.

(b) We agree with the content of the Football Supporters' Federation letter to the Minister dated 2 April 2012 (a copy of which has been enclosed with Malcolm Clarke's letter to the Select Committee dated 17 July) regarding the proposals relating to the IFO. In particular, the proposals regarding feedback from annual meetings with supporter groups would seem to be better suited to the role of SD and the FSF. We would welcome discussions with the football authorities on this issue in particular to identify whether any rationalisation can be achieved in this area and to clarify terms of reference.

##### 4.3 *Supporter Liaison Officers ("SLO") and training programme*

(a) Having been involved in the development and coordination of the SLO network and its ongoing implementation across Europe as part of our work with UEFA, we firmly believe SD has the appropriate skills to assist the football authorities in the introduction and on-going operation of the SLO network at domestic level. We would also be ideally placed to deliver the initial training programme in coordination with the relevant league(s).

<sup>5</sup> Not printed.

(b) We believe our involvement would add credibility to the approach of the leagues and again demonstrates SD's willingness to partner with the football authorities in delivering practical solutions. We invite the Committee to endorse such proposals.

#### 4.4 *Supporter workshops*

(a) The workshop proposed by the football authorities has not been arranged and an alternative approach has been adopted for delivery through the Fans Weekend organised by SD and the FSF. This reinforces our belief that this initiative would best be delivered through SD, or in partnership with SD, and we would willingly assist in the development of suitable arrangements in this regard.

#### 4.5 *SD Licence proposals*

(a) We acknowledge the Government's suggestion that supporter groups need to improve and demonstrate their professionalism to facilitate involvement in club governance and ownership processes.

(b) SD has developed its own licence proposals that we believe address these concerns and provide a structured pathway for active supporter involvement—SD Proposal A dated 19 November 2011 (enclosed<sup>6</sup>). This sets out proposals for the key principles of a club licensing system aimed at securing:

- (A) The sustainable development of English football and its clubs; and
- (B) Supporter and community engagement in the governance of football clubs.

(c) The proposal, in addition to recommending regulations based closely on UEFA's Financial Fair Play, suggests an increase in supporters' rights and responsibilities via a "fit and proper" supporters' trust. It comprises a progressive pathway for the development of a working relationship from an initial structured relationship to a higher level of pre-emption on sale of shares and the appointment of supporter directors subject to conditions.

#### 4.6 *Cooperative funding*

(a) The football authorities' proposal to provide meaningful and direct financial support to assist in supporter led takeover bids is welcomed. Given SD's unique experience in this area and our track record of working with the cooperative sector over the last 10 years to deliver valuable outcomes for football, it is imperative that we are involved in this process. We would welcome the opportunity to discuss and agree with the authorities how such a fund could operate and how SD might assist in the establishment and management of the fund to ensure that potential bids are robust and sustainable.

#### 4.7 *Funding of supporter organisations*

- Despite the Government's statement "that a solution to provide funding for the long term future of Supporters Direct and other high profile supporters group representative bodies should not be beyond the skill of the football authorities, working closely with the bodies concerned" the response from the football authorities has not moved the position forward, simply stating that SD needs to move towards a member-funded model.
- We, and they, have to be realistic about our members' contribution. Despite proposing a doubling of our membership fees for the coming year this will not sustain the organisation. It is vital that we strike a balance between obtaining a meaningful and fair contribution whilst not creating a financial barrier that prevents us from achieving greater supporter engagement.
- We have also embarked on a strategy to diversify our income, supported by short term grant funding from the Fans Fund. We will play our part in developing an enterprising approach to generating alternative revenue streams. In addition, we will continue to identify areas (as we have done in this submission), where we believe we can provide real value and expertise to the football authorities.
- In return, future grant funding must give SD greater security in the long term and be based on a realistic assessment of the independent revenue that can be generated from SD's members and commercial partnerships/projects. We are extremely grateful for our current funding from the Premier League Fans Fund which provides assurance through to July 2013. This must be replaced or supplemented with a more stable long term solution to enable SD to focus on playing a key partnership role in the future of the game.
- The value that SD and the wider trust movement has delivered, and continues to deliver, for football is undisputed: SD has leveraged nearly £7 in investment and donations for every £1 of central grant since our inception in 2000; and in the last nine months alone we have delivered support to over 75 member trusts.
- We note that Wembley Stadium should start to deliver positive revenues in 2015. The costs associated with Wembley were cited as a reason for reductions in FA funding via the Football Foundation. We therefore hope that from 2015 at the latest, The FA will redress this balance and reinstate its contribution to the benefit of SD and other valuable projects.

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<sup>6</sup> Not printed.

- As previously stated we are willing to share risk with football by agreeing a nominal percentage of TV rights income. We estimate that the entire funding requirement would be less than £500 for every £1million of broadcast rights income into English football, or little over 0.1% of the recently announced increase in Premier League domestic broadcast rights.

*July 2012*

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