



House of Commons

Culture, Media and Sport Committee

Football Governance

Seventh Report of Session 2010–12

Volume I

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House of Commons

Culture, Media and Sport Committee

Football Governance

Seventh Report of Session 2010–12

Volume I: Report, together with formal minutes

Volume II: Oral and written evidence

Additional written evidence is contained in Volume III, available on the Committee website at 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.

Current membership

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Dr Thérèse Coffey MP (*Conservative, Suffolk Coastal*)
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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/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 Emily Commander (Clerk), Andrew Griffiths (Second Clerk), Elizabeth Bradshaw (Inquiry Manager), Jackie Recardo (Senior Committee Assistant), Keely Bishop/Alison Pratt (Committee Assistants), Steven Price, (Committee Support Assistant) and Jessica Bridges-Palmer (Media Officer).

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Summary

The Committee began its inquiry into domestic football governance in December 2010 to establish the seriousness of the problems facing our national game, and to examine possible options to address them that, crucially, did not impinge on English football's strengths.

The Premier League has been an undoubted success in terms of the quality of football and the experience for the spectator, and with regard to generating financial benefit for its member clubs. The Football League has also experienced something of a renaissance since the 1980s. However, the successes of the new domestic football model have been accompanied by financial instability and increasing levels of debt, which remains a serious problem throughout the football pyramid. We have examined how financial incentives and pressures, particularly revenue gaps within the Premier League and between the Premier League and the Championship, have served to exacerbate financial challenges.

The Football Association (FA) is the national governing body of English football. It is the most appropriate agency to take the lead in addressing the weaknesses of English football, but it needs urgent reform to carry out its responsibilities effectively and meet the future challenges of the game. We recommend an FA Board of ten, consisting of: the Chairman; the General Secretary; two further FA executive staff; two non-executives; two professional game representatives; and two national game representatives. The reconstructed FA Board should reconsider whether the 50:50 divide of surplus revenues should be scrapped to allow it to take strategic decisions regarding the distribution of FA funds.

The FA should review the composition of the FA Council to improve inclusivity and reduce average length of tenure. The reformed Council should absorb the shareholder role. All FA Committees should report to the Board not the Council. We urge the FA to consider whether the National Game Board and Professional Game Board promote strategic decision-making.

The Football Creditors Rule epitomises the extent to which financial priorities are being distorted. The moral case against it—that it harms the communities that football is supposed to serve—is persuasive on its own. There is also a compelling systemic argument against it, namely that it positively encourages financial risk-taking, by offering a safety net to those who seek to benefit from such practices. It should be abolished. If the football authorities do not take the initiative themselves, and Her Majesty's Revenue and Customs loses its legal challenge to the Football Creditors Rule, we recommend that the Government consider introducing legislation to abolish it.

We recommend the introduction of a formal licensing model imposed rigorously and consistently throughout professional English football to underpin the self-regulation measures already introduced by the Premier League and the Football League, and the financial fair play regulations being introduced by the Union of European Football Associations for its European competitions. The licensing model adopted should both review performance and look to promote sustainable forward-looking business plans. We recommend that the Football Association takes on a strong scrutiny and oversight role in the licensing process and makes the final decision on contentious licence applications.

We recommend that robust ownership rules, including a strong fit and proper persons test, consistently applied throughout the professional game with the FA having an oversight role, should be a key component of the licensing model. The presumption should be against proposals to sell the ground unless it is in the interests of the club. There should be complete transparency around ownership and the terms of loans provided by directors to the club. There is no more blatant an example of lack of transparency than the recent ownership history of Leeds United, and we urge the FA to demonstrate its new resolve by conducting a thorough investigation and, if necessary, to seek the assistance of Her Majesty's Revenue and Customs.

Supporters trusts face significant legal and bureaucratic hurdles when raising funding. We recommend that the Government amend the Financial Services and Markets Act 2000 to recognise the special nature of supporters trusts. We further recommend that the Government consider passing legislation to protect minority supporter stakes that would otherwise be the subject of a compulsory purchase order. The FA should look at means of giving properly constituted supporters trusts, or consortia which include supporters trusts, an opportunity to make a successful matching bid for a club that has gone into administration.

There are a number of examples of effective club consultation with supporters. We welcome these approaches to consultation with supporters in a more structured format, and urge other clubs to follow suit.

The reluctance of the FA, Premier League and Football League to devise a formula for the long-term future of Supporters Direct constitutes a failure of imagination and of governance. We urge them to work quickly towards a funding solution, and the Government to use its influence with the football authorities to work to this end.

We are concerned by evidence of the lack of a co-ordinated approach to English youth development, and urge the FA to provide strategic direction and leadership. We recommend that the FA review expenditure at the grass roots, to help form a view as to whether English football should be spending more on this important component of the game, with a particular emphasis on coaching education.

Almost all our recommendations for the reform of football governance can be achieved through agreement between the football authorities and without legislation. We therefore urge the football authorities to consider our Report carefully, and to respond positively with an agreed strategy and timetable for change. As a last resort, we recommend that the Government consider introducing legislation to require the FA to implement the necessary governance reforms in line with its duties as a governing body.

1 Introduction

1. Football is our national game. As well as having contributed £970 million to the Exchequer in 2009/10, it is also a significant and high-profile national cultural institution that plays an important role in the community and supports wider initiatives in a number of fields such as education, health and social inclusion.¹ Above all else, it generates strong emotional attachments that are hard to convey in statistics or on the pages of a Report but are nevertheless real and powerful.

2. Supporters and commentators have expressed concern that there are insufficient checks and balances on financial mismanagement in football and that a failure of governance is jeopardising the sustainability of the game, both at the micro-level of individual clubs and at the macro-level of the pyramid league structure and the national game more generally. An oft-quoted statistic is that, in addition to Premier League Portsmouth's high-profile insolvency during the 2009/10 season, over 50% of Football League clubs have gone into administration—some on more than one occasion—since 1992, when the Premier League was founded. Concerns have also been raised as to whether the sport's governing body in England, the Football Association (FA), is fit for purpose. One underlying theme is that the commercialisation of the game, and associated financial risk-taking, is undermining football's ability to deliver wider community benefits.

3. We have also been aware of the coalition Government's commitment to encourage the reform of football governance rules to support the co-operative ownership of football clubs by supporters. Indeed, the Government indicated to us that it would welcome a select committee inquiry to help frame its thinking as to how it should take this undertaking forward.

4. Our predecessor Committee conducted an inquiry into Women's Football.² A number of factors convinced us that the time was right to turn our attention to the governance of the professional game. For example, there was the fall-out from the failure in December 2010 of England's bid to host the 2018 Football World Cup, which we have addressed in a separate Report.³ There was mounting evidence of broader concerns about the health of the domestic game, expressed through the media, in MPs' postbags, and in Parliament during a well-attended Westminster Hall debate in September 2010.⁴

5. The Committee announced its inquiry into domestic football governance in December 2010. We wanted to establish the seriousness of the problems facing the game, and to examine possible options to address them—including greater supporter involvement—that, crucially, did not impinge on English football's undoubted strengths. We were delighted with the volume and quality of the nearly 100 written submissions, including a

1 Tax figure from Deloitte. Figure is contributions from Premier League and Football League clubs. Increases in income tax, national insurance and VAT rates will mean that the 92 professional clubs will pay more than £1 billion in tax in 2010/11.

2 Culture, Media and Sport Select Committee, Fourth Report of Session 2005-06, *Women's Football*, HC 1357

3 Culture, Media and Sport Select Committee, Sixth Report of Session 2010-12, *The 2018 Football World Cup Bid*, HC 1031

4 HC Deb, 8 September 2010, col 73-98 WH

number from supporters' organisations. We held eight oral evidence sessions, including two out of Westminster at Burnley Football Club and Wembley Stadium. This was a relatively large number for a select committee inquiry, reflecting the importance the Committee attached to hearing from all key stakeholders. Although the main focus of our inquiry was football governance in England, we also took evidence from the Scottish Football Association and from the Rt Hon Henry McLeish who has recently completed a review of Scottish Football, to see if there were lessons to be learned north of the border. We also undertook a visit to Arsenal Football Club to learn about Arsenal's work in the community and its innovative fanshare scheme. Finally, in March 2011, we travelled to Frankfurt and Munich to spend a few days learning more about the German system of football governance. The more heavily regulated German football model was the most frequently quoted in written evidence as a model from which England might learn.

6. The second chapter of this Report provides context, explaining how the current English football model came into being in the early 1990s, and outlining its strengths and weaknesses. The third chapter examines the extent to which reform of the FA is a prerequisite if the weaknesses of English football are to be addressed. The following two chapters assess in more detail the areas most often cited as lacking good governance: football financial management and club ownership. Chapter six looks at the case for greater supporter involvement in football governance issues, while chapter seven looks at the governance issues at the grass roots with the most potential to impact upon the future of the professional game. Finally, chapter eight looks at the way forward, including for Government.

7. The Committee would like to thank Burnley Football Club and the FA for hosting oral evidence sessions; Arsenal Football Club; and all the organisations and individuals who gave freely of their time and knowledge during the visit to Germany. We would also like to extend our thanks to Christine Oughton and Rick Parry, our specialist advisers to this inquiry, for their invaluable contributions to this Report.⁵

⁵ Rick Parry declared the following interests: In receipt of a termination payment from Liverpool FC on a monthly basis. One of his sons is employed by Manchester City FC as a sports scientist.

2 Context

The old model

8. The key characteristics of the English model of football governance changed remarkably little from their Victorian origins up until the 1980s—the abolition of the maximum wage for professional players in the 1960s being the notable exception. Aston Villa Director William McGregor proposed the formation of a Football League (inaugural season 1888) which quickly contributed to the game's growing popularity. This in turn led club owners quickly to invest in stadia to accommodate the additional supporters. They adopted a commercial limited company model to limit liability when investing in stadia. Club owners did not expect to reap financial reward from their involvement in football; indeed a Football Association (FA) rule (Rule 34) prevented this. This restricted payment of dividends to 5% of the nominal face value of shares and prohibited payment of directors. If a club was wound up, any surplus had to go to another sports club or a charity.

9. The intense competition engendered by the new League structure encouraged owners to invest in their clubs to secure sporting success, establishing a private owner funding model that remains the dominant model today. To guard against one club becoming too dominant, and hence safeguard the popularity of the competition, the model also contained a strong redistributive element, with match day receipts—the predominant source of revenue for clubs at the time—shared between the competing teams. Although the percentage shared by the away team reduced over time, up until 1983 the away team still received 20% of the gate for League matches. When the first TV rights deals were negotiated in the 1960s, introducing a new revenue stream, the same redistributive principle applied with the new revenue shared equally among all the League clubs. Right from the outset, there was a tension and jostling for position between the Football Association as the governing body responsible for the rules of the game, the FA Cup and the national team, and the Football League, organisers of the Football League competition which had expanded to two divisions by the turn of the century and would later expand to four divisions.

The need for change

10. Although the old model had less debt in the system, and the competitive gap between big and small clubs was less, facilities were poor and so was the relationship between supporters and owners, as illustrated by the use of perimeter fencing and the suggestion by one owner that he wanted to electrify the fence.⁶

11. During oral evidence, journalist Patrick Collins reflected that:

some people have a certain yearning for the kind of equality which prevailed before 1983 [...] an age in which clubs succeeded by virtue of their ability. Derby County won a league title and Nottingham Forest won two European cups, not because they

⁶ In 1985 the Football Association and the Greater London Council rejected a proposal from Ken Bates, then Chairman of Chelsea, to install an electric fence around Stamford Bridge to deter hooligans.

were richer than the rest but because they found a manager who was better than the rest [...] Sport lost a great deal when it lost the kind of equality that used to prevail.⁷

There was, however, a broad consensus that, by the 1980s, the model needed reform, albeit with differences of opinion as to what form it should take. Graham Kelly, Secretary of the Football League between 1978 and 1989, and subsequently Chief Executive of the FA, recalled:

It was thundered during the middle of the 1980s by one eminent leader writer that football is a slum sport played in slum stadiums followed by slum supporters and we had to break out from that situation.⁸

Professor Szymanski told us that “it is so easy now, 25 years on, to forget the scale of the crisis in English football that was continuing and persistent over a quarter of a century. The game really was on its knees”.⁹ Observing that “in the post-war era, up until 1985, attendances were continuously in decline at English football”,¹⁰ he offered a number of reasons for this, including neglect of investment, poor facilities, poor crowd control, hooliganism and a sense of danger. For him, a key underlying problem was that English football at that time was not sufficiently commercially-minded. He highlighted a key conclusion of the 1983 Chester Report—by Sir Norman Chester, his second on football, commissioned by the Football League—that “clubs will have to be more sales minded in future if they are to maintain, let alone increase, their gates”.¹¹

12. Three terrible disasters at Bradford, Heysel and Hillsborough added unstoppable momentum to the calls for change. In May 1985, 56 people died when fire spread through the stands of Bradford City’s Valley Parade stadium, and 39 Juventus supporters were killed before the European Cup final against Liverpool at the Heysel stadium in Belgium when supporters precipitated a crush and a wall collapsed. In April 1989, before a Cup semi-final between Liverpool and Nottingham Forest at Hillsborough, South Yorkshire Police opened a large exit gate at the Leepings Lane End, which forced too many Liverpool fans on to the terrace, leaving the fans inside trapped between people entering the ground and the metal fences at the front of the stand. The human crush that resulted led to the death of 96 Liverpool fans. In 2010, an independent Hillsborough panel under the leadership of the Bishop of Liverpool, the Right Rev James Jones, started to look through newly released documents with a remit to write a full account of the disaster. In their different ways, the disasters served to emphasise the extent to which the old governance model had failed to address chronic under-investment in grounds and the needs, including basic health, safety and security of football supporters.

13. As English football reached its 1980s nadir, there were also big opportunities waiting to be seized, although not all were immediately evident at the time. In his written evidence, Professor Szymanski emphasised that “to a significant extent the pressure for change came

7 Q 3

8 Q 24

9 Q 8

10 Q 2

11 Ev 243

from outside the game”.¹² The Government intervened after the Hillsborough tragedy, commissioning Lord Justice Taylor to produce a report, which mandated all-seater stadiums. Public funding assisted the subsequent improvement in stadia. The Government also put pressure to bear on clubs to deal more effectively with hooliganism by identifying, ejecting and prosecuting those causing a disturbance. A further, highly significant, external opportunity was presented by the deregulation of broadcasting in Europe, which “helped to create satellite broadcasters willing to compete aggressively for television rights and so bid up their value”, though the full impact of this change would only become apparent in the next two decades.¹³

14. Change was also occurring from within the game. In 1981, the FA raised the dividend threshold to 15% and relaxed the prohibition on directors being paid; they could now receive a salary as long as they were working full-time for their clubs. Following the Chester Report, in 1983 Football League clubs decided to allow home clubs to keep all the revenue from League matches. All these measures were taken to encourage a new commercially-minded approach that would deliver more investment into the game. For Professor Szymanski, the fact that attendances were on the rise from 1986, before the Taylor Report, can be attributed to this internal reform. Recovery from the deep 1980/81 recession, and subsequent increase in the availability of money for leisure pursuits, may also have been a factor. The performance of the England team in reaching the semi-finals of the 1990 World Cup—Gazza’s tears and Gary Lineker’s goals—also helped the new groundswell of interest in the national game.

The new model

15. The final outcome of the pressure for reform was unexpected. The form that change took was ultimately determined not by the FA, nor by its old sparring partner the Football League. Instead, representatives of some of the bigger first division clubs proposed the formation of a new Premier League, which they felt would leave them better-placed to: improve stadia post-Taylor; reverse the flow of talent abroad; and negotiate a new TV deal on more favourable terms. There was no debate at this stage about the opportunities presented by satellite television. It was the Premier League, with the endorsement of the FA, which would go on to make the most of the available opportunities. Sean Hamil of the Birkbeck Sport Business Centre, University of London told us:

From 1992, four factors came together to create a perfect storm for football. First of all, stadia were being modernised with a 25% subsidy over 1992 to 1997 from a levy on the pools betting duty. English teams had just re-entered European football in 1990. The pay TV revolution had just started, and we had just started 15 years of uninterrupted economic growth through to 2007 and, as we all know, as growth rises, a disproportionate amount is spent on leisure.¹⁴

12 Ibid

13 Ev 243

14 Q 5

Strengths of the new model

16. The Premier League is a private company owned by its member clubs (the top 20 football clubs in England), with an additional share held by the FA. Its principal objectives are to “stage the most competitive and compelling league with the best prepared world class players competing in high quality, safe and comfortable stadia, and to develop clubs to levels where they can compete effectively in Europe”.¹⁵ It has proved markedly successful in marketing its competition to the financial benefit of its member clubs. The turnover of Premier League clubs has grown from £170 million in 1992 to £561 million in 1998/99 and £2,000 million today. The sale of TV rights in the new satellite TV era has proved particularly lucrative, the amount distributed by the Premier League to clubs (including payments to relegated clubs) increasing from just under £42 million in 1992 to £1,013 million (including £388 million from overseas income) in 2010. Because the Premier League operates collective selling of rights, all the clubs have a share in the TV revenue: the top club to bottom club distribution ratio—the difference between the amount the top club receives compared with the amount the bottom club receives—being a low 1.49:1.¹⁶ David Gill, Chief Executive of Manchester United, emphasised that “the collective selling of the television rights has clearly been a success and it has made things more competitive”. He also observed that:

We are the most admired League in the world [...] I think the time was right with the advent of satellite television. The League plays exciting football and it has attracted a good mix of foreign players—top, top players. All those factors coming together in a growing industry has meant that it has become attractive.¹⁷

17. The Premier League provided other impressive statistics too. Gates in the Premier League average about 350,000 per match weekend, with an occupancy rate of over 92%. Supporters attending matches have benefitted from over £2 billion in expenditure on stadia and facilities since the formation of the Premier League.¹⁸ They are watching some of the top teams in Europe: since 2007/08 England has topped UEFA’s rankings based on the performance of nations’ clubs in their competitions over recent seasons. Premier League clubs have appeared in six of the last ten Champions League finals, and in three of the last four, including one all English final. For Professor Szymanski, the Premier League is “the most successful football league in the world”.¹⁹ Former FA Chief Executive Ian Watmore told us that “I love the Premier League as a spectator [...]. It has transformed football in this country from where it was in the late 1980s”.²⁰ The Premier League can argue, with justification, that its clubs have used the increasing revenues to deliver on the Premier League objectives.

18. But what about the rest of the League pyramid? The creation of the Premier League was promoted by the FA, and it was originally envisaged that the new League would sit within,

15 Ev 208

16 Ev 212

17 Q 167

18 Ev 209

19 Q 1

20 Q 387

and be managed by, the FA, on top of the Football League. The Football League went to court to challenge the right of the FA to do this and lost.²¹ The judgment confirmed the right of the FA to govern the game, with rules that take precedence over those of the leagues it sanctions, though the FA has subsequently ceded considerable authority to the Premier League. The Football League was left with three divisions. Promotion and relegation between the top two tiers was maintained, which has had the effect that the top teams in the Football League aspire to leave it. Some of the leading clubs in the Football League saw an advantage in being able to negotiate their own TV and sponsorship deals without negotiations being dominated by the interests of the top sides in the top division.

19. We asked Greg Clarke, Chairman of the Football League, whether the introduction of the Premier League had weakened or strengthened the football pyramid. He replied that “on balance, and this is a personal opinion, it has strengthened it”.²² This might appear a surprising response, but the Football League has also experienced something of a renaissance since the 1980s. The Football League pointed to a number of indicators of success:

The Football League is, by a long way, the world’s most successful second tier competition. Last season over 19 million fans went through the League’s turnstiles, with the Championship remaining the fourth best attended football competition in Europe, ahead of the Italian Serie A, the French Ligue 1 and the Dutch Eredivisie.²³

[...] The Football League is distributing record amounts direct to clubs from the centre as a result of its commercial activity. On average this season, Championship clubs will receive circa £2.5 million from the League; League 1 clubs circa £0.7 million; and League 2 clubs circa £0.5 million.²⁴

20. It is arguable that this success is attributable at least in part to the success of the Premier League, which has helped to sustain interest in professional football. Richard Scudamore, Chief Executive of the Premier League, told us that the rest of English football had grown on the back of Premier League success:

attendances have grown at the Football League, television rights have grown at the FA. The whole economic interest in English football has all grown. It is not a zero-sum game.²⁵

Most tangibly, both the Premier League and Football League evidence noted that the Premier League provides solidarity payments to the Football League, preserving an element of redistribution in the new English football model. It is equally true that resources flow up the pyramid, as interest in the game encouraged at the grass roots generates tomorrow’s Premier League spectators and players.

21 All England law reports/1993/Volume 2/ R v Football Association Ltd, ex parte Football League Ltd; Football Association Ltd v Football League Ltd – [1993] 2 All ER 833

22 Q 56

23 Ev 232

24 Ev 234

25 Q 600

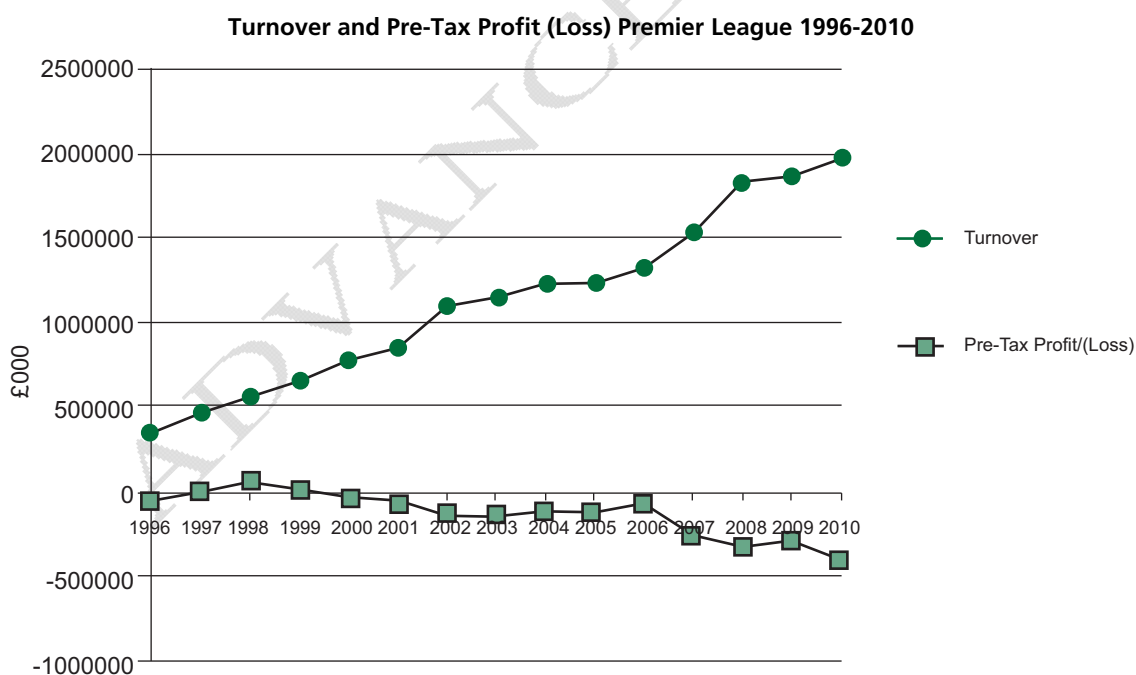
Weaknesses of the new model

21. There are, however, also areas of concern with regard to the new Premier League model. Few witnesses, with the exception of the Premier League and Professor Stefan Szymanski, were prepared to judge the new model an unalloyed success. Indeed, the majority of the evidence we received argued that the problems inherent in the system were sufficiently serious to merit some sort of outside intervention. The arguments differ in emphasis and tone, but an underlying theme is that turnover should not be the sole measure of success. Sean Hamil was one of a number of witnesses who placed greater emphasis on levels of profit (low) and levels of debt (high):

There has not been a single year since the foundation of the Premiership that the clubs collectively have made a pre-tax profit. Football is different but turnover is vanity, profit is sanity.²⁶

Figure 1 illustrates his point. The paradox of rising revenue and declining profitability can be clearly seen: revenue grows steadily over the period while profits decline. At the start of the period the clubs in the Premier League were operating at around break-even point, however from the start of the new millennium the combined losses of Premier League clubs follow a downward trend, reaching their lowest point in 2010, the latest year for which figures are available.

Figure 1



Source: Deloitte Annual review of Football Finance various issues.

22. Sean Hamil argued further that the predominant loss-making model was deterring good owners. He also felt that there was insufficient redistribution from the Premier League down the pyramid to sustain a healthy, competitive model:

The issue [...] is the relationship between the Premier League and the rest of football. [...] It is well recognised that there should be solidarity from the top to the bottom. The critical issue is how that solidarity relationship is organised. My own view, it won't surprise you to hear, is I think there should be greater solidarity between the Premier League and the grassroots.²⁷

In similar vein, Ian Watmore argued that:

There is obviously good debt, there are reasons to go into debt to build a stadium or something like the approach that Arsenal have taken to building Emirates and then selling off their old ground and gradually getting back into financial balance, but debt for the sake of it is troublesome over the long term. I think we should be looking at ideas for how to control that without stifling the inherent successes of the underlying leagues.²⁸

James Wheeler, a member of Derby County's Supporter Trust commented that:

There is now a massive dichotomy in the game in this country which is weakening the sport for future generations. At the 'top' of the game a relatively small group of individuals (chairmen, directors, managers, players & agents) at a small number of clubs are making massive amounts of money (ultimately from the fans) whilst many smaller clubs are struggling for their financial lives. Many non-league clubs have folded altogether and local communities have seen their infrastructure decline through lack of investment. Many small clubs have failed due to debts of less than a week's wages for a Premiership footballer. This cannot be good for the game in the long-term.²⁹

Fulham Supporters Trust observed that:

The profligacy of the Premier League's spending is not only passed down the leagues—only recently have the League agreed a solidarity payment with the Conference—but onto the fans as well in the form of higher prices for tickets, refreshments and replica shirts.³⁰

Olswang, a law firm which has reviewed the accounts of a number of troubled football clubs, observed starkly that “without a radical overhaul and a rethink about how football is funded and managed in this country, we are concerned for the long term health and viability of the industry”.³¹

27 Q 2

28 Q 393

29 Ev w30

30 Ev w76

31 Ev w127

23. Other evidence argued that the increasing focus on the commercial side of football was jeopardising football's wider benefits. Football supporter Peter Hodge felt that "the unregulated, free market, commercially-driven philosophy adopted by the Premier League has resulted in unacceptable differences in wealth between clubs to the point where the game is no longer competitive".³²

Cardiff Supporters Trust wrote that:

Investing in football on a purely business basis, without concern for a club's sustainability is contrary to the interest of the club itself and indeed the interest of the fans who will still be attending matches long after the investor has moved on to other business ventures.³³

Mark Usher observed:

the pendulum in English football has swung far too much towards commercial objectives as opposed to the social, cultural and sporting objectives that originally defined the very reason for existence of the first football clubs. Fans are now customers, clubs are now *enterprises*, and football is in the *entertainment* industry.³⁴

A number of supporters organisations argued that the current business-orientated model risked alienating them. Bristol City Supporters Trust wrote that "like fans up and down the country, we feel ill at ease. We still feel like outsiders looking in on our club".³⁵

24. The amount of money now flowing into football suggests it is a highly commercial business and, in terms of revenue generation, the Premier League is second to none. But businesses need to take account of the bottom line and expenditure as well as revenue. In this regard, it is clear that football is not like most business sectors. Most clubs make losses and operate on the edge of viability. Moreover, the sector is regulated by the Leagues and the Football Association; its specificity is recognised by the EU on account of the wider social and economic benefits it brings; and the relationship between supporter and club is characterised by a degree of 'customer' loyalty that most companies could not come close to achieving.³⁶ We recognise that the passionate loyalties engendered by football can encourage disproportionate reactions to lack of success, disappointment moreover that is inevitable for most supporters, given that many clubs are chasing relatively few prizes. That said, the weaknesses set out above go beyond individual grievance to highlight possible systemic flaws. The challenge which we take up in the rest of this Report is to determine how to address weaknesses in the current model without damaging the end product.

32 Ev w8

33 Ev w21

34 Ev w190

35 Ev w64

36 In EU parlance, sporting specificity refers to sporting exceptions from EU law applying to economic activities. So, for example, a rule stipulating that the French football team may only be composed of French nationals cannot be challenged under EU law

3 The FA

The role of the FA

25. Our starting point is that the FA is the most appropriate agency to take the lead in addressing the weaknesses in English football. Its status as governing body for English football is unchallenged. The Court judgement referred to in the previous chapter affirmed that the FA was “the governing body and rule-making authority of association football in England”.³⁷ We asked Sir Dave Richards and Richard Scudamore, the Chairman and Chief Executive of the Premier League respectively, if they accepted that the FA was the governing body of the English game, and both replied in the affirmative.³⁸ It follows therefore, that where we identify remedies, the FA is the obvious first port of call to ensure that they are implemented.

Concerns about the FA

26. When we started our inquiry we were aware of concerns widely expressed that the FA’s own internal governance structure would need to be improved before it was able to intervene effectively in the wider governance of the game. Sports Minister Hugh Robertson observed in the House that: “if you look across sport, it is very clear to me that football is the worst governed sport in this country, without a shadow of a doubt”.³⁹ He told us that he would like to see the FA play a more pro-active role in football governance but that “the slight reluctance or the slight sense of caution that you would get is that everybody needs to be convinced that the FA is itself properly governed and able to carry out that function”.⁴⁰ Before identifying remedies, therefore, it is necessary to determine what reform is required at the FA to allow it to become a leading part of the solution.

27. Corporate governance best practice indicates a need for an Executive Board with the appropriate composition and skill-set to provide leadership for the organisation and to allow for timely and effective strategic decision-making. The board should be supported by a streamlined committee structure and held to account by shareholders and/or a representative or supervisory body able to scrutinise key Board decisions. The FA organisational structure differs from that of single board organisations (the prevalent organisational form for companies in the UK) by virtue of its dual-board structure comprising the Main Board and Council. This is, however, similar to the dual-board structure common in Germany and other European countries comprising an Executive Board and a Supervisory Board representing key stakeholders. The Council is also an unusually large body. The basic principles of good governance for single and dual-board organisations are similar, but dual-board structures require close cooperation between the main board and the upper tier (the Council). While the FA’s structure and remit differentiates it from the standard UK company governance model—there is a closed group of shareholders, the shares cannot be bought and sold and the shares have no

37 R v Football Association Ltd, ex parte Football League Ltd; Football Association Ltd v Football League Ltd

38 Q 586 Q 587

39 HC Deb, 8 September 2010, col 73WH

40 Q 796

value—many of the basic principles of corporate governance for single- and two-tier systems still apply, and the FA's current structure falls some way short of ideal.

28. The FA can be criticised for showing weak leadership and poor and/or conflicted decision-making, widely seen to be at least in part a consequence of divisive internal structures. Examples of this include a failure to provide leadership on financial governance regulation and a failure to articulate a clear position on the continued relevance or not of its Rule 34. The saga of Wimbledon's move to Milton Keynes, which the FA appeared to oppose but allowed to proceed on the majority verdict of an independent commission established under FA arbitration rules, provides another example. During our inquiry, we focused on a further example of weak governance: the decision taken before the World Cup to amend the contract of England Manager Fabio Capello without the approval of either the Board of the FA or its remuneration committee. General Secretary Alex Horne explained the context:

There was a contract through to 2012 for four years. Within that contract was a clause allowing either party to terminate for an amount of liquidated damages. [...] There was speculation about clubs coming in for Fabio, and it was agreed with a few individuals at the top of the organisation, the last chairman [Lord Triesman] being at the heart of it, that we would delete mutually those two clauses. So effectively, we would remove our ability to terminate Fabio's contract with liquidated damages and he would delete his ability to walk away from our contract with liquidated damages.⁴¹

29. The decision arguably looked better at the time, when England had performed strongly in its World Cup qualifying group, than it does with the hindsight of England's World Cup performance. The governance issue, though, stems from the very informal manner in which an important strategic decision—to tie the FA and the incumbent England manager more closely together after the World Cup—was made. Indeed, there remains a lack of clarity as to who actually took the decision to amend the contract. Alex Horne implied that Lord Triesman was the senior figure behind it, and Sir Dave Richards agreed with this interpretation when he gave evidence.⁴² However, in correspondence to the Committee Lord Triesman stated that the decision was taken subsequent to his resignation in May 2010. Alex Horne accepted that it had been a failure of corporate governance not to seek the endorsement of the FA Board: "It was a whole board decision, and should have gone to the whole Board, but it did not".⁴³ New FA Chairman David Bernstein confirmed that changes to a contract of the size of Fabio Capello's should go through the remuneration committee "and then, if necessary, to the board".⁴⁴ He affirmed that, under his Chairmanship, such decisions would go through the proper channels.⁴⁵

30. The decision to rebuild Wembley has also been cited as poor decision-making. David Conn, in particular, has criticised the extent to which the requirement to service debts on

41 Q 499

42 Q 622

43 Q 500

44 Q 503

45 Q 501

Wembley stadium is constraining the FA's ability to invest in the grassroots.⁴⁶ The FA's accounts for the year to 31 December 2009 recorded the cost of servicing debts on Wembley stadium at £30 million. Wembley is not scheduled to break even until 2015. David Bernstein told us:

By 2015, we will have paid £150 million of debt plus interest and by 2015 we are anticipating that Wembley will become cash-positive and will start pushing cash back into the game. [...] Clearly, in the interim, Wembley has been using FA finance to balance its books.⁴⁷

He confirmed that the FA had needed to cut the amount of money going to the Football Foundation in order to service the Wembley debt.⁴⁸

31. The Commission on the Future of Women's Sport was frustrated as to how a policy change to remove the ban on mixed football up to the age of 14, agreed by the FA Board and the FA Council, could still be blocked by shareholders. In 2010 the FA shareholders managed to overturn the will of the FA Executive and the FA Council and block the removal of a ban. The Committee was critical of the FA in this regard in its Report on Women's Football, and has kept up the pressure on the FA subsequently.⁴⁹ The FA finally made some progress on this issue earlier this year.

32. Fulham Supporters Trust was one of a number of witnesses to observe that the FA's internal structure "leaves it powerless to take on the Premier League when the situation demands".⁵⁰ The research organisation Substance similarly argued that "the emergence of Premier League dominance within the governing structures of the FA has further clouded and undermined the ability of the FA to govern the game independently".⁵¹ William Gaillard's European perspective was that "turf wars" between the FA and the Premier League and Football League had damaged English football. He felt that "the English FA is probably in a weaker spot than any other FA in Europe. [...] In other countries you have a more balanced situation where the status of the governing body that the FA holds is better protected".⁵²

33. The FA can also be criticised for being unrepresentative. Steve Lawrence wrote that, in a Council of over 100 members:

There is only one representative for players, one representative for referees, one representative for football fans, there are no representatives for football coaches, and there are no representatives for the children or 1.5 million youth players.

Football involves players, coaches, referees, the parents of youth players and spectators. These stakeholders, some 7 million people according to the FA, are

46 "Football Association must be called to account over Wembley debts", *The Guardian*, 15 September 2010

47 Q 453

48 Q 454

49 Culture, Media and Sport Select Committee, Fourth Report of Session 2005-06, *Women's Football*, HC 1357

50 Ev w75

51 Ev w205

52 Q 750

represented on the FA by 3 people out of a Council of 114. The FA is utterly un-representative of football.⁵³

The independent Manchester United Supporters Association felt that the FA Council was anachronistic, with a representative from each of the Armed Forces, the Public Schools, Oxford and Cambridge, but just one representative of the fans.⁵⁴

34. Gordon Taylor, Chief Executive of the Professional Footballers Association, noted that it had taken players 100 years to get a seat on the Council, and that players remained unrepresented on the FA's main Board. He observed further that:

every other country in the world of football actively encourages its former players who are prepared to stay in the administration of the game. You look at France, Spain, Germany; they have been very actively involved and they have been a force for good. From our point of view that has not happened and that is one area where we can learn a great deal from the rest of the world.⁵⁵

In its submission, the League Managers Association similarly argued to be given a place on the Board and representation on a key committee reporting to the Board, the Professional Game Board:

Currently, three key stakeholders are excluded from the decision-making process, the Football Supporters' Federation, the Professional Footballers' Association and the League Managers Association. For the credibility of the sport, this has to change and the LMA believes that each of these organisations, representing these key elements in the game, should have a place on The FA Board as a right.

In addition, if the Professional Game Board of The Football Association is to have credibility, then the LMA would like to see representatives of the Football Supporters' Federation, the Professional Footballers' Association and the League Managers Association to be included in its composition.⁵⁶

35. Paul Elliot, who made a stand against racism as a player and was awarded an MBE for his work with young players and his involvement in anti-racism campaigns, was also concerned by the lack of diversity within the FA's structures:

I think it is very important for the FA to modernise and be fit for purpose for the 21st century. The game has got to be far more inclusive, far more diverse and far more welcoming, because there are the key stakeholders and there is room for everybody.⁵⁷

A submission from the Inclusion and Diversity Caucus observed that:

the FA Council is overwhelmingly white and male, as is The FA Board and the senior management team. There is also extremely limited representation from people with

53 Ev w4

54 Ev w71

55 Q 138

56 Ev 228

57 Q 141

a disability or from the LGBT (Lesbian, gay, bi-sexual and trans-gender) community.⁵⁸

By contrast, it noted that the Norwegian FA has specified that at least one woman has to be represented on its executive. The Commission on the future of women's sport argued that the lack of women at the top of the game was damaging the FA's ability to take women's football forward. During our inquiry, we looked in detail at the FA Board, Council and wider committee structures.

The FA Board

36. During our oral evidence sessions we asked Lord Triesman, Ian Watmore and Lord Burns, all of whom had detailed knowledge of the FA's structures, for their diagnoses. As previously noted, Lord Triesman was concerned that the FA "in my judgement [...] has, apart from on-field discipline [...] backed out of regulating altogether".⁵⁹ He told us further that this was a consequence of "systemic failure". His main concern was that the main decision-making body of the FA—the FA Board—made up of five representatives of the national game and five representatives of the professional game plus the independent Chairman and the Chief Executive of the FA, was deeply conflicted. He compared it to having Ofcom "exclusively made up of Sky, ITN, the BBC and possibly ESPN now".⁶⁰ He observed that the representative of the national game, which was partially dependent on funding from the professional game, would not challenge the professional game on issues pertaining to the professional game: "On issues which are regarded as absolutely critical to the professional game, they may not vote with them but they will not vote against them".⁶¹

37. Ian Watmore highlighted his frustrations that, whilst he was Chief Executive, there was "nothing chief or executive about the job".⁶² He told us that his proposals for reform too often "either hit the buffer of treacherous governance" at Board level or "just [weren't] possible to do at all because we didn't have control of our money and our resources".⁶³ This is a reference to the 50:50 split of surplus FA revenue between the National Game Board and the Professional Game Board, as explained in the previous chapter. He commented that:

Apart from the fact that I begrudged giving FA money back to the professional game—because I didn't think they needed it and the national game did and I thought it would have been much better to have channelled the money in that direction—the sheer fact that we didn't have responsibility for how that money was spent.⁶⁴

What emerged from the 50:50 split, he felt, was an "unholy alliance" between the professional game and the national game "not to tread on each other's patch".⁶⁵

58 Ev w214

59 Q 29

60 Q 36

61 Q 40

62 Q 346

63 Ibid

64 Q 347

65 Q 365

38. Ian Watmore agreed with Lord Triesman that the Board essentially represented different interests with “no independence and clarity”.⁶⁶ By way of example, he cited the fact that Board member David Gill would be conflicted in any discussion of financial governance because of the leveraged buyout model at Manchester United. More generally, he suggested that Premier League representatives would be conflicted in any discussion about the FA being tougher on calling up young players. Other submissions also cited the temporary role of Sir Dave Richards, Premier League Chairman, as Chairman of Club England with responsibilities over the national team, as a particularly striking conflict of interest. Ian Watmore observed further that:

People from various sectors of the game would sit in meetings of the FA and talk about the FA as though it was a third party. They were not driving the best decisions for the organisation, which is the FA; they were driving the best decisions for whichever area they came from [...] I believe you need a board that is single-purpose and focused on the organisation and I didn't think it was.⁶⁷

Chief amongst Ian Watmore's frustrations that led to his resignation was his conclusion that the conflicted Board prevented the FA from grasping the nettle on the governance of the game.

39. Lord Burns acknowledged that some of the proposals for reform that he had advocated in his independent review of the FA—such as the proposal to appoint an independent Chairman and to give the Chief Executive a vote on the Board—had been enacted, but he remained frustrated that a number had not. The key reform proposal that had not been implemented was for the Board to have at least two independent directors to help break the conflict of interests detailed by Lord Triesman and Ian Watmore. He made the important point that if the FA is to become an effective regulatory body for the off-field governance of the game, it needs a different type of Board. He remarked that “the present board, is as if with the Financial Services Authority we had a controlling interest by the banks whom they are regulating”.⁶⁸

40. We asked Lord Burns why he thought his reform proposal had not been adopted. His response focused on the national game representatives. He observed that, for them, Board membership was the pinnacle of their life in football—a reward for the work they had put in through the county associations. They were, therefore, concerned as to which of them would lose out if their numbers were cut to make way for more independent Board members. He felt that the professional game would have been content to reduce numbers—a point also confirmed by the Premier League during its evidence—but that they wanted to retain parity with the national game. Lord Burns opposed simply increasing the numbers on the Board on the grounds that this would make it unmanageable.⁶⁹

66 Q 350

67 Q 362

68 Q 27

69 Q 36

Reform of the FA Board

41. The most radical proposal for reform of the FA Board came from Ian Watmore. He argued for a Board composed entirely of independent directors. His preferred Board would have six voting executives from inside the FA and six non-voting executives, including an independent Chairman, drawn from football, business or public service but independent of current club, league, county or other footballing interests. He also recommended that the FA Council should give ground to the independent Board and FA Executive. He told us that he would like to see Trevor Brooking, in his current role as FA Director of Football Development, and Hope Powell, as the leader of the women's game, on the Board, to encourage a focus on football issues.⁷⁰

42. For Ian Watmore, an independent Board would give the FA strength without weakening the Premier League. He felt that the enormous success of the Premier League as a competition organiser in its own right meant that it was neither desirable nor possible to have a FA structured along German lines where "it is one integrated organisation where they look at the whole".⁷¹ Rather, an independent Board would give the FA enough authority to set the financial regulatory environment, leaving the Premier League free to run its competition and implement the rules.⁷² He felt it would also allow the FA to push through policies that helped the national team and the national game.⁷³

43. Malcolm Clarke, the fans' representative on the FA Council, offered support for the model proposed by Ian Watmore. He felt there was a strong case for the Board to be comprised of only independent members and executive members, and cited the Australian Football League Commission as an example of this.

44. Other contributors wanted to retain representative interests on the Board, but to strengthen the independent element, building on Lord Burns' earlier recommendation for two independent directors. Lord Burns himself told us that "if I was looking at this now I would be looking for a larger number of independent directors".⁷⁴ He urged a focus on the problem that needed to be fixed, "the fact that the Board is dominated by people whose main interests lie on one side of the game or the other", and highlighted the benefits that independent directors would bring, including fresh ideas and support to the otherwise isolated independent chairman.⁷⁵ Lord Triesman agreed with Lord Burns on the importance of greater independent representation.⁷⁶ Former Chief Executive Graham Kelly also agreed on the need to provide independent support to the Chairman.⁷⁷

70 Q 364

71 Q 397

72 Ibid

73 Q 368

74 Q 37

75 Q 49

76 Q 36

77 Q 50

45. The Football League already has a non-executive director as well as an independent Chairman on its Board, Ian Ritchie, who is also Chief Executive of the All England Lawn Tennis club. Greg Clarke explained his value in the following terms:

I spend a lot of my time trying to find common ground [between the different leagues] [...] when you have a number of stakeholders in a decision-making forum it is really easy to default to nothing ever happens because nothing can be agreed [...] that is why you need independent directors.⁷⁸

Greg Clarke pledged the support of the Football League in establishing independent directors on the FA Board.

46. Stoke Chairman Peter Coates and Manchester United Chief Executive David Gill, who sits on the Board as a professional game representative, advocated two independent directors and a reduction in the size of the Board. The Premier League stressed that it supported independent directors as proposed by Lord Burns. It did not want, though, to depart too far from the principle of the Board as representative of football interests. Premier League Chairman Sir Dave Richards asserted that it would be a retrograde step if the Board ever became a wholly independent or majority independent Board.⁷⁹ Richard Scudamore further asserted that “the essence of the FA has to be a representative body where representatives of the game come together in an association to try and do what is in the best interests of the whole game”. Indeed, during the oral evidence session, he consistently repeated his view that the FA was, in essence, “an association of interests”.⁸⁰

47. The Premier League strongly rebuffed suggestions that it used intimidatory tactics or blocked reform. Richard Scudamore pointed out that the Premier League had “unconditionally accepted” the Burns Report.⁸¹ We asked Sir Dave Richards whether he had a conflict of interests during the time that he was both Chairman of the Premier League and Chairman of Club England. We suggested, in particular, that it would have been difficult for him to consider, impartially, the case for a winter break which, it has been argued, might benefit the national team. Sir Dave Richards denied that there had been any conflict of interests. Richard Scudamore added though that “I think you would admit, Dave, you were the reluctant sole representative with that title during South Africa, because Lord Triesman had left the organisation, and the minute David Bernstein arrived you handed over that title or that pass had gone”.⁸² One issue arising from this example is whether it is appropriate for the Chairman of the Premier League to sit on the FA Board, given the scope of the conflicts of interest. The original Premier League Rules prevented Sir John Quinton, the first Premier League Chairman, from serving on the FA Board.

48. The Professional Football Association (PFA) was not averse to having independent directors, but argued that they should be from the ranks of former footballers:

78 Q 102

79 Q 597

80 Q 598

81 Q 588

82 Q 595

If you think we must have an independent person, well that would be good if that independent person were somebody like Paul [Elliott] or the trustees we have, your Chris Powells, your Garth Crooks, loads of lads.⁸³

49. The PFA was, however, keener on increasing the range of representation on the Board to include themselves, the LMA and supporters. Both the PFA and LMA felt that improving the inclusivity of the Board would assist challenge and good decision-making in the wider interests of football. A number of supporter organisations also looked for a greater range of representation on the Board along the lines proposed by the PFA.

50. We asked the FA what its plans were with regard to the main Board. Roger Burden, a national game representative on the Board, and former acting Chairman, commented that the FA's response to the Burns review, agreeing to have an independent Chairman but not independent directors, had appeared to be a sensible compromise at the time. He remained unconvinced that a case had been made for independent directors.⁸⁴ This very cautious approach to reform would appear to substantiate claims that national game representatives have acted as a brake on change.

51. By contrast, both FA Chairman David Bernstein and his General Secretary Alex Horne accepted the pressing need for further reform, though David Bernstein did add the caveat that "the change needs to be for the right reasons and at the right pace".⁸⁵ Alex Horne advised that "we have already put recommendations for further independent directors on the Board".⁸⁶ In June the FA announced that both the FA Board and FA Council had approved the principle of appointing two independent non-executive directors to the FA Board. The proposal still, however, needs the ratification of an Extraordinary General Meeting of FA Shareholders, which will take place in August. David Bernstein stressed that approval of independent directors was an important first step to improving governance within the FA. The Sports Minister welcomed the fact that David Bernstein was progressing with change to the Board structure. However, he warned that, with the addition of two independent executives (which would bring the total Board representation up to 14 unless there is further change), the Board would be in danger of becoming unwieldy: "I think the best sort of boards are eight to ten and have a significant number of non-executives on them".⁸⁷

52. The Football Association is the national governing body of English football. It needs urgent reform to carry out its responsibilities effectively and meet the future challenges of the game. We welcome FA Chairman David Bernstein's commitment to reforming his Board in pursuit of stronger governance, and the support he is receiving from the Premier League and Football League. We accept the value of Premier League, Football League and national game representation on the Board, but recommend that the Board be constructed so that vested interests do not predominate. As the governing body of

83 Q 142

84 Q 537 and Q 546

85 Q 448

86 Q 450

87 Q 814

the game, 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”.

53. We recommend two further FA executive staff onto the Board, in addition to the two non-executives, which we trust the shareholders will ratify in August. We would want the two executives to bring wider football matters to the table. One of these should be the Director of Football Development.

54. We recommend that the FA Board reduces to two professional game representatives (one each from Premier League and Football League) and two national game representatives, one of whom should be able to represent the non-League football pyramid.

55. There is a need to strike a balance between an FA Board with a strong representative element and a Board that is small enough to function effectively. Our recommendations would result in a Board of ten, consisting of the Chairman, General Secretary, two further executives, two non-executives, two professional game representatives and two national game representatives. While we can see the arguments in favour of representation from other important stakeholders such as supporters, footballers and league managers, we believe the arguments in favour of a more streamlined Board are stronger.

56. The reconstructed 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. In any event, the FA Board should have greater flexibility to part-fund organisations such as Supporters Direct, the Football Foundation and other initiatives. Given the current availability of alternative sources of revenue for the professional game, we would not expect the national game to receive less than 50% of surplus FA revenue.

Reform of the FA Council

57. In addition to proposals to reform the FA Board, we also received proposals to reform wider FA structures. One issue highlighted was the need to reform the FA Council. The FA's vision document for 2008-2012, published in May 2008, states that, following Lord Burns' independent review, the FA Council has been re-energised and made more broadly representative to become the parliament of football.⁸⁸ Dr Malcolm Clarke, who sits on the FA Council as the fans' representative, questioned whether the FA Council, as currently constituted, is able to play the two roles that Lord Burns envisaged for it: holding the Board to account and debating the key issues in the game. He highlighted the following structural weaknesses:

- The Council is too big, with 118 members, which prevents serious discussion.
- Almost a quarter of its members are Vice-Presidents or Life Presidents. Life Presidents are those who have served 20 years on the Council and have reached the age of 72. Vacancies are backfilled. Lord Burns suggested a Council of Honour to

88 Football Association, *The FA's Vision 2008-12: A world-class organisation with a winning mentality*, May 2008, p 16

recognise the contribution of longstanding members of Council, but this was not adopted.

- The format of Council meetings: the approval or otherwise of Board and Committee minutes without background papers or written reports hinders assessment of decisions taken.
- The Council only meets five times a year, so a number of the decisions for consideration are past their sell-by date.
- There is no time for extended debate, as meetings start at 11.00 am and finish with lunch.
- The Council lacks diversity. There are only two women and two non-white members. Two-thirds of the Council are over 64. Although there is an age limit of 75, this does not apply to 24 members who were on the Council in 1990.⁸⁹

It does not appear that all the recommendations proposed by Lord Burns for reform of the Council, including with regard to inclusivity and the format of meetings, have been implemented.

58. We appreciate the invaluable work that Council members do at the grass roots of the game. However, we share many of Malcolm Clarke's concerns, particularly with regards to the inclusiveness of the Council. In addition we are surprised at the number of FA committees which report to the Council rather than the Board. According to the FA's vision document, no less than fourteen committees, including the Football Regulatory Authority and a Committee on Women's Football, report direct to the Council rather than the FA Board. This would appear to act against the FA Board assuming control of the strategic direction of the FA. Moreover, if the purpose of the Council is to act as a parliament of football, then we struggle to comprehend why a shareholders meeting needs to be convened to give further ratification of governance decisions already proposed by the Board and ratified by the Council. In this context, it is noteworthy that Lord Burns in his review recommended that "Council be conducted as though it were the shareholder body (eg in terms of debating the annual report), in addition to its functions as the 'Parliament' of football."⁹⁰ He also observed that "in an ideal world it is unlikely that there would be a case for creating two distinct oversight bodies for the FA. Rather it would seem sensible to align the shareholding and the Council".⁹¹

59. It is interesting to contrast the rather unwieldy structure of the FA with that of the Premier League where 20 shareholders have one vote each (with the FA's share entitling it to limited voting rights) and there are no committees. The simplicity and clarity of this structure have undoubtedly been factors in the Premier League's rapid and substantial progress since its formation.

89 Ev 184

90 Lord Burns, *FA Structural Review: details of proposals*, August 2005, p 9

91 Ibid

60. A review of the FA Council should take a particular look at length of tenure. Particularly given the pace of change in the game, there may be merit in limiting length of tenure on the Council to ensure that it is continually refreshed. Lord Burns, in his review, observed that “it is not clear that the system of life members, elected Vice Presidents and Life Vice-Presidents is the appropriate way to reward long service”.⁹² The FA Council has, however, retained Life Vice Presidents and Vice-Presidents. The issue of length of tenure may well have wider applicability, given the extent to which individuals in football occupy positions of influence for prolonged periods. The Financial Reporting Council’s UK Corporate Governance Code places an emphasis on “the value of ensuring that committee membership is refreshed and that undue reliance is not placed on particular individuals should be taken into account in deciding chairmanship and membership of committees”.⁹³

61. The principle that the FA Council should act as the parliament of football is a good one. However, the FA Council as currently constructed is not fit for this purpose. We recommend that the FA review again the composition of the FA Council to improve inclusivity and reduce average length of tenure. We would not expect Council members to serve for more than ten years. The reformed Council should review the format of its meetings. It should also absorb the shareholder role. Although the shareholder body is larger than the Council, there is a high degree of overlap between the two constituencies, including the Football Associations of Oxford and Cambridge Universities and the three Armed Services, as well as the County Football Associations, the Premier League and Football League.

62. We recommend that the FA Board 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.

63. We recommend that the Leagues, particularly the Premier League and Football League, consider adopting a similar approach to tenure limits as we are recommending for the FA Council, and is already applied to the tenure of the FA Chairman.

Other Committee reforms

64. David Bernstein and Alex Horne made it clear to us that, once the two independent directors proposal had been ratified, and their future role in the wider governance of the game established, they intended to review the FA’s wider committee structure. We have concerns that the current National Game Board/Professional Game Board distinction below the FA Board works against strategic decision-making. At present neither Board is fully representative of stakeholders. The National Game Board consists of Roger Burden (Chairman), 12 County affiliates, one non-League divisional representative and an English schools representative. Key components of the national game, such as supporters, footballers, women’s football and diversity in football are not represented, and the non-league pyramid appears under-represented. The Professional Game Board consists of Sir Dave Richards (Chairman), three Premier League representatives and three Football League representatives. Key components of the national game, such as fans, footballers,

92 Ibid p 11

93 Financial Reporting Council, *UK Corporate Governance Code*, June 2010,p15

league managers and diversity in football are not represented. Perhaps even more fundamentally, the fact that no other committees, with the partial exception of the Football Regulatory Authority, report directly to the FA Board creates a risk of isolating issues to the extent that important cross-cutting issues are either considered partially by one of the two Boards or not at all. Potential cross-cutting issues include technical matters, youth development, the FA Cup and international football.

65. 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. We say this for the following reasons:

- The structure has only been in place for about ten years and it is difficult to conclude that the FA’s strategic performance has improved in that time. It has certainly added a tier of bureaucracy to an already crowded space.
- Evidence suggests that the structure was only put in place to reflect the 50:50 revenue split between the professional game and the national game with the respective boards having responsibility for allocating the money. We have already recommended that this 50:50 split should be reconsidered.
- The FA has core responsibilities which do not naturally follow the professional game/national game split. The most important of these are the development of players and coaches. The development model requires a strong pyramid with grassroots at the base and the national team at the apex. It does not require two pyramids sitting side by side. We have already recommended that the FA should appoint a technical director who sits on the Board and this should be supported by an appropriate and streamlined committee structure. We are surprised that the FA no longer has a Technical Committee to take overall responsibility for development and it is difficult to see where responsibility ultimately sits in the current structure.

4 Football financial management

Debt in the game

66. One of the big challenges facing English football is not generating revenue but controlling expenditure. Deloitte publishes an Annual Review of Football Finance. Its latest edition, published in June 2011, analyses financial information for the 2009/10 season. Its key statistics on profitability and loss reveal the extent of the challenge:

- Operating profit margins in the top division have reduced from 16% to 4% over the lifetime of the Premier League.
- The Premier League clubs in aggregate made an operating profit of £83 million (up 5% on the previous year), but pre-tax losses after financing and player trading costs deepened to £445 million in 2009/10.
- Premier League clubs' net debt at summer 2010 was £2.6 billion (a reduction on 2009: £3.3 billion).
- Championship clubs' operating results worsened for the sixth consecutive year, to a record loss of £133 million. Fourteen Championship clubs lost £5 million (2008/09: 12 clubs). Overall, Championship clubs are spending £4 for every £3 they generate in revenue.
- The aggregate net debt of the 24 Championship clubs increased to £875 million at summer 2010.
- League one clubs made a record operating loss of £52 million, and League two clubs made an operating loss of £8 million, a marginal improvement on the previous year (£9 million loss).
- Between 1992/93 and 2009/10, the aggregate operating profit of Premier League clubs was £1.6 billion. Over the same period, the Football League clubs made an aggregate operating loss of £1.4 billion.
- The top 92 clubs, as a whole, lost money on their day-to-day operations and, at the pre-tax level, losses have continued to grow, exceeding £600 million in 2009/10, while collective debts stand at around £3.5 billion.⁹⁴

67. Professor Richard Giulianotti observed that:

there is clear evidence that there is too much debt. A UEFA report last year indicated that, for the 2007-08 season, English Premier League clubs accounted for 56% (£3.5 billion) of the net debt of all European clubs—a grossly disproportionate figure.⁹⁵

A number of other commentators and supporters organisations expressed similar concerns about the amount of debt in the English game. Professor Stefan Szymanski, however, was

94 Deloitte Sports Business Group, *Annual Review of Football Finance: Pressure to change*, June 2011

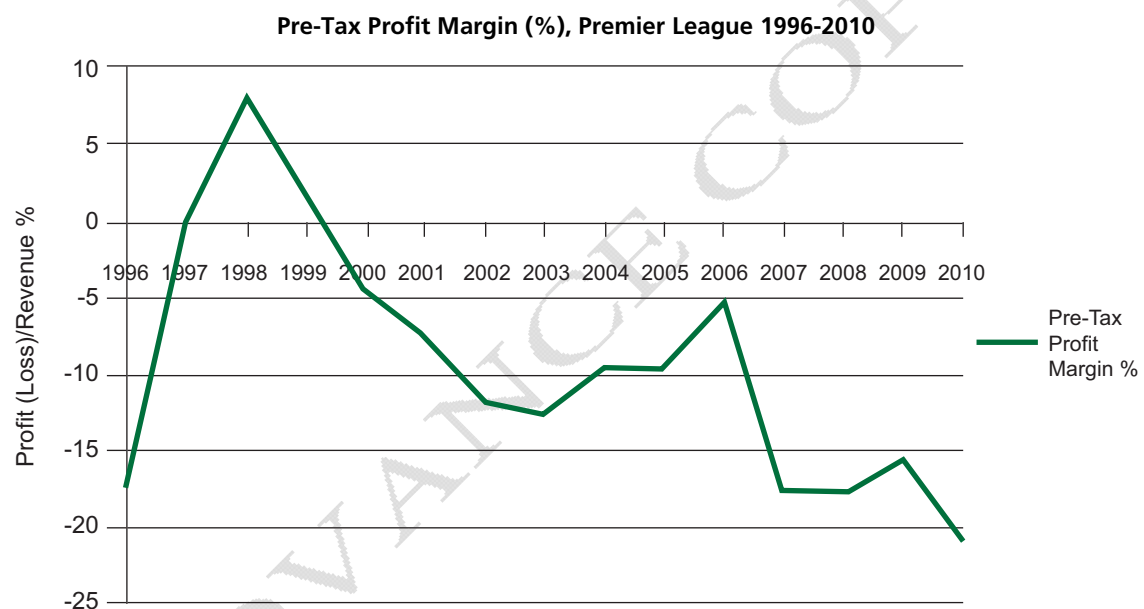
95 Ev w62

more sanguine. He argued that, while English football debts were far higher than any other in Europe, so were the assets:

Deloitte estimated the net debt of Premier League clubs at £3.3 billion in 2008-09, against income of £2 billion. By the standard of most businesses this level of debt is not excessive. Of course, individual clubs may have too much debt, but without full access to the management accounts of a business it is not easy to be sure about what constitutes 'too much'. I do not believe that current levels of debt in English football endangers its long term future.⁹⁶

68. Figure 2 below charts the profit margin for Premier League clubs in aggregate as profits (losses) expressed as a percentage of turnover between 1996 and 2010. It shows a clear downward trend from break-even at the turn of the century towards increasing combined losses:

Figure 2



Source: Deloitte Annual Review of Football Finance, various issues.

69. We asked a number of Premier League clubs whether they were concerned with debt levels. Manchester United Chief Executive David Gill appeared relaxed about the club's ability to manage its debts:

The debt level that we have is £500 million in gross terms. There is roughly £130 million in cash in the bank at the moment, so there is a net debt of £370 million. We have gross interest costs per annum in the order of £45 million, and our cash profits are around about £100 million. So we have more than two times interest cover.⁹⁷

He observed that “from my own perspective, we know that the debt is there but it doesn’t impact on what we do. We look at trying to grow our revenues and invest in the business to make sure that we can continue to expand and be successful”.⁹⁸

70. Stoke City has neither the revenue-generating capacity, nor the level of debt, of Manchester United. Stoke City Chairman Peter Coates told us:

I think there is nothing wrong with debt so long as it is sustainable debt and affordable debt. I think that that is the critical matter. Quite clearly, Manchester United can afford their debt. Debt is wrong when you cannot afford it and you are irresponsible.⁹⁹

Niall Quinn, Chairman of Sunderland, acknowledged that club owner Ellis Short had inherited a quite sizeable debt, but noted that “we have reduced that debt by about 25%”.¹⁰⁰ Premier League Chief Executive Richard Scudamore accepted that Portsmouth’s insolvency had taken the Premier League by surprise: “we didn’t foresee a club with that amount of revenue being able to get itself into the sort of difficulties that Portsmouth got into”.¹⁰¹ The Premier League argued though that the overall system was healthy and that “in general, Premier League clubs have survived the continuing economic turbulence reasonably well”. It cited Liverpool and Manchester United as examples of clubs that had taken active steps to reduce levels of debt.¹⁰²

71. The Premier League and its clubs, therefore, gave the impression that they felt they were on top of the debt problem. When we asked Greg Clarke, the Chairman of the Football League, however, he was far less confident. He told us that debt was *the* problem in the game:

If I had to list the 10 issues that keep me awake at night about the Football League it would be debt, one to 10. [...] The level of debt within the Football League is absolutely unsustainable, and we have got three working parties, one for each division, working really hard on how we bring our level of debt down.¹⁰³

It is worth observing too that although—with the obvious exception of Portsmouth—Premier League clubs appear more able to handle their debts whilst they are in the Premier League, there are a number of examples of clubs that have experienced grave financial difficulties when they have been relegated and no longer have access to the promise of Premier League revenues to appease creditors. Burnley Chairman Barry Kilby, for instance, observed that: “when Leeds went into administration [while in the Football League] that all stemmed back to an extremely ambitious set up that was all geared towards being in the Champions League and at the top of the Premier League”.¹⁰⁴ Derby County fan James

⁹⁸ Ibid

⁹⁹ Q 194

¹⁰⁰ Q 195

¹⁰¹ Q 624

¹⁰² Ev 210

¹⁰³ Q 81

¹⁰⁴ Q 282

Wheeler wrote that on October 2003 Derby County was put into administrative receivership due to debts following relegation from the Premier League.¹⁰⁵

72. Other examples of clubs which have struggled with debt since leaving the Premier League include Barnsley, Bradford City, Coventry City, Charlton, Hull City, Ipswich Town, Leeds United, Leicester City, Nottingham Forest, Queens Park Rangers, Sheffield Wednesday, Southampton, Watford and Wimbledon. It is also the case that individual Premier League clubs have lived a precarious existence for a time, when they required new injections of investment to address levels of debt that their owners were struggling or simply unable to service. Chelsea, Liverpool, Manchester City and West Ham United have all needed to be rescued in this way. Sean Hamil told us that “what went on at Manchester City with Thaksin Shinawata was absolute skin of the teeth escape from a financial disaster. The same thing up at Liverpool. Now, how long do you have to continue to be lucky?”¹⁰⁶

73. We acknowledge the successes of Premier League and Football League clubs in increasing turnover and improving the spectator experience since the 1980s, but we are concerned by the extent to which English clubs are making losses and operating on the edge of viability. Of course, it is the ability to service debt that is the key factor in any business, but because of demands on clubs, not least from escalating wages, there is no doubt that debt remains a serious problem throughout the football pyramid.

What is causing the debt problem?

74. There appear to be a number of factors contributing to the debt problem in the English game. The first point to make is that, at one level, debt is not a new problem. Andy Williamson, Chief Operating Officer for the Football League, pointed out that there had been a lot of uncertainty at the point that the Premier League was formed in 1992, with two clubs (Aldershot and Maidstone United) going bust around that time. That said, certain characteristics inherent in the new model do appear to have aggravated the problem. A number of witnesses highlighted the extent to which the financial benefits associated with membership of the Premier League had the effect of encouraging reckless financial speculation. The key issue here is not simply the amount of revenue that a Premier League club can generate, but the growing gap between what a Premier League club and a Championship side can generate.

75. Deloitte records that in 2009/10 Premier League clubs’ revenues were over £2,000 million (ie exceeding £2 billion for the first time), five times as much as Championship clubs’ revenues of just over £400 million. Premier League clubs generated average revenues of £102 million. Deloitte points out that this masks significant variation, with the four 2009/10 Champions League participants (Arsenal, Chelsea, Liverpool and Manchester United—who receive a slice of Champions League broadcasting rights and more home gate receipts, as well as gaining additional commercial opportunities) generating average revenues of £227 million in 2009/10; Manchester City and Tottenham Hotspur generating revenues of £125 million and £120 million respectively; and eleven other Premier League clubs (excluding those which were relegated) generating average revenues of £66 million.

105 Ev w31

106 Q 16

By contrast, the Championship clubs in receipt of payments from the Premier League following their relegation generated average revenues of only £35 million and the remainder generated average revenues of only £12 million.

76. Deloitte figures show that there are huge financial incentives to play in the Premier League and, within the division, huge financial incentives to get into the top four. Deloitte has estimated that there is a minimum £90 million financial prize for the winners of the Football League Championship play-off final for promotion to the Premier League—making it the most valuable match in the world.

77. It is not just about the financial rewards, however: football never has been just about money. For a number—perhaps most—owners, the ability to generate greater revenue is a means to an end: sporting triumph; sporting prestige; reflected glory; and community standing. A key motivation to get into and then remain in the Premier League is to build up the club, not make a profit. Sean Hamil observed that:

there is a famous academic paper by Peter Sloane that says what sports club owners do is they maximise utility not profit. They want sporting success, therefore they always overspend. Alan Sugar used the rather crude expression ‘the prune juice effect’ about Tottenham: money goes in one end and out the other end to players.¹⁰⁷

Tony Scholes, Chief Executive of Stoke City, which has finished 12th, 11th and 14th since returning to the top tier for season 2008/09, alluded to the pressure simply to consolidate: “The No 1 challenge [...] is putting a team out on the pitch that is good enough and competitive enough to stay in the Premier League—to stay in the best league in the world”.¹⁰⁸ Sunderland Chairman Niall Quinn, speaking mid-season, revealed the pervasive insecurity in the middle of the table when he commented that “we are not mathematically safe at this moment in time, but we are up in eighth place in the Premiership”. Even though his club was in the top half of the table, he was still calculating the number of points required to ensure that his club could not be over-taken by clubs in the relegation zone. The other side of the coin—ambition to climb the table, could also be heard in his claim that “we can look at playing European football at the Stadium of Light. That has to be the next realistic target for us now”.¹⁰⁹

78. In similar vein, Burnley Chairman Barry Kilby spoke of the pressure to over-spend in order to remain in the Premier League during his club’s recent season in the top tier: “The word ‘ambition’ always crops up—lack of ambition is one of the usual ones you get in the phone-in programmes”.¹¹⁰ He noted too that fans’ expectations were likely to increase during a second season in the Premier League:

When we got up it was a bit easier at first. We were new, we hadn’t been in the Premier League for 30-odd years, so perhaps it was easier to keep the fans’ expectations; we are being sensible, we’re clearing our debts, if we do go back down

107 Q 4

108 Q 165

109 Q 152

110 Q 289

we'll be able to handle it. I think they did understand, but I've got a feeling if we had been in another year or so the pressures would have built to spend more.¹¹¹

The earlier experience of Bradford City, whose owner went on a spending spree subsequently dubbed “six weeks of madness” in a failed attempt to survive a second season in the Premier League, rather bears out Barry Kilby's comments.¹¹²

79. When the wealthier owners in the Premier League spend their own money—on top of revenue generated—on transfer fees and player wages, in pursuit of better performance and wider non-financial ends, this puts considerable pressure on other owners to spend their clubs' revenue (and more) on players. The fact that the wealthiest owners in the Premier League, the proprietors of Chelsea and Manchester City, have almost unlimited resources to spend on their sides tends to inflate the overall market for players and further ratchet up the cost of staying in the Premier League. In 2009/10 Chelsea and Manchester City recorded the two highest operating losses in Premier League history, of £38 million and £55 million respectively. Ian Watmore observed that:

one of the reasons that the Burnleys of this world get to that level [spending up to £50 million a year to sustain a place in the Premier League] is because the Chelseas and Manchester Cities of this world have stretched it so much up here that just to get ordinary players they now have to pay twice the wages they used to have to pay and so on, and the television money hasn't kept up with it.¹¹³

Steve Coppell, who has managed two sides with smaller revenue-generating potential in the Premier League (Crystal Palace and Reading) concurred, suggesting that the Premier League was “a power league” and that “it is very difficult to go beyond one or possibly two seasons' success without the input of substantial funds”.¹¹⁴ He also noted that it was difficult to succeed by developing youth players because “if you have a great youth team then in the next transfer window you lose your three best players”.¹¹⁵ Brian Kilby contrasted the financial demands of the Championship with those of the Premier League:

In the Premier League you're now starting to get into really big money, £40 to £50 million on top, and even that doesn't make a big impact. So I think with a Championship club it is directors' loans and so on. Once you get into the Premier League it is getting exceptionally rich people who can put their own personal money in.¹¹⁶

[...] It is difficult, because essentially in the Premier League you're competing sometimes against people who don't care. They don't even care about the economics of the thing.¹¹⁷

111 Q 289

112 David Conn, *The Beautiful Game?: Searching for the soul of football*, London (2005), p 150

113 Q 385

114 Q 402

115 Q 427

116 Q 291

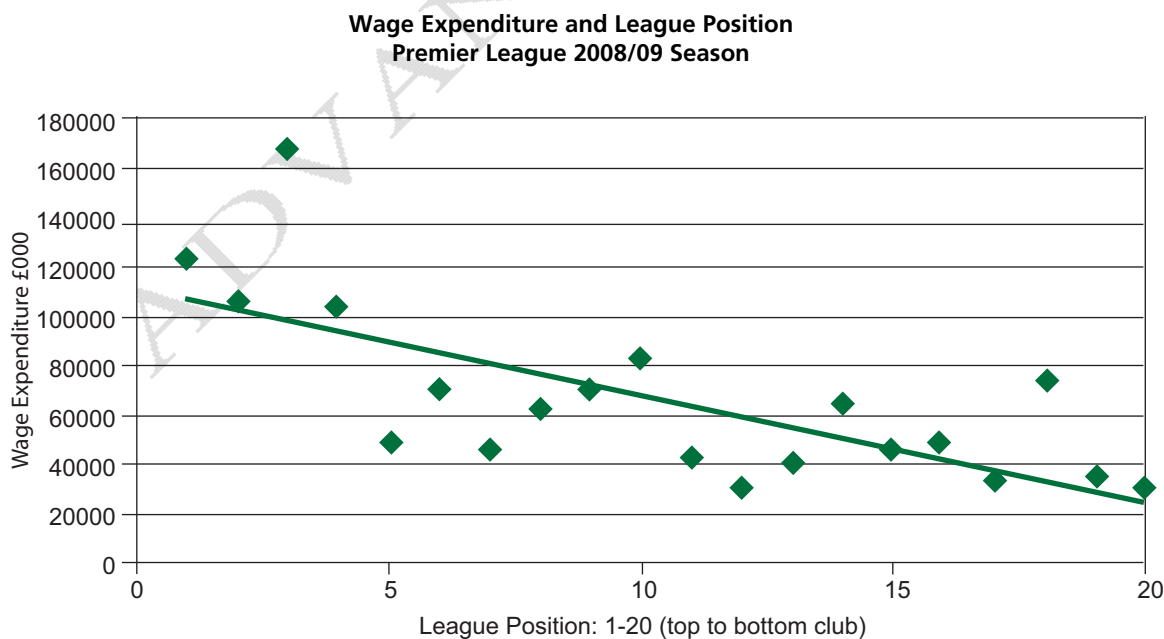
117 Q 292

Further up the table, former Aston Villa manager Martin O'Neill doubted whether it was possible to challenge for a Champions League place on a regular basis without a very significant financial outlay. Evidence from a number of sources, including former FA Chairman Lord Triesman, suggested that the behaviour of the most spendthrift clubs amounted to "financial doping".¹¹⁸ **Since the Premier League became the top tier of the football pyramid, the financial benefits associated with its membership have incentivised clubs continually to increase their expenditure to gain promotion into the Premier League, consolidate their position in the Premier League or achieve the additional rewards associated with a top four placing and entry into the European Champions League. Teams in the Premier League spend up to the hilt to stay there, and teams in the Championship spend up to the hilt to get there.**

Wages

80. It is important to note, as Figure 3 below shows, that there is a strong positive relationship between wage expenditure and league position. Other things being equal, spending more on wages translates into on-pitch success. Deloitte suggested that this impacts particularly on clubs in the middle—those aiming either to close the gap on the clubs above them or to retain their Premier League status. Hence Portsmouth, despite turnover of over £50 million, was spending over 100% of its revenue on wages when it went into insolvency. In the Championship, the overall ratio was 88% in 2009/10, actually a slight improvement from a record high of 90% in the previous season. Around a third of clubs in the Championship reported a wages/revenue ratio of 100% or more. Deloitte, meanwhile, suggested that a 60% ratio is prudent.

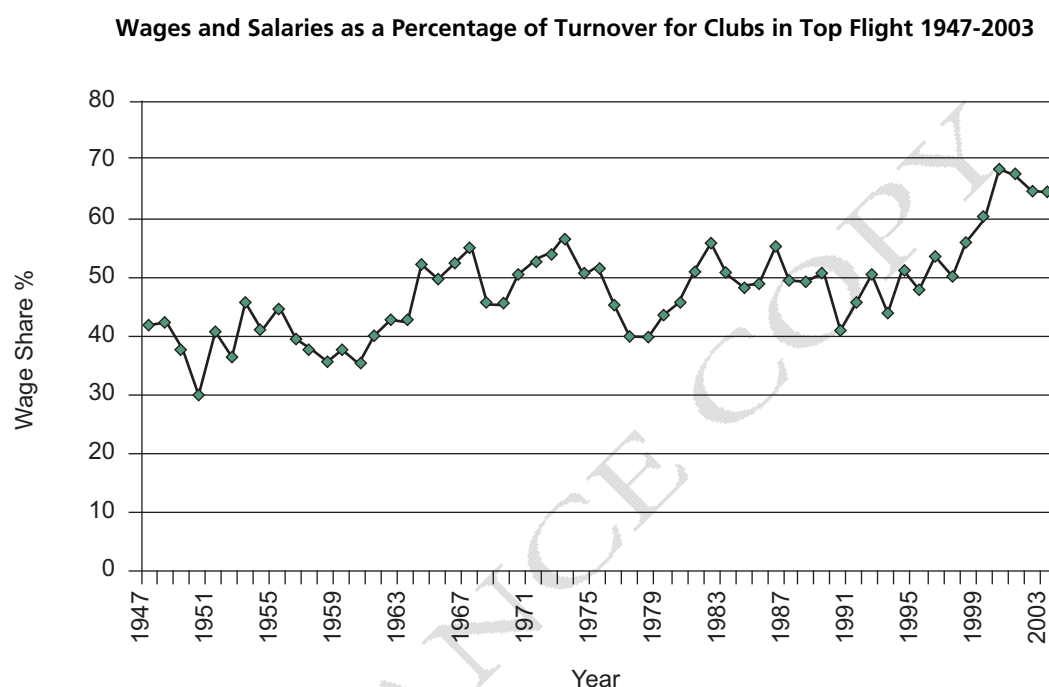
Figure 3



Data Source: Deloitte annual review of football 2010

81. It is perhaps unsurprising, therefore, that the financial demands on clubs seeking to remain in, or ascend to, the Premier League are revealed most starkly in the amount of turnover spent on wages, of which the main component is player wages. In 2009/10 the Premier League wages/revenue ratio reached an all time high of 68% compared with 44% in 1991/92. Figure 4 below plots wages/turnover over a longer timeline, to show the extent to which the Premier League is associated with a new trend:

Figure 4



Data source: Companies House¹¹⁹

Players and agents

82. There is no doubt that, over time, the balance of power between football employers (the clubs) and employees (the players) has tilted in favour of the latter. In England, the bargaining position of players grew with the abolition of the maximum wage in 1961. In 1963, the High Court ruled illegal the “retain and transfer” system which allowed clubs to hold on to players’ registrations at the end of their contract. Until the Bosman case in 1995, however, clubs were still able to hold onto players’ registrations so long as terms at least equal to their previous contract were offered. In 1995, the European Court of Justice (ECJ) ruled that this was a restraint of trade, and that Bosman had the right to an international transfer without restriction at the end of his contract. The rule was quickly extended to include domestic transfers by the respective football authorities. Some national associations, including the FA, specified that the rule would only apply for players over the age of 24, so that clubs were compensated for the development of young players. Clubs

¹¹⁹ Data compiled using the pre-tax-profit (loss) of clubs that were in the top flight league for any year between 1947-2004 for which data were available from Companies House. The database comprises 56 clubs although there are missing observations for some years and some clubs.

now seek either to tie a player into a new contract or transfer him before his current contract expires. Otherwise, he is free to move without them receiving a transfer fee. Martin O'Neill confirmed that the Bosman ruling had moved the power away from clubs to agents and players.¹²⁰ Steve Coppel observed that "with the Bosman thing, I think we can realistically say now, for most good players, a contract is probably at least 12 months short of the reality, because you know you have to protect that asset."¹²¹

83. Against this background, agents play two roles. First, they act for players with respect to wage and other terms of employment negotiations, including within the context of transfer deals. This role is unproblematic. Given the sums involved, and the complex negotiating environment, which can now include, for example, ownership of intellectual property rights, it is in the players' interests to have professional expertise and advice to support them. Paul Elliott, formally a successful professional footballer with a number of clubs—including Aston Villa and Celtic—and whose playing career was cut short by injury, offered a defence of the outcome of agent-led pay negotiations. He emphasised that only the top few players earned vast sums—which could be justified because they were the ones filling the stadia—and that "the risk of injury is extremely high".¹²² Professor Szymanski, referring back to the days of the maximum wage, commented "is it fair that the people who create the performance on the pitch get a tiny fraction of what is paid"?¹²³ Sean Hamil also felt that agents played a legitimate role when acting as players' representatives.¹²⁴

84. Agents, however, have also frequently taken on a second role, acting for clubs as a middleman during transfer negotiations. It is this role—where agents act as the gatekeeper standing between clubs and access to players—that has given most grounds for concern, with the scope it gives agents to inflate the total cost of transfer deals, fuelling the already considerable inflationary pressures in the game. Patrick Collins gave examples of agents receiving £900,000 and £1.3 million for acting as gatekeepers during a transfer deal and a wage renegotiation respectively.¹²⁵ The dilemma for clubs is that whilst, collectively, it is not in their interests to pay agent fees to help them identify transfer targets, acquire players or move on players, individually they stand to lose out if they refrain from this practice but other clubs do not. Individual clubs are, therefore, complicit in the current system, because it is advantageous to them to employ agents, including in the murky area of "tapping-up" players to see if they can be prised away from their current employers. There is also a dilemma for players in that it may be in their agent's best financial interests to work for the club which is paying them the most, rather than the club which is best (in financial or competitive terms) for the player.

85. When an agent represents both players and clubs during the same transfer deal, his role is conflicted and potentially exploitative. This has led to calls for greater regulation. One analogy used has been with that of estate agents who act on behalf of both the home seller and the buyer, but who are regulated by the Office of Fair Trading. Current FA regulations

120 Q 437

121 Q 438

122 Q 123

123 Q 8

124 Q 9

125 Ibid

only prohibit agents from working both for the club and the player without the latter's prior written consent. An agent could, for example, be paid by the buying club for assistance in acquiring the player. The same agent could then be paid by the player for negotiating the salary package.¹²⁶

86. Professor Szymanski offered a defence of agents acting for clubs, arguing that they benefited football because they had a financial incentive to seek out new players around the world, opening up the game to new talent.¹²⁷ It could equally be argued, however, that clubs can and should do their own scouting rather than pay agents (who are not coaches and normally hold no such qualifications to do their scouting and so contribute to the conflicts of interest and inflationary sums described above).

87. A more typical view about agents was expressed by Patrick Collins, who termed them "leeches and parasites" who took money out of the game. He also observed that, during one 12-month spell in 2009, Premier League clubs paid agents a total of £70.7 million.¹²⁸ For Niall Quinn they were a necessary evil. He commented that the introduction of transfer windows "was manna from heaven for the agents who squeezed us and who continued to squeeze us in all those periods".¹²⁹ Sean Hamil suggested that when agents took money "from both sides" this led to corruption.¹³⁰ He argued strongly for far greater regulation of agents, as did the managers who gave evidence to us.

88. Apart from tighter regulation, greater transparency has also been urged as a means of curbing the financial excesses of agents. The Football League took the initiative by requiring each club to disclose the amounts that they pay to agents over each six month period, and the Premier League introduced similar measures more recently. Gordon Taylor, Chief Executive of the Professional Football Association (PFA), Peter Coates and David Gill all argued that greater transparency in transfer dealings was important.

89. One particular difficulty when it comes to regulating the behaviour of agents is the extent to which the deals they negotiate are international. Premier League clubs, for example, are not likely to support moves to tighten their relationships with agents, given the extent to which their performance depends upon their ability to attract the best foreign talent. It is not in their interests to agree national regulations that encourage agents to do deals with clubs in other countries, where the financial reward for them is higher. Several witnesses commented that FIFA, as the governing body of the world game, needed to take a stronger lead. David Gill, for example, observed that Manchester United operated in a worldwide market so "FIFA has to take the lead as a world governing body to make sure it is managed and appropriately controlled".¹³¹ However, witnesses also commented that FIFA appeared to be moving away from effective regulation of agents. Gordon Taylor told us that FIFA had tried to regulate agents, but had now "put it in the hands of the national

126 Matthew Holt, Jonathan Michie, Christine Oughton, "The Role and Regulation of Agents in Football", Birkbeck University of London, Research Paper No.1, 2006

127 Q 9

128 Ibid

129 Q 209

130 Q 9

131 Q 212

associations”.¹³² Richard Bevan, Chief Executive of the League Managers Association, commented, with regard to the activities of agents, that “our biggest concern is that FIFA, I think in 2012, is going to be relinquishing their regulatory control over agents, and I think that is going to be a major problem”.¹³³ He likened the current situation to “the wild west”.¹³⁴ A research paper published by Sports Nexus in 2006, which analysed the roles of the agent in football in detail, made a number of recommendations for their improved regulation.¹³⁵ It stressed that its first recommendation, prohibiting clubs from using agents, was particularly important.

90. While we accept that agents have a legitimate role as players’ representatives, there is currently too much scope for conflicts of interest and inflationary fees when agents also act for clubs. Agents should be subject to tighter regulations—particularly with regard to the “tapping-up” of players—enforced consistently on an international basis, with a particular focus on transparency of individual transactions and payments. Given the international nature of football transfers, it is a matter of great regret that FIFA has abdicated its responsibilities in this respect. We urge the FA to press for an international solution for the collective good of the game.

Competition

91. There are indicators that the new English model is less competitive than the old. A research paper published by the Birkbeck Football Governance Research Centre in 2005 assessed competitive balance in English football—the balance between the sporting capabilities of teams.¹³⁶ It showed a more marked rate of decline in the competitive balance in the top division since the advent of the Premier League. The paper associated this decline with a widening in the gap in wage expenditure between the top teams and the rest, and inequality in broadcast revenue distribution and other revenue streams available to the top clubs, especially those qualifying for the Champions League. It also noted a decline in the effectiveness of the promotion and relegation system as a means of promoting competitive balance, which it associated with the widening income gap between the Premier League and the Championship.

92. The research paper measured the share of points of the top five clubs against the total number of points won by all clubs. In a perfectly balanced league of 20 clubs, this ratio would be 25%. Anything greater represents a competitive imbalance. Figure 5 below, updated to bring the measure up to 2010, shows a steep decline in competitive balance since the advent of the Premier League, albeit with a partial improvement in competitive balance in the most recent seasons.

132 Q 120

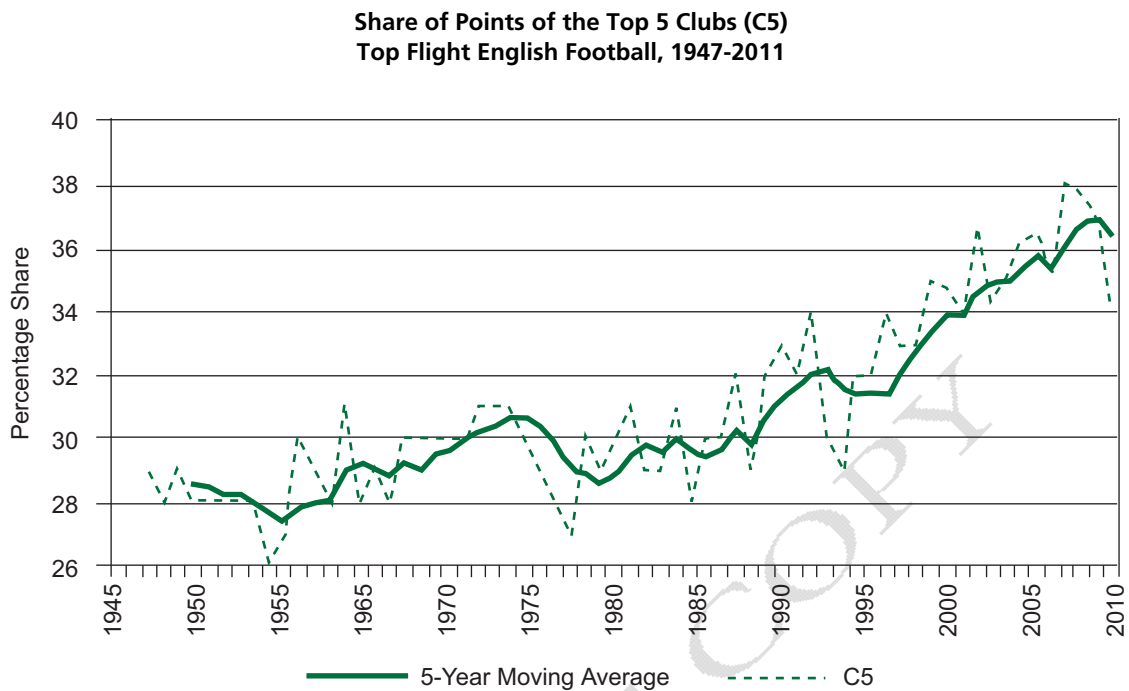
133 Q 433

134 Ibid

135 Matthew Holt, Jonathan Michie, Christine Oughton, “The Role and Regulation of Agents in Football”, *Birkbeck University of London, Research Paper No.1, 2006*

136 Jonathan Michie and Christine Oughton, *Competitive Balance in Football: An Update, Football Governance Research Centre, Birkbeck University of London, 2005*

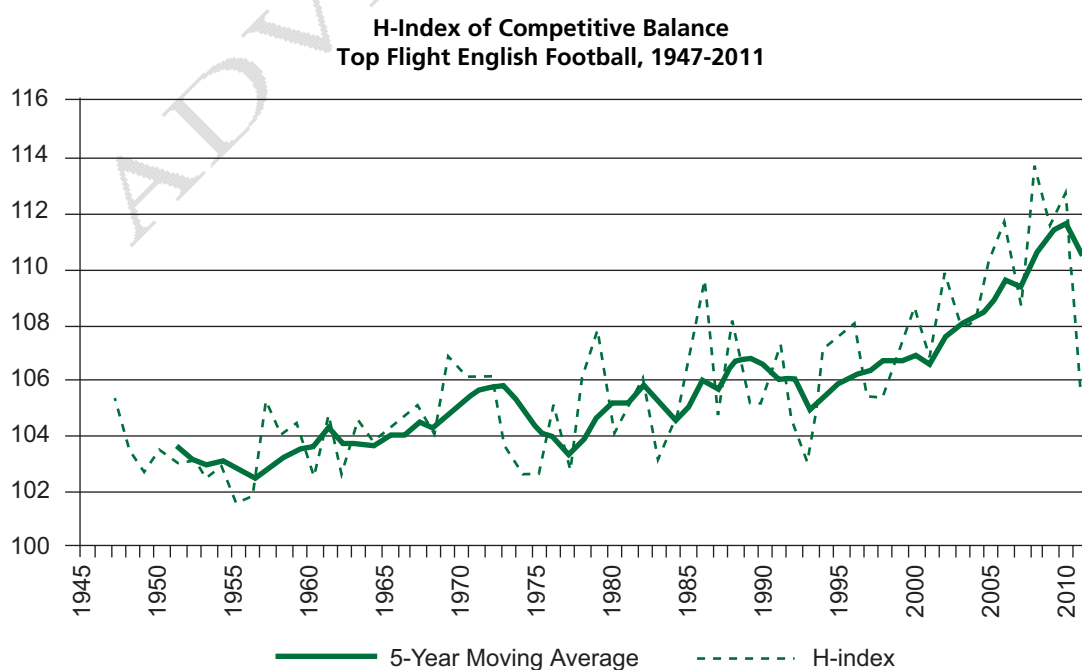
Figure 5



Source: Michie and Oughton (2011)

93. The report also measured inequalities between all clubs that make up the top division, recording a similar trend towards greater inbalance only partially offset by the results of the most recent seasons.

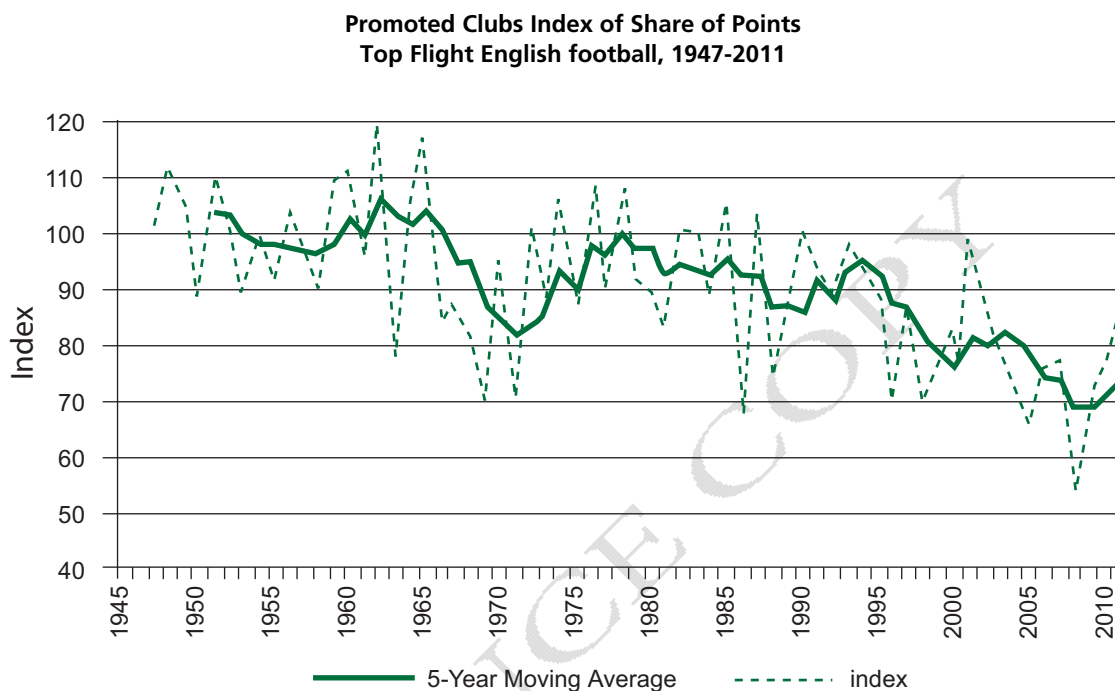
Figure 6



Source: Michie and Oughton (2011)

94. Finally, the report assessed the share of points won by newly promoted clubs compared to what they would win in a perfectly balanced league. The graph shows that newly promoted clubs have found it harder to gain points in the Premier League, with a partial reversal in the most recent seasons.

Figure 7



Source: Michie and Oughton (2011)

95. These figures serve to substantiate comments made in written evidence that the richer clubs have become more dominant. Football supporter Peter Hodge observed in his written evidence that “since the establishment of the Premier League, only a very small number of teams has been able to win trophies and very few promoted teams have been able to establish themselves in the Premier League.”¹³⁷ He noted that since it had been founded, only four teams had won the Premier League (including Blackburn while benefiting from the fortune of Jack Walker) and only 11 teams have won one of the three major trophies (Premier League title, FA Cup, League Cup) and that of the 50 teams promoted, 48% had been relegated after only one season. Promoted clubs which have chosen the path of financial prudence have tended not to be competitive: Burnley and Blackpool, for instance, lasting only one season.

Problems down the pyramid

96. The success of the Premier League has incentivised financial risk-taking in the Championship. Cardiff City Supporters Trust, for example, wrote that:

Chasing that dream of Premiership football Cardiff City has over recent years, swayed from one financial crisis to another. Players were enticed with unrealistically high signing on fees and wages without the club having the long term means of paying for them.¹³⁸

It has also had a further knock-on effect down the league pyramid. John Bowler, Chairman of Crewe Alexandra, currently in League 2, explained that his club aspired to return to Championship level but that “to stay there is difficult because of the financial pressures that come along with running a Championship club”.¹³⁹ Brentford Supporters Trust noted that its club, currently in League 1, had accumulated historic debt “in pursuit of short term sporting success”.¹⁴⁰

The Football Creditors Rule

97. During our inquiry, we discovered one rule in particular that appeared to epitomise the extent to which the post-Premier League football model was distorting financial priorities. Under the long-standing Football Creditors Rule, to return to league competitions the new owners of insolvent clubs must re-pay all money owed to key “football creditors”. Sean Hamil explained the wider social consequences of this rule:

what you have in administration is that, because of the Football Creditors Rule, the key football creditors all get paid 100%, which means that the tax authorities get proportionately less and all the small creditors, such as St John Ambulance, do not get paid.¹⁴¹

He noted that the rule might have been justifiable in the past by the need to protect clubs, which managed their businesses reasonably effectively, from the odd exceptional reckless behaviour. The problem was that such reckless practices were now “absolutely endemic”.¹⁴² Lord Mawhinney similarly felt that the Football Creditors Rule was indefensible: “I do not know how you defend the local community where local businesses that you are supposed to be the football club of don’t get paid for services rendered while a football club hundreds of miles away gets protected”.¹⁴³ He also observed, though, that, under his Chairmanship, the Football League:

made a charity donation to St John Ambulance of more than £40,000, purely as a charity donation, which covered all of the administration losses that the St John Ambulance had on its books that were outstanding as a result of clubs going into administration.¹⁴⁴

138 Ev w21

139 Q 277

140 Ev w68

141 Q 1

142 Q 17

143 Q 240

144 Ibid

98. For Dave Boyle, Chief Executive of Supporters Direct when he gave evidence, the Football Creditors Rule was a second order solution to a first order problem:

A simple problem is that football clubs are inherently unstable financially and the Football Creditors Rule is a sticking plaster to deal with that and the immorality that comes with it. It's a sticking plaster which underwrites the risks taken by clubs, with the community they are surrounded.¹⁴⁵

Gary Pettit, a licensed insolvency practitioner, argued that the rule was anti-competitive, and should be amended if not removed. He suggested that it was originally intended to protect players' wages but that it had been extended to cover football clubs and all other football-related bodies. He observed that, in the case of Portsmouth "the football creditors are in the region of £30 million (to be paid in full) with other creditors receiving approximately 16 pence in the pound".¹⁴⁶ Olswang similarly opposed the Football Creditors Rule, as did a number of supporters trusts.

99. We gave those with a vested interest in the Football Creditors Rule the chance to defend it. The Football League asserted that the rule was "a much maligned and misunderstood area of policy within the game".¹⁴⁷ It stressed the importance of the rule to protecting the integrity of the competition. It argued first that requiring all clubs always to settle their debts with others prevented individual clubs from gaining an unfair sporting advantage. It argued second that the rule prevented a "domino" effect of financial distress. Football League Chairman Greg Clarke told us that "I came in here from a corporate background thinking the Football Creditors Rule was an outrage. I came in thinking the sooner we see the back of that shoddy practice the better off we will be".¹⁴⁸ He acknowledged, though, that the League clubs had told them that the League was a members' club and that they could not support a member who was unable to settle its bills: "They said, 'what happens is, if they don't pay their fellow football clubs, we will kick them out of the Football League. They will cease to exist. We won't have them'".¹⁴⁹

100. We asked Greg Clarke whether, if the Football Creditors Rule did not exist, it would actually improve clubs' financial management by encouraging them to police themselves. For instance, without the safety net provided by the rule, club A would have to judge for itself whether club B offering to pay for a transfer in instalments would be able to deliver on its financial commitment. Greg Clarke objected that clubs were not well placed to make such risk assessments of other clubs: "What that will do is stop them selling to each other because they don't have the resources or the information to make a well-informed decision on counterparty risk".¹⁵⁰ When we pressed him though on how the Football League could both lay stress on the community benefits of football and operate a rule to the detriment of local suppliers, he responded that: "I cannot construct an argument that allows me to

145 Q 343

146 Ev w19

147 Ev 236

148 Q 92

149 Ibid

150 Q 94

defend the morality of football creditors and we are working hard to find a more palatable substitute”.¹⁵¹

101. We learned the extent of Greg Clarke’s challenge to come up with a substitute to the Football Creditors Rule that was palatable to his Football League clubs when we took evidence from some of them. Burnley Chairman Barry Kilby accepted that it was a difficult issue, but argued that without it some clubs would have ceased to exist. He felt that, if the rule was abolished, “I think the competition would be in great jeopardy and everybody would shrink into their shell”.¹⁵² Julian Tagg, Chief Executive of Exeter City, a supporter-owned club, observed that local suppliers would rather settle for a percentage of debt repayment and have a club they could trade with in future than force the club to go out of existence. Like Greg Clarke, however, he did profess himself to be uncomfortable with the rule, stating that he could not justify it, even though there were reasons for it.¹⁵³ Shaun Harvey, Chief Executive of Leeds United, a club which—like Exeter—has been in and out of administration, argued that the Football Creditors Rule was important on a day-to-day basis as it allowed clubs to trade with confidence: “If Leeds defaulted in this example on a payment to Crewe, which meant Crewe had to sell their players to keep in business, that cannot be a fair and rational position for Crewe to be put into”.¹⁵⁴

102. Crewe Alexandra has developed a sustainable business model by developing young players at its academy—and revitalising players who have “failed” at other clubs—and then selling them on for a profit. Crewe Chairman John Bowler explained that transfer fees were essential to the existence of many clubs at the lower level and that if the Football Creditors Rule was not allowed then:

there could be a number of occasions where a football club might go into bankruptcy, but it would also take probably two or three other clubs with them because of the fact that the transfer money that ought to have come down to those other clubs hasn’t come.¹⁵⁵

103. We asked the Premier League for its view on the Football Creditors Rule. Richard Scudamore noted that if a business failed, the real sanction should be expulsion, but also that, in the case of football, expulsion damaged far more clubs than the club involved. He argued that “it is absolutely essential that the clubs are forced to play each other and to play out their fixture list, and therefore it is essential that football creditors are paid”.¹⁵⁶ He added that “there is no moral basis for saying that the St John Ambulance men or the local businesses shouldn’t be paid. Of course they should, and that is our starting position—there should be no bad debt”. His bottom line, though, was to defend the integrity of the competition over non-preferential creditors:

151 Q 98

152 Q 293

153 Q 294

154 Q 296

155 Q 298

156 Q 663

the football administrators, to protect the integrity of our league, would support the Football Creditors Rule. I understand that the integrity of our league takes precedence over the small business creditor, which is unfortunate, but I am not ever excusing people not paying their debts.¹⁵⁷

We were also warned that replacing the Football Creditors Rule with a system which discouraged the trading of players would detract from the essence of the game.

104. Interestingly, the Premier League clubs we spoke to appeared less wedded to the Football Creditors Rule. David Gill suggested that “it is a rule that has had its time”.¹⁵⁸ He observed, too, that the Football Creditors Rule supported a more recent trend to pay for transfers over a long period, whereas previous practice of paying within the year was a better discipline. He agreed with our suggestion that removing the rule would encourage clubs to conduct better due diligence, with the likely benefit that clubs would be less likely to end up in administration. Tony Scholes was more cautious, but still accepted that “there is probably an appetite for having a fresh look at it [the rule]”.¹⁵⁹ Niall Quinn made the point that supporters were unimpressed when highly-paid players were protected, but those on lower incomes were not: “the fan in the street meets the guy who printed the programmes who did not get paid and he sees the player driving out in the big car who was paid. I think that is damaging and we have to look at stuff like that”.¹⁶⁰ Richard Scudamore, though, suggested that Manchester United was in a fortunate position because it could trade “almost on a cash basis with others”.¹⁶¹ Shaun Harvey and John Bowler similarly asserted that the role of the Football Creditors Rule was more important further down the League.

105. FA Chairman David Bernstein spoke of the governing body providing moral leadership in football. He accepted that there was a lack of equity associated with the rule, but explained that the FA, on balance, remained supportive of it: “Why? Because the integrity of the competitions is protected by it, and without it there could well be a snowball effect if a particular club hits the buffers”.¹⁶² He expressed the hope though that the additional financial regulation that is being brought into the game would in future reduce the risk of the Football Creditors Rule being applied in an insolvency context. He also sided with David Gill on the desirability of moving away from extended terms for transfer payments.¹⁶³

106. As well as affecting small businesses, the Football Creditors Rule also impacts on Her Majesty’s Revenue and Customs (HMRC) which no longer has preferred creditor status, and hence also loses out. Unsurprisingly, therefore, HMRC is currently challenging the rule in the courts. While Sports Minister Hugh Robertson could not comment on ongoing

¹⁵⁷ Ibid

¹⁵⁸ Q 202

¹⁵⁹ Q 205

¹⁶⁰ Q 207

¹⁶¹ Q 664

¹⁶² Q 481

¹⁶³ Q 484

court proceedings, he did say that the rule was “morally quite difficult to defend”.¹⁶⁴ He felt encouraged that our inquiry had revealed “a considerable body of opinion inside football that this rule has had its day”.¹⁶⁵

107. The FA, Leagues and clubs all appeared defensive and uncomfortable about the Football Creditors Rule. They are right to be. The moral argument against it—that it harms the communities that football is supposed to serve—is persuasive on its own. There is, though, also a compelling systemic argument against it, namely that it positively encourages excessive financial risk-taking, in a system that already offers other inducements to so do, by offering a safety net to those who seek to benefit from such practices. The Football Creditors Rule should be abolished. It represents a “post facto” preferential treatment of creditors that would be illegal in the run-up to the insolvency of any business. If the football authorities do not take the initiative themselves, and Her Majesty’s Revenue and Customs loses its legal challenge to the Football Creditors Rule, we recommend that the Government consider introducing legislation to abolish it.

Broadcasting rights

108. One criticism levelled at the new English model is the extent to which the Premier League clubs in particular have become reliant on the contribution of broadcasting revenue to sustain their expenditure. According to Deloitte, broadcasting revenue now comprises more than half of Premier League club revenue. The current broadcasting deal secured by the Premier League is worth over £1,000 million (the first £1 billion revenue stream of any domestic football league in the world), with recent increases driven by higher overseas deals. International rights now make up 40% of the total value of the Premier League’s new broadcasting deals.

109. Against this background, we asked the Premier League whether the recent opinion by the Advocate General of the European Court of Justice that it was against EU law to stop broadcasters across the continent from showing football matches using foreign decoder cards posed a significant threat to its future football broadcasting revenues. The case raises a general question of whether it is acceptable under EU law to partition rights along national boundaries. Richard Scudamore replied that the Premier League had not done an assessment of the potential impact because the process was a complicated one and a final decision had yet to be made. He argued that the principle of being allowed to sell overseas rights on a territory-by-territory basis was important both to the Premier League and to foreign consumers, as the package was marketed and prepared differently according to the specific needs of the territory:

So the French, when they produce Premier League coverage in France, concentrate often on French players, French clubs. It is scheduled to avoid the French league. Similarly in Italy, in Spain, in other countries, when they show our rights, they not

164 Q 785

165 Q 787

only concentrate on an element of the Premier League that is more relevant to their audience, but schedule it around what is a unique part of each country's culture.¹⁶⁶

While arguing against any change to the selling of overseas rights, he did caution against any assumption that change would result in a drop in Premier League income. Deloitte, in its annual review makes the same point:

the financial impact [of prohibiting the partitioning of rights along national boundaries within the EU] may be more limited than many commentators have predicted. If the ruling is upheld and the Premier League was required to alter its rights selling strategy in Europe, it is by no means certain that this would reduce the value of the rights, though it may reduce access to live Premier League broadcasts for some consumers in some territories in the EU.¹⁶⁷

110. Even if the Premier League was able to insulate itself from the impact of the legal opinion, however, there could still be repercussions further down the league pyramid. Because overseas rights holders show matches on a Saturday afternoon, one potential knock-on effect, if the opinion became law, is that the current contractual 3pm blackout on live televised football in the UK—designed to stop smaller clubs from losing fans to live Premier League matches on TV—could be breached on a weekly basis. Greg Clarke told us that, from the Football League's perspective:

Our main issue is that if you imagine a small football club, Macclesfield or Chesterfield or Notts County, who are trying to get 2,000, 3,000, 4,000, 5,000, 6,000, 7,000 people to turn up to their game on a Saturday and pubs around the corner are showing Manchester United versus Liverpool live on the telly using a foreign decoder, it strikes me that that is making life more difficult than it needs to be.¹⁶⁸

Julian Tagg further noted that when Exeter City games were moved from a Saturday to a Tuesday night in competition with a televised match involving big Premier League clubs "we feel that direct effect on our gates".¹⁶⁹ Shaun Harvey argued succinctly that "I think three o'clock on a Saturday afternoon has to be tried to be kept sacrosanct for the purpose of getting people through the turnstiles at their local clubs".¹⁷⁰

111. Henry Burgess, Head of Professional and International Sport, Department for Culture, Media and Sport, stressed that the court did not follow the Advocate General's opinion in every case. He added that the Government had "supported the broad principles put forward by the Premier League".¹⁷¹ Sports Minister Hugh Robertson affirmed that he had taken the issue up with the responsible European Commissioner.¹⁷²

166 Q 674

167 Deloitte Sports Business Group, *Annual Review of Football Finance: Pressure to change*, June 2011, p 29

168 Q 78

169 Q 309

170 Ibid

171 Q 791

172 Q 792

112. Although the change proposed by the Advocate General might increase viewing choice for some viewers (for example, those currently deprived of viewing options at 3pm on a Saturday), it could equally diminish choice for others (for example, if their territory was no longer served by a discrete package). While change would benefit some commercial operators (for example, pubs showing games using foreign decoders), such benefits would be at the expense of the creative rights holders—the Premier League. Given our interest in the sustainability of the game, we give considerable weight to the concerns of the Football League.

113. The European Court of Justice’s preliminary opinion with regard to the selling of broadcast rights within Europe poses a grave risk to the sustainability of clubs throughout the football pyramid. We urge the Government to use all its influence within the EU to retain the territorial selling of overseas rights.

Internal regulation

114. We have seen how the current football governance model turns record levels of revenue into diminishing profitability and record levels of debt. The Football League and Premier League, under the auspices of the FA, have sought to bring in regulations that mitigate the risk of financial excess. To curb financial excess, and bring an end to its record of insolvencies, the Football League explained that it had pioneered the use of sporting sanctions, with a 10 point penalty applied to any club entering administration, and also the publication of club spending on agents’ fees. Former Football League Chairman Lord Mawhinney explained why he had introduced the 10 point penalty:

when a club goes into administration [...] that gives it a competitive advantage over the other clubs in the division because, while they are having to use their resources to pay interest, the club that has gone into administration doesn’t. This is an integrity of competition issue and we addressed that by introducing the sporting sanctions and 10 point penalty.¹⁷³

115. The Football League explained how it had also sought to improve clubs’ cost controls. In 2003, it introduced a salary cost management protocol (SCMP) for League 2, limiting spending on player wages to 60% of turnover. If clubs break the 60% limit, they are not allowed to register any further players. Chief Operating Officer Andy Williamson told us that, as a consequence:

the salary increases in League 2 are much lower than they are elsewhere, so there is evidence that it has worked in terms of ensuring that clubs are sustainable [...] only one resident League 2 club has fallen into difficulty since the introduction of that salary cap. So it does work.¹⁷⁴

He also observed that “we are now seeking to shadow those processes in League 1”.¹⁷⁵ Julian Tagg, who had experienced the salary capping when Exeter City was in League 2, observed that he was keen for it to be introduced into League 1, where Exeter City now

173 Q 242

174 Q 86

175 Ibid

resided. Julian Bowler (Crewe) told the Committee that he was originally against the salary cap, but that now “I accept that it was one of a number of measures with which the football league is putting its house in order to ensure the wellbeing of the sport overall”.¹⁷⁶

116. It is interesting that the Football League appears to have no plans to introduce a salary cap in the Championship, though it is the division where the wage/turnover ratio is highest. It appeared to be something of an irrelevance for Leeds United, which has one of the higher revenue earning potentials in the Championship because of its supporter base and large ground. Shaun Harvey observed that “60% of our turnover would mean we could spend approximately £16 million a year on wages. We spend nothing like that”.¹⁷⁷

117. Barry Kilby professed himself “slightly wary of it.” He wanted to retain the flexibility to spend over 60% of turnover on wages, if the club saw an opportunity to make a breakthrough:

The season we went up, when we were getting close, we increased our spending a bit and that was directors’ loans. We knew what we were doing and how we’d cover if it didn’t come off [...] everything by diktat, I’m just a bit uneasy with.¹⁷⁸

The Football League also highlighted the work it had done to ensure that its clubs paid their tax on time:

In 2009, pioneering new financial regulations relating to tax payment were introduced. These provided the League with written permission to monitor the PAYE of its clubs directly with HMRC and impose transfer embargoes in instances where clubs fail to meet their tax debts and when they fall due.¹⁷⁹

The Football League judged that “these regulations have had a hugely positive impact, reducing the HMRC debt of Football League clubs from £9.6 million in August 2006 (for 29 clubs) to £0.4 million in August 2010 (for 4 clubs)”.¹⁸⁰ It recorded that in August 2010 Championship clubs agreed additional financial reporting requirements, including the provision of future financial information relating to the subsequent season and the need for clubs to demonstrate no overdue transfer fees, compensation fees, key employee wages or tax payments:

Clubs in default, or clubs with business plans that cast doubt on their ability to fulfil fixtures or meet their ongoing obligations, will be required to submit to budget constraints, including the possibility of a registration embargo.¹⁸¹

In a significant development subsequent to the evidence session, the Football League wrote that, on 10 June 2011, their clubs had voted in principle to adopt financial fair play regulation.

176 Q 311

177 Ibid

178 Q 311

179 Ev 233

180 Ibid

181 Ibid

118. The Premier League pointed to a similar package of measures introduced in recent seasons. It pointed out that its rule book had begun at 142 rules and had evolved to meet changing demands and circumstances to stand at over 800 rules today. Key regulations include:

- Clubs to submit annual accounts, interim accounts and future financial information. Premier League Board scrutinises submissions to ensure the club will be able to pay its football debts and fulfil its fixtures until at least the end of the following season. Penalty for non-compliance—transfer embargo and/or adhere to an agreed budget. Introduced September 2009. Extended to newly promoted clubs June 2010. Extended to allow further scrutiny upon change of ownership June 2010.
- Clubs must certify every quarter that their liabilities to HMRC in respect of PAYE and NIC are up-to-date. Same penalties as above. Introduced June 2010.
- Transparency with respect to transfer fees, including outlawing of third party ownership. Introduced June 2008.¹⁸²

Richard Scudamore emphasised, in particular, the beneficial impact he expected the regulations requiring future financial information to be declared to have on debt levels.¹⁸³

119. The Premier League also pointed to the stabilising role played by the solidarity payments it made to the Football League. Direct financial support from the Premier League to lower league football includes payments to relegated clubs (referred to as parachute payments), which have recently been increased to £48 million and extended to four years, meaning that up to 12 clubs in the Football League at any one time could be in receipt of such payments. Other teams in the Championship receive an average of £2.2 million each from Premier League funds. Clubs in Leagues 1 and 2 receive an average of £0.35 million and £0.24 million respectively.

120. FA Chairman David Bernstein was optimistic that the above regulations, together with forthcoming UEFA rules affecting clubs in European competition (covered in more detail in a later section), would make a difference to financial performance in the English model. Other witnesses were less optimistic. Sean Hamil highlighted two problems with the governance system:

there is a problem of uneven application of regulation across the industry given there are essentially three regulatory bodies, all competing to fill the regulatory space. So there is a lack of an over-arching strategy for dealing with the industry's chronic financial loss-making and its consequences. And secondly, and following on from this, regulatory initiatives tend to be reactive and piecemeal, rather than proactive and strategic.¹⁸⁴

182 Ev 216

183 Q 670

184 Ev 250

He observed that the FA, Premier League and Football League had been slow to appreciate the need for greater regulation to manage the new model:

in 1999 the FA, Premier League and Football League articulated their attitude to demands for a more interventionist approach as follows: ‘the football authorities do not believe that the overall well-being of the game will be helped by new layers of regulation or bureaucracy’.¹⁸⁵

He noted that events—notably the manner in which Leicester City had achieved promotion to the Premier League at the end of the 2002/03 season having shed significant debt through the administration process—had pushed them into introducing points penalties for clubs that entered into financial administration.

121. Football fan and commentator Andy Green was concerned that the current self-regulatory models in England did not contain any stipulations concerning how much football clubs could borrow. He also noted that, while the Premier League rules now included provision to provide future financial information, the new rules relied too heavily on auditors’ qualifications or part qualifications of accounts as the early warning mechanism. He noted that Portsmouth’s auditors, Grant Thornton, did not qualify the accounts in the year prior to the club’s collapse. Indeed, there was probably no need for them to have done so under their remit.

122. The FA acknowledged that “traditionally English football’s approach [to rule changes] has been to be reactive” and that:

It is reasonable to consider in the future whether a greater balance between this approach, and a more proactive oversight approach that maintains the coordinated control of the game within the principles of consensual self-regulation could be achieved.¹⁸⁶

Parachute payments

123. One element of the Premier League’s solidarity payments —the payments made to relegated clubs to compensate for loss of income (dubbed “parachute payments”)—arguably has a destabilising effect now that the Premier League has increased their value. Lord Mawhinney, former Chairman of the Football League, explained that:

Parachute payments were instigated because the salary levels in Premier League clubs were so much greater than in Championship clubs that, without some transitional funding, Premier League clubs that got relegated would simply just head straight into administration or just tumble down the Football League and that did not seem to be fair.¹⁸⁷

The obvious solution would appear to be to insert a relegation clause into players’ contracts, rather than initiate parachute payments which could be seen as a reward for

185 Ev 250

186 Ev 190

187 Q 229

failure. However, Shaun Harvey, Leeds United Chief Executive, explained why this was not as easy as it might first appear:

I'd challenge anybody to sit in front of an agent and a player and say to them, 'we want to sign you for three years. We're a Premier League club. We're going all out to stay at this division. However, if we fail we want to reduce your wages by half. To which the player and his agent say, 'Well you're not really that confident that you're going to stay in the Premier League then are you?'¹⁸⁸

Barry Kilby affirmed that in a competitive market, if one club sought to impose such a clause, other clubs would seek to attract players by not imposing it.

124. Parachute payments were initially for two years, but in May 2010 the Premier League extended parachute payments from two to four seasons. Clubs relegated at the end of 2010/11 will receive around £48 million spread over four seasons. By contrast, during 2004/05-2006/07 parachute payments were £6.5 million per season, with an increase in 2007/08 to £11.4 million. Richard Scudamore made the point that if you want clubs to be competitive when they enter the Premier League, you need to protect them when they go down. He felt that the parachute payments were justified because they helped ensure the sustainability of the clubs involved, and suggested that there was no evidence that they distorted competition as relegated clubs did not automatically come up the following season. In its written evidence, the Premier League included parachute payments within its definition of solidarity payments to lower league football.

125. Other witnesses were concerned about the impact of parachute payments on competition in the Football League. Patrick Collins was suspicious that the Premier League was seeking to protect its own:

I do agree that the Premier League, deep down, wants to be a closed shop. [...] The parachute payments involve going down with £18 million in your pocket when everyone else has got £1 million and so the likelihood is [...] they will come straight back.¹⁸⁹

126. In his evidence, Phil Gregory argued in relation to parachute payments that "the net result is the non-recipients spending more money they don't have in an attempt to remain competitive in the promotion battle, worsening an already precarious financial situation".¹⁹⁰ Lord Mawhinney defended the principle of parachute payments but argued that:

The present level of parachute payments are going to undermine the integrity of competition in the Football League. They are going to do that because the amount of money—£16 million, £16 million, £8 million and £8 million over four years—bears very little relationship to the salary issue that was the original case.¹⁹¹

188 Q 315

189 Q 11

190 Ev w97

191 Q 229

Greg Clarke, Chairman of the Football League, called parachute payments “one of the most contentious issues that the Football League has debated”.¹⁹² He stressed that “if we get a situation where the clubs that are relegated are automatically promoted, that is not in the interests of a fair competition because you cannot win unless you have access to Premier League funding”.¹⁹³

He expressed the hope, though, that the relegated clubs would use parachute payments to straighten out their finances, rather than gamble on maintaining a high wage bill to secure early promotion: “interestingly, the trend is changing. This season, because of the large debts some Premier League clubs have, they spend quite a lot of that parachute payment servicing and paying down their debt”.¹⁹⁴

127. The new financial regulations adopted by the Premier League and the Football League mark a welcome shift in emphasis to engaging with the financial challenges inherent in the current model of English football. There are, however, legitimate concerns as to whether they go far enough or will be consistently applied, particularly in the Championship where there is a risk that the increased parachute payments from the Premier League to relegated clubs will have a destabilising effect on other clubs as they try to match their spending power. We urge the FA to broker discussions with the Premier League and Football League to review the balance between parachute payments and solidarity payments.

The impact of UEFA

128. At the level of European competition, the Union of European Football Associations (UEFA) is seeking to strengthen its own licensing system. UEFA’s *Club Licensing and Financial Fair Play Regulations*, published last year, state UEFA’s aim to achieve financial fair play in its club competitions and in particular:

- to improve the economic and financial capability of the clubs;
- to place the necessary importance on the protection of creditors;
- to introduce more discipline and rationality in club football finances;
- to encourage clubs to operate on the basis of their own revenues;
- to encourage responsible spending for the long-term benefit of football; and,
- to protect the long-term viability and sustainability of European club football.¹⁹⁵

129. Clubs qualifying for UEFA club competitions must apply for a licence from a UEFA member association. UEFA’s licensing system is of longstanding, but the decision to add the new financial fair play provisions takes it to a new level. From the 2013/14 season compliance with financial fair play regulations will be monitored as part of the licence

192 Q 60

193 Ibid

194 Ibid

195 UEFA, *UEFA Club Licensing and Financial Fair Play Regulations*, Edition 2010, p 2

criteria. UEFA's Club Financial Control Panel will determine whether a club is compliant on the basis of financial information provided by clubs and assessed by the relevant UEFA member association (eg in England, the FA, though the FA may in turn delegate responsibility to the Premier League).

130. If the Club Financial Control Panel concludes that a club is non-compliant, this does not automatically mean that the club will be excluded from the competition: there are a range of sanctions available from warnings to a transfer ban to exclusion. The club will, though, be required to provide additional financial information, including a plan for future compliance, and may be subjected to more intensive scrutiny. Clubs will also be monitored more closely if there are warning signs such as recording a loss in any year; spending more than 70% of revenue on wages; and having overdue football-related payments or tax debts.

131. There are two key provisions: a requirement to have no overdue payments as at 31 March the preceding season; and the requirement for clubs to break even over a rolling period of two to three years. Broadly, clubs qualifying for UEFA club competitions in 2013/14 will need to produce an aggregate break-even result over the previous two annual financial reporting periods ending in 2013 and 2012. In subsequent seasons, the rule will cover the preceding three reporting periods.

132. UEFA has set an acceptable deviation from the break-even requirement, which reduces over time. For the monitoring period assessed in the 2013/14 and 2014/15 seasons, clubs can go into deficit to the tune of €45 million, if this is financed by owners and/or related parties. In seasons 2015/16, 2016/17 and 2017/18 the equivalent deficit figure is €30 million. UEFA has undertaken to set a lower amount in the following seasons. Clubs qualifying from outside the top division, and clubs with annual relevant income and expenditure below €5 million, are exempt from the break-even requirement.

133. UEFA has also suggested that it is likely to look favourably on clubs that are moving in the right direction towards breaking even—for instance if overspend is caused by commitments on wages and transfer fees made before June 2010—particularly in the early years of the financial fair play regulations, implying a further level of acceptable deviation.

134. Not all income and expenditure is relevant for the break-even calculation. On the revenue side, non-monetary items or certain income from non-football operations is excluded. On the expenditure side, expenditure on stadia, youth development and community development activities is excluded. UEFA has also sought to close a loophole, through which wealthy owners could inject more revenue or reduce expenditure by agreeing favourable deals with other companies owned by them or related parties. UEFA's regulations state that relevant income and expenses from related parties must be adjusted to reflect the fair value of any such transactions.

135. William Gaillard, adviser to UEFA President Michel Platini, explained the rationale behind UEFA's initiative:

We felt, in particular, that the growing inflation of wages and transfers, the large number of clubs facing an unsustainable debt burden and the fact that a number of clubs Europe-wide were going into administration, meant that the system needed some reform [...] we felt that, through our licensing mechanism for our own

competitions, we could introduce some order and more rationality into professional football.¹⁹⁶

He assured us that the monitoring of the new measures would be transparent, and would be conducted by an independent committee. He accepted, though, that the test would come if a major European club fell foul of the new rules. He observed that “if we sanction them, it will mean that the rules have worked” while noting that “a better way for the rules to work is for the club suddenly to be unsanctionable and complying with the rules and this is our dearest wish”.¹⁹⁷

136. Much of our evidence was very favourable to the UEFA initiative. For Sean Hamil the rules are absolutely critical to improving the financial governance of the game. Lord Triesman also welcomed the initiative, while the view from current football insiders also appeared positive. Richard Scudamore advised that the Premier League was entirely supportive of the break-even concept. David Gill told us that Manchester United was “very comfortable with financial fair play [...] and we will operate within it”.¹⁹⁸ Peter Coates was similarly contented, though he stressed that it would need to be implemented consistently across Europe, and Niall Quinn noted that early fears that UEFA was out to reduce the competitive advantage of Premier League clubs had been allayed.

137. We have received a number of proposals for further steps that should be taken to address the weaknesses inherent in the current English football model. One theme has been the need for greater redistribution of revenue, both to increase competitiveness and safeguard the future of the game by strengthening the grassroots. The Football League observed that it is vitally important that football does everything possible to ensure that wealth is fairly distributed throughout the game. It stressed, in particular, the important role played by the League Cup and the solidarity agreement in achieving this, and the need also for action to reopening the domestic transfer market, and ensure a fair compensation system for the development of young players.¹⁹⁹

138. A second key theme has been the need to move to a formal licensing system. For some, this would simply involve applying the UEFA fair play regulations to national leagues. Sean Hamil, for example, argued strongly that:

They should be applied in every League in Europe independently because what happened is that if you are overspending on players you are not spending on disabled facilities for local fans, you are not spending money on that family facility, you are not spending money on that outreach into the community.²⁰⁰

139. Greg Clarke suggested that UEFA-type fair play regulation might be applicable to the Championship:

196 Q 713

197 Q 733

198 Q 194

199 Ev 237

200 Q 4

I believe it offers a template potentially for the Championship to adopt, to say if we have to break even on a three-year period that is just a soft way of introducing a wage bill cap because that is your biggest amount of disposable cash, what you spend on your wage bill.²⁰¹

Subsequent to the session, the Football League clubs did vote in principle to adopt financial fair play regulation.

140. Richard Scudamore, however, cautioned against rushing into requiring that the regulations should apply in national leagues. He warned that appropriate leeway was required at every level to facilitate competition:

When you have smaller clubs that are aspirational—coming up from the Championship, for example—why shouldn't those clubs, if they have the owners who have those funds available, be able to invest them to make their club slightly better to get them into that thing?²⁰²

141. **The UEFA initiative does appear to have a good chance of making a positive difference to spending patterns within the Premier League. The fact that Football League clubs have voted in principle to adopt financial fair play regulations also holds out the promise of more prudent spending patterns in the Football League and, most significantly, in the Championship. We will follow with interest the Football League's plans for adopting financial fair play regulations: It will need to find a balance between curbing unsustainable expenditure on wages and allowing the ambitious owners of smaller clubs sufficient flexibility to fund a competitive squad.**

142. **The manner in which financial regulations continue to be introduced serves to emphasise the disjointed nature of the English governance system. Different rules and different interpretations of rules apply, with different agencies applying them depending upon whether a club is playing in European competition, the Premier League or the Football League. The FA should take the lead in ensuring that consistency of regulation is a priority for the English game.**

The German model

143. A second approach, working very much with the grain of the UEFA financial fair play initiative, would be to copy the domestic licensing model practised in Germany. This option was urged by a large number of submissions. According to Christian Müller, who was Chief Financial Officer of the German Football League (DFL), a member of the Managing Board of the German League Association (Ligaverband) from 2007 until 2010 and Member of the Board of the German Football Association (DFB) amongst football roles, the licensing system adopted in Germany is a key reason why there have been no insolvencies in the German national leagues (Bundesliga) since the first German Bundesliga was established in 1963. He outlined the approach adopted in Germany:

201 Q 85

202 Q 656

In essence, the licensing procedure requires clubs to submit economic data for scrutiny by the football authorities, thereby ensuring an openness and transparency to the business aspect of the game that is without parallel across Europe. The backbone of the system is to force clubs to reduce overspending by implementing specified planning procedures and seasonal application for a licence.²⁰³

For a club to receive a licence to compete in the relevant Bundesliga, it must be solvent and able to demonstrate sufficient liquidity to last the next season. He detailed the areas assessed:

- Assets;
- Receivables;
- Cash and bank balances;
- Liabilities/provisions;
- Current overdraft account facilities;
- Loan commitments;
- Projected profit and loss statements, including planned income from ticket sales, advertising and transfers and planned payroll costs for match operations; and
- Cash inflows/outflows from investing and financing activities.

Additionally, net equity must be present at the end of each season or sanctions will follow.²⁰⁴

144. Christian Müller also explained how the licensing regulations were applied in Germany. The process starts with a pre-season examination of accounts and continues with in-season confirmation of economic capability. Licences can be granted on a conditional basis, allowing the football authorities to pay close attention to problem clubs. Sanctions available if the club fails to meet the economic criteria include fines, deductions of points, a transfer embargo and, ultimately, expulsion from the three division national league structure. He argued that the strengths of the Bundesliga—profitability, competitive parity, and community work—were all underpinned by the licensing model and the ownership structure (considered in more detail in chapter 5). A second submission from Germany, from Hamburger SV Supporters Club, made similar points:

All of the regulations relating to ownership and licensing are recognition that football clubs must act as responsible entities, and that reckless spending cannot be a substitute for a long-term business strategy geared towards stability, not merely short-term success.²⁰⁵

203 Ev w202

204 Ibid

205 Ev w199

145. For Müller, one of the reasons why the German licensing system works so well is that it has popular backing. Judging by the evidence we received, the introduction of a similar licensing model here would also have the backing of supporters. In their evidence, Andy Green, Manchester United Supporters Trust, the Clarets Trust, Wimbledon Football Club Supporters Society, Bristol City Supporters Trust, Brentford Supporters Trust, Fulham Supporters Trust, Bradford Supporters Trust, Supporters Direct, Dave Boyle and Steven Powell from the Football Supporters Federation, all advocated a licensing model, most citing Germany as a template.

146. There were, however, a few notes of caution. Professor Szymanski observed that the German model had not produced the same levels of popularity or competitive and commercial success as the English one. He also argued that club finances in England were more transparent than they were in Germany because of the obligations on limited companies to lodge accounts with Companies House.

147. Richard Scudamore asserted that the newly improved Premier League rule book already constituted a licensing system: “the reality is we have a licensing system. We have a very much more robust licensing system now than we did two or three years ago. Our rulebook is effectively the licensing system for clubs within our league”.²⁰⁶ While he was prepared to consider further improvements to the Premier League rule book, he made it clear that he saw evolution of the current self-regulatory system as the best way forward: “I would ask you to look at the evidence of the evolution of our rulebook. We have a track record of moving the rulebook on and I think the best people to do that are us”.²⁰⁷ He also emphasised the extent to which the Premier League and Football League rule books were now aligned, though he accepted that the recent alignment exercise still needed “a very early ironing out”.²⁰⁸ William Gulliard, however, appeared less convinced that the English self-regulatory model amounted to a licensing system: “They have bits and pieces of licensing. They don’t have a licensing system over the whole professional game. It is divided. It is not streamlined as such. There is nothing like what exists in the Netherlands or in Germany”.²⁰⁹

The FA also appeared somewhat ambivalent but not totally unreceptive to the idea of a formal licensing regime. Alex Horne, General Secretary of the FA, warned that “the danger with an overly formal licensing scheme is it becomes bureaucracy for the sake of it”.²¹⁰ He accepted, though, that the time had come to:

reach across all four Leagues and look at appropriate cost control measures in all four Leagues and listening to the Chairman of the Football League’s evidence. I think that would chime with their position and their concerns regarding debt in their clubs.²¹¹

206 Q 630

207 Q 643

208 Q 648

209 Q 718

210 Q 466

211 Ibid

He further observed that: “If we were going to go down a more formal hard financial regulatory model we would not need some form of overarching licensing system to make sure it was transparent, auditable and fair”.²¹² He expressed a preference for what he termed a hybrid model, that was consistent with the financial fair play model adopted by UEFA as part of its own licence system for competing in its European competitions. When we asked his Chairman whether the Leagues agreed on a move to a licensing system, he replied: “Well, we will see. No, I’m not saying they agree that at the moment and we have yet to begin to explore some of these things, but I’m hopeful”.²¹³

148. We travelled to Germany to understand at first hand how the German licensing model works. We heard that the system had weaknesses. There were suggestion that some clubs were “too big to fail” and received preferential treatment. Some also felt that the licensing system focused too much on a club’s ability to make it through the coming season, rather than addressing financial problems that build up over time. It is not the case that all German clubs are, or have always been, well-run. Some clubs have experienced financial difficulty, but levels of debt are generally lower and the number of insolvencies and crises fewer. There was a genuine belief that the licensing system imposed more discipline and did more to curb financial excesses across the board than the English model. One key point made was that the licensing authorities sought to work with the clubs to prevent financial failure.

A licensing model for England

149. Judging by Deloitte’s statistics on profitability, debt and wage levels, and the travails of a number of individual clubs, it appears that the English regulatory authorities have struggled to keep pace with the new governance challenges arising from the systemic changes following the moves in the 1980s towards greater commercialisation and the establishment, in the 1990s, of the Premier League. There is also the recent track record to consider: Premier League Portsmouth went into administration in 2010, and at least two of the teams relegated from the Premier League at the end of the 2010-11 season (Birmingham City and West Ham United) are experiencing financial problems. In the Football League, League 1 Plymouth Argyle went into administration in March 2011. The Football League’s commitment to transparency did not provide clarity of the ownership of Leeds United until the club made further announcements.

150. While we acknowledge that financial regulations have been tightened of late, we are not convinced that even the new rules recently adopted by both the Premier League and the Football League are by themselves sufficient to curb English football’s excesses. Often their rules appear to be in response to events rather than being proactive. It is right that clubs going into administration should be deducted penalty points, but it is important that the FA adopts more effective pre-emptive measures that anticipate rather than simply follow events.

151. We recommend the introduction of a formal licensing model imposed rigorously and consistently throughout professional English football to underpin the self-

²¹² Ibid

²¹³ Q 467

regulation measures already introduced by the Premier League and the Football League. The licensing model adopted should both review performance and look to promote sustainable forward-looking business plans.

Administering the domestic licensing model

152. Thought needs to be given to the respective roles of the Leagues and the FA under the licensing system proposed. In Germany, The German Football League (DFL), which is an association of member clubs responsible for running the German Bundesliga competition, is responsible for formulating and applying the licensing model. Clubs in the first and second Bundesliga apply to the DFL for a licence to re-enter their competition the next season. The strength of this system is that the member clubs themselves endorse the licensing rules and so are more likely to comply. The weaknesses are that it can lead to conflicts of interest (how hard are member clubs going to be on one of their own?); weaker specifications; and concerns about the rigour and consistency with which the system is applied. Steven Powell observed that the French had adopted a different “Chinese Wall” model for their licensing system:

It’s essentially a board with a Chinese wall within the French professional league—the equivalent of the Premier League of the Football League here—which has autonomy to go into clubs and to basically implement special measures. It’s not perfect—there are some financial problems in the game in France at the moment—but it does show that you can create within the governing or the competition-organising body in France something which has sufficient autonomy to exercise real financial control, because the sporting pressures are always there to spend more money.²¹⁴

153. In England, the situation is complicated by the fact that two membership organisations—the Premier League and the Football League—carry out the league competition organising role performed by the DFL in Germany. Also, the DFL differs from the Premier League in that it has a supervisory board with a number of DFB Board members on it, and so arguably has more internal checks and balances against conflicts of interest. One option, to ensure consistency and guard against the conflicts of interest within the English model, would be to give the FA a strong scrutiny role in the licensing process. For governance purposes, there is an important distinction between the relationship the clubs have with their League and the FA. The clubs ultimately own the League organisation they play in. They are members of the FA. The Leagues are, therefore, in principle in a weaker position to exercise effective control over the financial affairs of the clubs than the FA. In practice, however, this would be something of a new departure for the FA, which has not historically played an important role in off-field regulation. A case though can be made for concluding that it needs to become more pro-active in the wider interests of the game, and that, were the FA to exercise an oversight and scrutiny role over a licensing system, this would assist robust financial governance in English football.

154. Lord Burns, who, having conducted a review of the FA, is well positioned to comment on its roles in the game, argued that the FA had been too passive in the face of the growing financial governance challenges arising from the restructuring of the English game:

It [the FA] has operated a sort of subsidiary model as far as the management of the leagues is concerned. We now have the slightly strange situation where the lead has been taken by UEFA in terms of the fair play rules and they are beginning to carve out an approach to it. Our FA, I have to say, looks to me to be being dragged along behind that rather than, as one might have expected given the historical position of the FA, having been more in the lead on these issues.²¹⁵

Lord Triesman, former Chairman of the FA, similarly commented that:

I have no doubt that in the course of hearing evidence you will hear people who will say “The FA does do all of those things and it is not realistic to say that they don’t, and here is the book that sets out all the regulations”. I am just saying at first-hand experience that it has subcontracted and does not question the subcontractor in those key roles.²¹⁶

155. To understand why the FA has adopted such a passive role, and to understand the difficulties it has in re-asserting itself, there is a need to appreciate the nature of the relationship between the FA and the Premier and Football Leagues. The history of the FA and Football League can be seen as a series of “turf wars”, with the Football League seeking to defend its right to run its competitions as it saw fit. It has been suggested that one reason the FA endorsed the formation of the Premier League was to reduce the power of the Football League.²¹⁷ The advent of the Premier League saw a two way struggle become a three way fight, with the Premier League’s growing financial dominance tending to give it the upper hand. It is important to note, in particular, that this power struggle is reflected within the Board of the FA, which contains three Premier League and two Football League representatives. Against this background, it is not surprising that Lord Triesman should assert that the Premier League guarded its autonomy on self-regulation very strongly.

156. Lord Triesman cited, in particular, the role played by the professional game in ensuring that a document he had prepared on behalf of the FA for the Government—which advocated, among other things, a stronger regulatory role for the FA—was not submitted. Ian Watmore, former Chief Executive of the FA, also observed that the FA had a sometimes prickly relationship with the Premier League:

On other issues we might be miles apart or have a disagreement over whose responsibility it was. I think that my Chairman at the time mentioned in his evidence that football regulation, in the sort of financial regulation sense, was deemed by the leagues not to be something for the FA, it was deemed to be something for them and

215 Q 34

216 Q 33

217 David Conn, *The Beautiful Game? Searching for the Soul of Football*, (London 2005) p 53

Lord Triesman disagreed with that and that is where the tension first emerged between them.²¹⁸

In later evidence, the Premier League disputed Lord Triesman's account. Richard Scudamore also commented that "we at operating level have a very good relationship with the Football Association. We are always prepared to discuss things and I think the way it works now is good".²¹⁹ The implication is that the Premier League is content with the status quo.

157. There are, however, sound reasons to argue that financial regulation of football clubs in England would benefit if the FA took a more active role, given its position as governing body, and the greater distance between it and the clubs. Sean Hamil argued that:

What is necessary is to recalibrate the relationship between the two leagues and the FA and, in my opinion, to allow the FA to get on with its historic role of governing the game in the wider interest. The job of the leagues is to run two successful leagues. It is not to govern football.²²⁰

Ian Watmore told us that "I think we should set the environment at an FA level and then let the individual competitions, in this case the leagues, determine precisely how to implement that, their own roles within the rules that they impose upon the clubs that play in the league".²²¹

158. Lord Triesman set out his stall in the previously unpublished document which we have now included in the written evidence received for this inquiry. Most significantly, David Bernstein, current Chairman of the FA, also appeared receptive, telling us that:

We believe that the FA's supervisory role should be increased. I think perhaps we have allowed some of these things to drift away from us. The way the Leagues are run with self-regulation we think is absolutely right; we wouldn't want to change that or try and pull that back but I think our supervision over the way that is done could be upgraded.²²²

Alex Horne explained how the FA was already taking this intent forward, observing that David Bernstein had already called a meeting with the Premier League and Football League to:

make sure that we are sitting down and understanding some of these whole game issues and making sure that we are agreeing our approach: if you like, uncluttering some of the regulatory framework that exists, making sure our roles and responsibilities are clearly defined across each of those bodies and making sure that

218 Q 351

219 Q 643

220 Q 6

221 Q 377

222 Q 463

we're adopting the right strategic approach when it comes to, for example, financial regulation of clubs or perhaps future youth development measures.²²³

159. Hugh Robertson, the Sports Minister, made it clear that he could see the advantages of a more formalised licensing system and that he would expect the FA to administer it. However, echoing the concern of much of the evidence to this inquiry, he also attached a caveat:

the slight reluctance or the slight sense of caution that you would get is that everybody needs to be convinced that the FA it itself properly governed and able to carry out that function before it was given that part [...] I deal with a number of their executives and there are some very, very good people there. I think they would welcome this if they were given this opportunity, but it could only come after they had reformed their governance.²²⁴

160. For an English licensing system to deliver the prudential benefits intended, it is essential that it is applied, and is seen to be applied, rigorously and consistently across the professional game. All clubs, and the leagues themselves, are affiliated to the FA, the governing body of the game. We recommend, therefore, that the FA takes responsibility for establishing a licensing system, takes on a strong scrutiny and oversight role in the licensing process and makes the final decision on contentious licence applications.

223 Q 466

224 Q 796

5 Club ownership

Changes to the ownership model

161. Closely linked to football's financial management, the ownership of football clubs is another difficult area for football. All owners, good or bad, are liable to face criticism from supporters when results are poor. Ownership usually only becomes a governance issue when the actions of the owner are seen to threaten the sustainability of the club. The governance challenge, therefore, is to create an environment where clubs are protected from over-ambitious or otherwise incompetent or duplicitous owners exploiting their football club, and good owners are encouraged to stay in the game. Much of the evidence we have received, however, has suggested first that the current English model has made ownership issues more problematic and second that the measures taken to address the increased challenge have been inadequate.

162. The manner in which some of the changes were enacted raises a further governance issue. In his book, *The Beautiful Game*, David Conn explains how the FA's Rule 34, preventing owners from reaping financial reward from their involvement in football, was first circumvented and then quietly removed. When the owner of Tottenham Hotspur, Irving Scholar, decided to float his club on the stock market in 1983, he was able to manoeuvre round the restrictions on payment to part-time directors, unrestricted dividends and profiting when a club is wound-up, by creating a holding company free of the restrictions, and making the club a subsidiary of the holding company. Other clubs such as Aston Villa, Manchester United and Newcastle subsequently adopted the same device in order to become public companies able to make profit for their investors, though few clubs today still retain this model. David Conn observes that, at the time, the FA appears to have been silent on the compatibility of the floatations with FA rules whereas, as the governing body, the FA should either have approved the modernisation of its rule book or defended its rules. In 1998, the FA removed the restrictions on dividends and on directors working part-time from its rule book. The FA retained the final component of Rule 34, however, prohibiting owners from winding up clubs and keeping the proceeds.

163. The measures taken by the football authorities in the 1980s and 1990s to encourage the commercialisation of the game certainly had positive effects. For example, removing restrictions on paying full-time directors enabled clubs to recruit professionals who helped to increase turnover, and so create funds for much needed investment in stadia. However, there was also a downside in that they also increased the opportunities for bad owners to exploit clubs.

164. Derby County supporter James Wheeler observed the impact of the circumvention and subsequent lifting of Rule 34's restrictions on dividends and director-pay: "This has brought extra 'investment' into the game, but also began to attract elements who were purely involved to make a profit for themselves—usually at the expense of the club and ultimately the supporters".²²⁵ For Andy Green, one consequence has been a shift in the

ownership model away from the traditional best practice of philanthropic local businessman supporter:

In the last 20 years English football has had a shift in ownership. Traditionally owned by local business people, many clubs have been bought and sold by a new breed of entrepreneurs from both the UK and overseas. In many cases owners have been proved to be short-termist, seeking swift improvements in team performance through debt funded investment, often the mortgaging ground and/or future ticket revenue in pursuit of success.²²⁶

165. It is worth observing that such entrepreneurial behaviour is far less prevalent elsewhere in Europe. Indeed, a number of alternative ownership models exist, often based on a community-based sports club model rather than that of a limited company, that serve to prevent or at least discourage it. Although Germany, like England, has moved to a more commercial model of ownership over time, the key difference is that, with a couple of exceptions for historical reasons, a members' association must have majority ownership of the club—the "50+1" Rule. For Christian Müller, this rule ensures that clubs remain grounded in their community and prevents "outsiders" from having undue influence. In England the limited company model makes it relatively easy, in principle, for "outsiders" to gain control of clubs if they can raise the finance. The English football authorities have, however, responded to concerns about the intentions of individual owners by introducing an additional hurdle; fit and proper persons tests.

Foreign ownership

166. Around half of Premier League clubs are now run by foreign owners keen to participate in the most prestigious and highest revenue-producing league in the world. While it is important to acknowledge distinctions in the model operated by different foreign owners at their respective clubs (the model operated by Aston Villa's American owner is, for example, far more conservative than the regimes at Chelsea and Manchester City), this trend is liable to continue because, as football supporter Paul Norris observed, with regard to foreign ownership:

Whilst many fans would prefer their club to be run by the traditional 'local boy done good' type of owner (an example might be Steve Gibson at Middlesbrough) or through fan ownership models, the reality is that the finances demanded in order to compete at the top of the Premier League mean that this is now rarely possible.²²⁷

167. Does this matter? Our evidence offered a number of reasons why it might. Firstly, there were concerns that foreign owners would be less inclined to support measures in the long-term interests of the English game. John Bowler, Chairman of Crewe Alexandra questioned whether foreign owners "have as much interest in the future of the national game [...] and the wellbeing and development of it". He stressed that the Premier League had been supportive thus far, but that "we're in a changed process, with new ownership

226 Ev w26

227 Ev w32

and foreign ownership coming in to the Premier League. [...]a number of us have got concerns about how will this relationship nurture itself and develop in the future”.²²⁸

168. Secondly, there were concerns that foreign owners, unfamiliar with the complexities of the English game, might be more inclined to bite off more than they could chew. Peter Coates explained how Stoke’s previous Icelandic owners had found the going much tougher than they had imagined, and ended up selling the club back to him:

They thought they could take Stoke into the Premier League [...] They found it much more difficult than they thought. [...] They had a bit of money to spend; they thought they would have a bit of fun, enjoy it and make some money, because they thought they were going to get into the Premier League. Of course, they discovered how difficult it was. It is an immensely difficult industry to work in. You have immense pressure from the media, immense pressure from your supporters and it is a tough business.²²⁹

169. Thirdly, concerns were expressed that foreign owners, not appreciating the traditions of their club, would be more likely to take decisions that clashed with the identity of their club. Niall Quinn, Chairman of Sunderland for US owner Ellis Short, recalled asking him to understand the emotion of the football club. He also argued, however, that his foreign owner had fully brought into Sunderland’s history and potential, and wanted to go with the fans on an adventure. He proposed that this was a good formula.²³⁰ Though he avowed that UEFA was neutral on the subject of foreign ownership, William Galliard also commented that “when you have a foreign owner, a foreign coach and mostly foreign players, what is left that is local? The history, the spirit of the club is based on its supporters and the identify of its supporters”.²³¹

170. The fourth concern expressed was a reputational issue. The suggestion was that foreign owners might be more likely to seek to own a club for non-football related reasons which would reflect poorly on the reputation of the English game. Sean Hamil provided arguably the most egregious example:

I don’t think Thaksin Shinawatra [a former owner of Manchester City] was a fit and proper person. He obviously bought that club for purely political reasons. He spent all the money off a three-year TV deal in the first year. Potentially, he could have destabilised the whole competition.²³²

171. Finally, and pertinently in the light of the previously articulated concerns, it was suggested that it was harder for the English football authorities to gauge whether prospective foreign owners were likely to be fit and proper owners of an English club. Greg Clarke, explained:

228 Q 308

229 Q 168

230 Q 169

231 Q 739

232 Q 21

Our biggest problem isn't necessarily people in the UK, because you can phone around in the UK and you can get a reasonable off the record view of most people. What if someone pops from-let me pick a country at random where we haven't had anyone from, so they can't say. 'Hey you're talking about him'—the Philippines. How do you find out about someone who has made some money in the Philippines? You can phone up the embassy and they'll say 'oh well, don't know much about him'.

233

172. We would not wish by any means to rule out or discourage foreign ownership of English clubs. It is a reality that English clubs can be bought and sold more freely than in other major football-playing countries. A strong case can, therefore, be made that because more owners from different backgrounds—both domestic and foreign—are looking to purchase English football clubs, particularly robust criteria for ownership need to be applied before they are allowed to own a club in English competitions.

Leveraged buy outs

173. Limited companies can change ownership through a leveraged buyout (LBO). There are two relatively recent, and high profile, examples of this occurring in English football; at Liverpool by former Liverpool owners, US businessmen Gillett and Hicks, and at Manchester United by current owners, the US Glazer family. Highly leveraged buyouts in football can appear particularly problematic because the prospective owners borrow the money required to buy the club on the premise that they will then make the club responsible for servicing the debt.

174. For Andy Green:

Leveraged buyouts (LBOs) are in some ways even more problematic than borrowing in the hope of success on the pitch. [...] With LBOs, clubs are saddled with debt solely to allow a particular party to take over the club. The club gains little or no benefit, no players are purchased, no facilities are built or improved.²³⁴

He also observed that the LBO model has not been limited to the high profile examples of Manchester United and Liverpool:

debt financing has been a material part of other purchases and subsequent problems of other football clubs including Portsmouth and Hull City as well as smaller clubs like Chesterfield. There is also suspicion that other 'equity financed' takeovers have actually been funded with debt (Notts County and Derby being recent examples).²³⁵

Andy Green accepted that, in "normal" industries, LBOs could possibly be defended on the grounds that they brought efficiencies and financial discipline to large companies. However, he argued that in a football context, they resulted in ticket price rises (to service interest costs) and reduced investment (for example, in Liverpool's case, deferral of plans to build a new stadium). It is also the case that, given the uncertainty of competition, some

233 Q 89

234 Ev w24

235 Ibid

revenue streams cannot be guaranteed. Hence, Liverpool's failure to qualify for the riches of the Champions League contributed to a near default on its LBO debt, and the enforced sale of the club. According to Manchester United Supporters Trust, Manchester United had no debts before the LBO, but now "the amount of money required to finance the debt exceeds the club's operating profits".²³⁶ Manchester United Chief Executive David Gill, however, denied that debt was an operational concern.²³⁷ It is noteworthy that Manchester United has greater revenue-earning potential than Liverpool and, unlike Liverpool, its sporting performance has not dropped since the LBO.

175. Richard Scudamore observed, with regard to whether he disapproved of the LBO model: "If it was too highly leveraged, yes; if it was leveraged, not as good; if there was no leverage at all, obviously better".²³⁸ William Gaillard, on behalf of UEFA, explained that:

What we are saying is that the leveraged buyouts ended up for many clubs in a disaster. Just take Liverpool. You have owners who came, contracted debt [...] and saddled the club with the debt. The club has been rescued, thank God, because of the tremendous heritage that Liverpool actually represents, but it was a close call.²³⁹

UEFA was also clear that "the use of large levels of debt connected to leveraged buy outs [...] in general appears to act as a burden, soaking up club's operating profits, whilst offering little merit to the club and their supporters".²⁴⁰

176. In all the evidence we have received, a whole-hearted defence of the use of leveraged buyouts to buy football clubs is entirely absent. Within a football context, the leveraged buyout appears to be a particularly risky vehicle with little obvious benefit, and certainly not to supporters and local communities.

Club ownership

177. Although undeniably high profile, foreign ownership and LBOs remain very much in the minority when the English League pyramid is viewed as a whole. There remain more cases where the traditional English model of local owner funding the club he, or occasionally she, also supports for essentially philanthropic ends remains robust. Peter Coates explained why he owned and financially-backed Stoke City in the following words:

I am a Stoke boy, I have supported the club since I was a boy and I have had two comings at Stoke—an early one in 1985, after which I sold the club to an Icelandic consortium and then bought it back again in about five years ago this summer. I bought it back against my better judgement, in some ways, and my family's, who all thought I was daft to do it. The club was in a mess at the time and I thought I could help it and do things for it, and I was a bit disappointed with my previous time, there was [a] little bit of unfinished business about it [...] But I thought it would be important for the area if the football club were doing well. I thought that if Stoke

236 Ev w36

237 Q 157

238 Q 670

239 Q 726

240 Ev 272

could get in the Premier League it would give the place a lift and would be good for it.²⁴¹

I don't expect to make any money out of it. I do not think you can make money out of football at Stoke's level. [...] obviously I enjoy it as well.

178. Barry Kilby, one division below Stoke at Burnley, explained his motivation in similar words:

My dad brought me here as a lifelong supporter I suppose is the correct answer, and also in a town like Burnley I think the football club really is one of the central pillars of the culture that I come from, so when I got the chance to take over and strengthen that and move it on that's what I chose to do. It's as a super supporter that I took over as Chairman.²⁴²

He explained that the other directors, who have a smaller amount of shares in the club, had similar backgrounds: "Essentially we are local people who support the club".²⁴³

179. Written evidence offered further examples of clubs thriving under local ownership. Adam Franks, a director of Brighton and Hove Albion Football Club, wrote that the Brighton Chairman, Tony Bloom, was the third generation of his family to serve on the Brighton board:

His motivation for investing is not to obtain a fair return, although it's quite legitimate for investors to expect a financial return for the risk they run, but rather because the club is a vehicle through which he can proactively 'give-back' to his local community.²⁴⁴

Reading Football Club supporter Jonathan Keen was effusive about Reading owner Sir John Majeski and his sound investment in infrastructure.²⁴⁵

180. The problem is that this is by no means the whole story. There are also too many examples of domestic owners acting against the long-term interests of their club either out of naivety or duplicity. While this has always been a part of the game, the financial stakes are much higher now: the temptations and opportunities greater; and the falls more precipitous. There is, for instance, much evidence critical of owners overreaching in order to "live the dream". The complaint is that such over-reaching serves further to inflate wages and push up spending levels, issues that lie at the heart of English football's financial problems. Leeds United under Peter Ridsdale and Bradford City under Geoffrey Richmond are perhaps the most infamous examples.²⁴⁶ Sean Hamil warned that such behaviour threatened to push good owners out of the game, as they could not compete themselves without taking excessive risk:

241 Q 148 and Q 149

242 Q 248

243 Q 254

244 Ev w116

245 Ev w158

246 David Conn, *The Beautiful Game? Searching for the Soul of Football*, (London 2005) p 132 and p 150

If you have a scenario where someone of the quality of Delia Smith, a successful entrepreneur, or Sir John Madejski, successful entrepreneur and local boy who tried to build a sort of major sporting institution in his hometown, decide it is not worth it and that they would like to get out, I think that is a problem.²⁴⁷

181. Lord Triesman was equally critical of clubs who had sought to achieve success:

by spending money, as I think was described in the last session, related to their ambition rather than to their business model. They want to beat other clubs; they spend what they believe is necessary to do that. The model falls apart—Leeds is a very strong example of that—and they are left with a huge financial crisis on their hands. People in other clubs reflect not only on the amounts that were spent but on the unfairness to the competitive regime that it creates.

I know people think that “financial doping” is a rather dramatic term but it is a pretty accurate term for what is described.²⁴⁸

Greg Clarke alluded to the level of frustration among more prudent owners:

We had a lively debate at our last chairman’s conference. [...] there was a motion from the floor from a very respected chairman of a Football League club. He has been a long time, high quality owner who said, ‘I’m sick of bad owners going out of business and besmirching the game’²⁴⁹

182. We also received evidence critical of owners who had not merely been naïve, but rather allegedly duplicitous with regard to their actions. According to Wrexham Supporters Trust, their club had suffered under such ownership: “In April 2002 Alex Hamilton and Mark Guterman had entered into an agreement—which they called the Wrexham Project—to profit personally from the property assets of Wrexham AFC”.²⁵⁰ For them, and journalist David Conn, this development was a landmark moment: “the first evidence that property developers were seeking to profit personally from the development of football clubs’ assets”.²⁵¹ They also drew attention to a 2003 research paper by Matthew Holt for the Birkbeck Football Governance Research Centre, which raised similar concerns:

A well publicised tendency at some Football League clubs has been to form a second (holding) company and then separate the ground from the club. This had been a source of criticism from fans’ organisations who highlight the danger that this can be a first step towards selling the ground (or the land on which it is built) for the personal benefit of the club owner.²⁵²

247 Q 1

248 Q 32

249 Q 83

250 Ev w102

251 Ibid

252 Ibid

Wrexham subsequently went into administration, and has since lurched from financial crisis to financial crisis.

183. James Wheeler explained that Derby County had similarly suffered when a consortium of owners, without a history of involvement in the club, bought the club out of administration for a nominal fee. Having mortgaged the ground to pay off existing debts, they proceeded to create new debt until ousted by the bank. He concluded that:

It was clear from the outset that the individuals involved had come to Derby Country solely to make money for themselves. There was no previous connection with the club or any indication that they were here for the good of the community. It would have been relatively simple for any regulator to identify whether these individuals had the best interests of the football club at heart.²⁵³

184. According to The Yorkshire Division of the Football Supporters' Federation, York City is also "a good example of what can happen when a club owner decides to become an asset-stripper, and the failure of the existing regulatory framework to prevent that and the weakness of the fit and proper persons tests".²⁵⁴ Its submission relates to how then owner Douglas Craig first separated the club from ownership of the ground with the justification that this was in the best interests of the future of the club, but then decided both to sell the club and give it notice to quit the ground "to enable him to personally benefit from its sale". Douglas Craig sold the club to the late John Batchelor who "circulated money between his different companies, walked off with £400,000 which by his own subsequent admission was properly the money of the football club".²⁵⁵

185. These examples appear to be the tip of the iceberg. Other allegations about duplicitious ownership were made about Chester City, Fisher Athletic, Hendon and Scarborough amongst others. In his book, *The Beautiful Game*, David Conn makes the point that the actions of owners such as Douglas Craig seeking profit from the sale of club assets, would appear to contravene the one element of FA Rule 34 that remains: prohibiting owners from profiting when a club is wound up.²⁵⁶ A point made by a number of submissions was that the 'fit and proper persons' test needs to be tightened. Evidence from Daniel York and Ben Westmancott on behalf of the board of Fisher FC argued that "football clubs need to be protected from unscrupulous types who use them for their own ends".²⁵⁷ Cardiff City Supporters Trust commented that "new measures should include the person's previous record not simply in business but also in football, their personal history and past and their present financial standing". They also wanted to see "an intentions test" covering plans for community involvement to be made a condition of any takeover.²⁵⁸ Paul Norris wanted to see existing criteria tightened so that any person who had been involved as a director in two periods of insolvency with companies of any kind would be disqualified. David Hodges, researcher, co-author and editor for the 2009 All Party

253 Ev w32

254 Ev w152

255 Ibid

256 David Conn, *The Beautiful Game, Searching for the Soul of Football*, (London 2005) p 215-6

257 Ev w114

258 Ev w22

Parliamentary Football Group report into “English Football and its Governance” urged a unified test adjudicated by an independent body with particular scrutiny given to directors loaning clubs money instead of investing in shares. The concern here is the tendency for “soft” loans apparently given with no expectation of recovery to be called in, with interest, when the owner’s circumstances or intentions change.

186. In light of the above, we asked both the Premier League and the Football League about the governance rules for owning a football club in their competitions. In the case of the Premier League, we were particularly concerned that, as recently as 2010, the (foreign) ownership of Portsmouth could change hands four times on its way into administration. Indeed, a number of submissions had highlighted the example of Portsmouth as proof that the Premier League set too low a threshold for ownership. For Patrick Collins:

If you had fit and proper people running football clubs, there would be fewer bankruptcies and administrations. The one that is always picked out is Portsmouth, of course. They had four different owners last year [...] One was a fantasist who made lots of promises that were quite baseless. Another, much more intriguingly, it was reported, did not actually exist.²⁵⁹

Football supporter and retired lecturer in business ethics John Bentley also asked: “How could the FA and Premier League bodies approve a person to be a fit and proper person to be the owner of Portsmouth FC when they never even met him or interviewed him to inspect his financial assets?”²⁶⁰ Pompey Supporters Trust lamented that once an owner has passed relatively weak criteria “there are very few rules preventing him from doing what they like”.²⁶¹ As an example of how weak the criteria were, they pointed to their own case where the owner who put Portsmouth into administration was then allowed to buy it out of administration.

187. Richard Scudamore offered a partial defence of the Premier League’s handling of Portsmouth’s owners, observing that “the reality is that we went through all the tests that one would need to go through to get a passport in this country, and we had his passport. We had documentation; we had written documentation”.²⁶² Sir Dave Richards, Chairman of the Premier League, perhaps surprisingly, appeared not to have been involved, wanting to “make it quite plain I never approved anyone”.²⁶³ We suggested that the Portsmouth case proved that Premier League rules on ownership were either inadequate or not applied with sufficient rigour. Richard Scudamore responded that the rules had been tightened post-Portsmouth to require face-to-face meetings and a very detailed checklist.²⁶⁴ Niall Quinn further observed that:

post Portsmouth’s demise, post other things that have happened—that [the fit and proper persons test] has really tightened up now. I think we are confident and we

259 Q 19

260 Ev w169

261 Ev w173

262 Q 625

263 Q 625

264 Q 625

know that the Premier League have tightened up and shifted that to a point. Without going too deeply into it, there is now an international company that covertly will find out everything they need to know about somebody coming into the game.²⁶⁵

188. We were also concerned as to why, until very recently, the Football League appeared content to allow a club—Leeds United—to play in its competition without the Football League or the FA or Leeds United fans knowing who owned the club. We invited Ken Bates, Chairman of Leeds United, to give evidence but he said he was unable to attend through illness. His Chief Executive, Shaun Harvey, told us that Leeds United was owned by discretionary trusts, but that neither he nor, to his knowledge, Ken Bates, knew who they were. Leeds United subsequently announced that Ken Bates had bought the club from the discretionary trusts for an undisclosed fee. This announcement, however, raised further governance concerns, as it was not at all clear why the trusts should sell a financially-sound, upwardly-mobile club without at least seeking alternative bids to find the best price. The manner of the sale raises concerns, which cannot be substantiated or disproven given the lack of transparency, that Ken Bates, who took the club into administration, was a participant in the discretionary trusts who took the club out of administration.

189. Despite the lack of transparency with regard to Leeds United, the Football League affirmed that they had some quite good rules in place.²⁶⁶ Andy Williams explained that they operated a “two strikes and you’re out policy in relation to previous football insolvency events”.²⁶⁷ He said that it would not be sensible to exclude owners who had been involved in various insolvency events outside sport, because that would exclude owners of businesses who rescue companies for a living. He also asserted that a number of prospective owners had failed their tests, and that others had been deterred by it from applying.²⁶⁸ Greg Clarke also intimated, though, that the application of “fit and proper person” rules was not easy or black and white. He agreed, for example, that the financial restructuring of a club that involved the loss of the ground sets alarm bells ringing, but also pointed to the financial reality of a lot of clubs where:

good, decent local people are putting a significant amount of their net worth to keep their club alive, and they are in situations where they just can’t do any more. [...] What they have to do then is give someone—they take a loan from somebody who takes a security over their ground. Sometimes I cannot think of a better idea for them to keep them out of administration.

He concluded that “for every time we come across a slightly dodgy owner there are another 20 doing their best to keep their club alive in the community and sometimes they have to mortgage their ground”.²⁶⁹ More generally, he pointed out that there were situations where supporters were desperate for any owner. Under these circumstances, the League would be

265 Q 170

266 Q 82

267 Ibid

268 Q 89

269 Q 84

put under pressure to accept the offer available, because supporters would argue that if it were a choice between losing a bad owner or no football club, “we’ll take the bad owner”.²⁷⁰

190. Finally, we pressed the governing body of the game on ownership rules. The FA formally vets and approves the “fit and proper persons” tests of both the Premier League and the Football League. It also applies the rules itself further down the pyramid. One criticism we encountered, as with the wider financial regulations which the FA also endorses, was that the FA has been insufficiently pro-active in this governance area. Lord Mawhinney went so far as to assert that the FA had tried to prevent the Football League from introducing a “fit and proper persons test”.²⁷¹ During oral evidence, the FA affirmed that it did know the names behind the discretionary trusts of Leeds United. However, it subsequently clarified in writing that this was not the case. For the future, the FA agreed that “is is absolutely key that supporters know who runs their clubs”.²⁷²

191. **The FA, Premier League and Football League have spent too long behind the curve on ownership matters. Between them they have allowed some startlingly poor business practices to occur, and have tolerated an unacceptably low level of transparency. In turn, this has resulted in insolvencies; too many clubs losing their grounds to property developers; and has contributed to high levels of indebtedness throughout the League pyramid. We accept that there has to be some flexibility to reflect the reality of individual cases. However, we are not convinced that the football authorities have focused sufficiently on the link between the fit and proper owner test and the sustainability of English football’s uniquely deep pyramid structure.** This matters, not least because the community benefits of football depend in part on its reach into local communities across the nation, and this in turn depends upon the continued existence of individual football clubs. Although we recognise that the football authorities have moved to tighten ownership regulations recently, their track record does not inspire confidence. One key issue which appears to have been insufficiently considered is the need for regular monitoring given that intentions can change over time.

192. **We recommend that robust ownership rules, including a strong fit and proper persons test, consistently applied throughout the professional game with the FA having a strong scrutiny and oversight role, should be a key component of the licensing model we propose. The presumption should be against proposals to sell the ground unless it is in the interests of the club. There should be complete transparency around ownership and the terms of loans provided by directors to the club. In this respect, there is no more blatant an example of lack of transparency than the recent ownership history of Leeds United, and we urge the FA to demonstrate its new resolve by conducting a thorough investigation and, if necessary, to seek the assistance of Her Majesty’s Revenue and Customs.**

270 Q 81

271 Q 245

272 Q 464

6 Supporter involvement

The case for radical change

193. The examples of bad ownership are sufficiently numerous to point to systemic failure. A case can be made that, rather than tighter regulation, a more fundamental ownership change is required. Dave Boyle, former Chief Executive of Supporters Direct, argued that:

the benefactor model is more ruinous than contributory to the health of the game. [...] Benefactors are often quite good in the short-term. The medium-term record is very poor, and I think one of the biggest contributory factors to football's economic poor health is the very short time horizon.²⁷³

He proposed a supporter ownership model along the lines of the German majority ownership by sports club model, as a better alternative. English football culture and tradition is, however, very different from that in Germany, and given its survival for well over a century—albeit with growing challenges—we are not convinced that the case can be made for such revolutionary change. A less radical but possibly more fruitful approach might be to consider whether a supporter ownership model can thrive alongside the private company model and, if so, what the advantages might be. Within the English context, this has become associated with majority or minority ownership by a supporters trust, the model advocated by Supporters Direct.

The case for incremental change

194. Evidence from supporters trusts, a number of which already owned their clubs, suggested a number of reasons why a supporter ownership model might prove advantageous. The first advantage stressed was the community benefit. Julian Tagg, Chief Executive at supporter-owned Exeter City, currently playing in League 1, observed that his motivation to become involved was “about providing something for the city”.²⁷⁴ Runcorn Supporters Trust, which owns its non-league side, explained how it produced a development plan for the local council “to ensure that our vision was for a community club at the heart of the local sporting community”.²⁷⁵ Brentford Supporters Trust, which again owns its league 1 side, acknowledged that many clubs, regardless of ownership, have community-based activities, but argued that the difference was that “where a trust is involved at board/shareholder level, community work is seen as ‘must do’ rather than ‘nice to do’”.²⁷⁶ Michael Frater CBE, Chief Executive of Telford and Wrekin Council 2000–2006, contrasted the community approach of non-league Telford United’s previous private owner with that of the current supporter trust owners:

The single wealthy owner was not interested in the idea of a community based club and then went bust. The industrial and provident society model owned by

273 Q 331

274 Q 252

275 Ev w16

276 Ev w69

supporters has embraced the community model with energy and enthusiasm and has since 2004 gone from strength to strength in footballing and financial terms as well as providing enormous community benefit.²⁷⁷

195. Closely linked to the community benefit was the argument that a supporter trust model offered more reassurance that the club would be able to provide such benefits in the future, given its commitment to protecting the club in the interests of future fans. Andy Green argued that, where supporters trusts have a share in the club, they act as a break on recklessly short term borrowing and are more likely to safeguard historic grounds for their communities.²⁷⁸ Cardiff Supporters Trust pointed out that, even though it did not have a share in its club, it had pushed for an Annual General Meeting (not held for three years) and provided financial scrutiny in conjunction with small investors. Fisher Supporters Trust, which owns non-league South-East London side Fisher FC, contrasted the sustainable approach with the short termism of the previous owners.²⁷⁹

196. A further related argument was that the supporter trust model brought in fans and contributed to a more dynamic environment. Brian Lee, Chairman of the Football Conference, observed that at Exeter “all the supporters having paid their entrance fee, go and clean the terraces”.²⁸⁰ In its evidence, FC United, a new club formed by disenchanted Manchester United fans, pointed to a real sense of energy, with 300 volunteers regularly assisting the two full time staff in keeping the club running.²⁸¹ Chester City Supporters Trust highlighted increased attendances under their new supporter trust-owned model, even though they were now playing three divisions lower than when they were a League club.

197. Supporter trusts were also keen to highlight another practical benefit: their ability to attract more money into the club. York City Supporters Trust explained how it was able to raise enough money to acquire the club from administrators in March 2003 with a majority 85% share holding. Brentford Supporters Trust commented that it was able to assemble a £5 million funding package to re-finance the club’s bank overdraft. Southend Supporters Trust, although not involved in the ownership of the club, provided £60,000 to release Southend from a League-imposed transfer embargo, and stepped in several more times to ensure suppliers were paid and to underwrite travel costs. At the time it submitted evidence, Southend Supporters Trust was still waiting for the Chairman to honour a promise to invite a supporters trust member onto the Board. Bradford City Supporters Trust commented that it took the initiative in raising £250,000 within a few weeks in the summer of 2004, during the club’s second administration, “and this sum saved the club from extinction”.²⁸²

198. Mention of supporters trusts providing emergency funding highlights another key practical benefit of supporter trusts: the role they are already playing as owners of last

277 Ev w111

278 Ev w26

279 Ev w113

280 Q 689

281 Ev w123

282 Ev w93

resort, though this can be a double-edged sword, as it leaves supporters trusts more open to failure. Dave Boyle told the committee that supporter trusts at York City, Stockport County, Notts County and Chesterfield had all fulfilled this role. Lord Mawhinney observed that “York City was extremely important because the supporters trust in York City deserve an enormous amount of credit for saving that club from going out of business”.²⁸³

199. There was some debate in the evidence as to whether the supporters trust ownership model required a majority ownership stake for clubs to reap all of the aforementioned benefits. Supporters Direct identified 90 supporters trusts with a minority equity stake in their clubs and 64 with a seat on the club Board. It argued that:

The ability of this involvement to bring benefits to a club depends on its approach to good governance. Where the club has proper procedures in place, supporter-elected directors can play a very positive role as part of a balanced board considering club strategy.

Conversely, where the club’s governance is poor, with dominant individuals making most decisions outside of formal processes, the ability of any minority interests to influence decisions is limited.²⁸⁴

Lincoln City Supporters Trust, which has a substantial minority stake in the club, argued that the introduction of supporters into the running of the club had “created a team ethic behind the scenes and not just on the pitch”.²⁸⁵ Swansea City Football Club is a particularly interesting example of minority supporter ownership because the club has just won promotion to the Premier League. Swansea City Supporters Trust owns 20% of the shares. In its submission, it summarised its contribution to the club as follows:

without the work of the Supporters Trust there may well have not been a football club at Swansea City [...] Critically now following that crisis the supporters and the community have a voice in the way the club operates which adds to that feeling of togetherness and trust that seems to be sadly lacking from most other clubs where fans are purely seen as customers. We add a lot more than money to the club; be it professional skills, a unique understanding of our heritage and community, volunteer time, check and balance to the financial strategy, two way communication between the fans and the Board – the list goes on.²⁸⁶

200. John Bowler, Chairman of Crewe Alexandra, was very positive about the benefits if Crewe’s Supporters Trust were to take a minority share and a place on the Board. He noted though that it was proving hard to set up because “it is no mean task setting up an efficient supporters trust and there are a lot of bodies in the cemetery already where it has not worked”.²⁸⁷ In principle, though, he felt that smaller clubs would like to see the supporters trust have a share in the club as it would bolster its community involvement. FA Chairman

283 Q 246

284 Ev 221

285 Ev w20

286 Ev w180

287 Q 320

David Bernstein commented that he thought that “on the whole minority holdings, where possible, are quite desirable”.²⁸⁸

Problems with supporter ownership

201. Other evidence, however, pointed to areas of weaknesses in the supporter trust ownership model. Lord Mawhinney, Greg Clarke and David Bernstein all highlighted the difficulties that could ensue when share-holding supporter trusts appointed a fan to sit on the Board. Lord Mawhinney suggested that the fan on the Board risked being torn between his fiduciary responsibilities and trust expectations that he would keep them informed of all that was going on.²⁸⁹ Greg Clarke drew on his own experiences working with a fan on the Board at Leicester City:

He was a cracking director but he got into all sorts of trouble with the trust; not nasty but they would say, ‘Well, who are we going to buy then in the transfer?’ and he would say, ‘Well, I can’t tell you’. They would say ‘What good are you doing if you can’t tell us what is going on?’²⁹⁰

David Bernstein made a different point, namely that for supporters trusts’ own protection there were “some boards that they may better not be on” for what he termed “obvious corporate reasons”.²⁹¹ This could be a reference both to financial risk and the possibility that a duplicitous owner might use a minority share-owning supporters trust to lend legitimacy to his actions.

202. A second, linked, potential weakness identified was slow decision-making. Leeds United Chief Executive Shaun Harvey was clear that, “the best model is a small dynamic board that’s able to make decisions quickly”.²⁹² Julian Tagg, Chief Executive of a supporter-owned club, agreed that slow decision-making could be a handicap.²⁹³ A third related point was the difficulty sometimes in identifying a properly representative trust with the legitimacy to enter into a partnership. David Gill, for example, made this point.²⁹⁴

203. A fourth issue identified from the evidence was the challenge faced by supporter-owned clubs to compete financially with more conventionally-owned rivals. Brian Lee, Chairman of the Football Conference which has seen a number of supporter-owned clubs come up or down its ranks, observed that “The problem with supporters trusts is that they do not have the financial background. They have a lot of enthusiasm and a lot of passion, but unfortunately enthusiasm and passion don’t pay the bills”.²⁹⁵ He observed that, in 2010, Chester City Supporters Trust was unable to save Chester City from folding because the finances involved were just too great. York City Supporters Trust acknowledged that it had

288 Q 451

289 Q 246

290 Q 106

291 Q 451 and Q 470

292 Q 318

293 Q 321

294 Q 185

295 Q 689

found it necessary to sell the majority share holding of its club to a private individual to secure the long term funding of the club. Wimbledon Owners Supporters Trust, which will next season compete in League 2 for the first time, commented that the only disadvantage of the supporter-owned model was “the difficulty of competing with clubs where rich owners can make substantial sums of money available for players’ wages”.²⁹⁶ Brentford Supporters Trust commented similarly about the competitive disadvantage of competing against clubs with “reckless sugar daddies”.²⁹⁷

204. Associated with the issue of finances, a further weakness identified was the failure of some trust-owned clubs to sustain their initial impetus. Hendon Football Club Supporters Trust accepted that:

a Trust owning a club is no silver bullet to all of the problems of other ownership models: Notts County, for example, suffered from problems with supporter pressure for investment ultimately leading to the Trust selling the club and the recent abortive Munto/Quadbak takeover.²⁹⁸

Stockport County was also cited as an example of a “failed” supporter-owned model.²⁹⁹

Mitigating circumstances

205. Other evidence, however, argued that the problems identified above were by no means insurmountable. Malcolm Clarke, Chair of the Football Supporters Federation, was critical of “patronising” suggestions that fans could not be trusted with confidential information. He suggested, instead, that supporters trusts can often draw on a range of skills and experience. Dave Boyle further observed that: “The relationship that a lot of clubs seem to have with their fans to me is more redolent of perhaps an Edwardian marriage where the wife would be never told the salary of her husband because these matters were not for her”.³⁰⁰ Greg Clarke noted that, in his Leicester City example, the supporters trust appointed as its fan on the board, “one of the senior partners of one of the biggest law firms in Leicestershire”.³⁰¹ Julian Tagg argued that Exeter City had managed to evolve a model that allowed for slower decision-making and the supporters trust’s need for information. Though the model was not perfect, he stressed that “we’ve made it work”.³⁰² He also suggested that it was not such a bad thing that the supporters trust wanted to discuss things and to receive information about the club as, ultimately, this strengthened governance.

206. Malcolm Clarke told the Committee that it was relatively easy to establish the legitimacy of supporters trusts. He pointed out that supporters groups are democratic organisations and that the numbers involved were a good indication of credibility. He was critical of David Gill, asserting that:

296 Ev w58

297 Ev w70

298 Ev w189-90

299 Ev 82

300 Q 330

301 Q 106

302 Q 322

certainly at Manchester United both the Trust and other organisations have been very successful with very large memberships. I think it's a bit of an excuse from Mr Gill, to be honest, to try and pretend that some of those big groups are not representative of very significant strands of opinion.³⁰³

Supporters Direct also stressed that supporters trusts are registered as Community Benefit Societies with the Financial Services Authority (FSA).

207. Dave Boyle offered a defence of the mixed record of supporters trust-owned clubs, pointing out that where supporters trusts have had to relinquish control of their club, "in every one of these cases I can point to astonishing legacy problems".³⁰⁴ He observed that:

No supporters trust has ever really inherited a club which was going well. They've been investors of last resort, the people who rescue it because the alternative is to let it die and that's just not an option, and because of that, they have incredible problems with debt, with loss of assets.³⁰⁵

A way forward for supporter ownership

208. The supporters trust ownership model appears to us to be one of the positive developments in English football. From the evidence we have received, it is clear that supporters trusts are building up an impressive track record as owner of last resort, providing real community benefits and making an important contribution to the sustainability of the game. Although not a practical solution in every case, and less likely to be an option further up the League pyramid, the supporters trust ownership model deserves further encouragement. We also note that, where majority ownership is not possible for financial reasons, a substantial minority shareholding can still influence the culture of the club for the better, and that next season, in the form of Swansea City, there will be a practical example of this in the Premier League. It would appear, therefore, that the Government is on the right lines in wishing to encourage supporter ownership where this is possible. To do so, however, it will need to consider ways of addressing at least some of the main frustrations highlighted by supporters trusts.

209. One complaint is that the process for setting up and running supporters trust organisations is overly bureaucratic. Steven Powell explained that:

I think that first of all we're trying to fit a square peg into a round hole [...] Clearly there has to be security for anybody who is investing money in the scheme, but the hurdles we had to jump were designed for a different sort of financial product. I'm a member of the trust, and I invested my money every month. I'm not looking at that to help me in my retirement, I'm looking at that as an investment in my football club and I've left my units in my will to the supporters trust when I go.³⁰⁶

303 Q 326

304 Q 333

305 Ibid

306 Q 336

Supporters Direct wrote that “there are regulatory burdens imposed on trusts because they are raising funds to buy shares in a private company and so treated like any other investment activity, which is unsatisfactory”.³⁰⁷ Steven Powell is a member of Arsenal Supporters Trust (AST), which has pioneered a model that allows fans to own part of a shareholding in Arsenal Football Club. Arsenal is one of the few clubs whose shares are still traded on the stock market. Given that Arsenal shares trade individually at around £10,500 and are out of the reach of most supporters individually, the scheme gives them the opportunity to invest smaller amounts in a partial share. AST’s written evidence explained how the scheme works:

The Arsenal Fanshare Society buys shares in Arsenal Holdings PLC and nominally divides each one into 100 Arsenal Fanshares. As the value of one share in Arsenal Holdings PLC is currently around £10,500, the value of one Arsenal Fanshare is currently around £105.

AST explained that members in the scheme gain a direct ownership stake in Arsenal; an opportunity to attend the Arsenal AGM; a quarterly shareholder email update from Arsenal; a vote on key club resolutions; and access to scrutiny of the club’s finances. Arsenal fans paying in enough to purchase one full share gain a guaranteed place at the club AGM and the full voting rights for one share. AST noted that the scheme had been a great success, with more than 1,600 members and the active support of the club. However, it was critical of the regulatory burden on the scheme.³⁰⁸

210. AST felt that its work had been “greatly complicated by the inflexible nature of Financial Services Authority regulations”.³⁰⁹ It focused, in particular, on the Financial Services and Markets Act 2000, which prohibits the Trust from offering shares or investments unless it complies with a number of regulations. For example, only organisations or individuals authorised by the FSA can issue any investment advertisement to a general consumer. Additionally, supporter ownership models are likely to be classed as Unregulated Collective Investment Schemes, preventing the offer of shares to persons other than high net worth individuals, sophisticated investors and exempt institutions. To get round this, AST had to establish a second Independent and Provident Society—the Arsenal Fanshare Society Limited—and ensure that it “does not make any profit nor have any trading income so we can establish it is not a business and thus not an unregulated collective investment scheme”. AST concluded that: “This is a tortuous issue that impeded our efforts for many years and means that we have had to put in place duplicate structures for AGMs, Boards, accounts and even legal advice, with all the effort and expense that entails”. Furthermore, in light of various other issues by which AST could also fall foul of FSA rules, it decided to engage a management company, Equiniti, “to administer the scheme on our behalf at considerable expense”.³¹⁰

211. The second big frustration encountered by supporters trusts seeking to take a stake in their clubs is lack of opportunity. Setting aside the general issue of finance, supporters

307 Ev 221

308 Ev w52-3

309 Ev w55

310 Ev w55

trusts are not usually offered shares unless the club is in dire straits. There are very few clubs like Arsenal now, where supporters are able to purchase shares on the stock market. Dave Boyle told us that:

A lot of clubs make it very difficult for supporters trusts to come on board because there are no shares available in them. There are only five clubs in the English professional league which are quoted on stock markets where you can actually go and buy shares.³¹¹

212. Even at Arsenal, a recent change in the ownership structure posed the risk that one owner would seek to purchase sufficient shares (90%) to precipitate a compulsory purchase of all shares, wiping out the Arsenal fan share scheme. Such acts have occurred at Liverpool, Manchester City and Manchester United. David Bernstein, the former Chairman of Manchester City, told us that:

When I was chairman, we had 5,000 shareholders. We had an AGM where 800 shareholders turned up and I was very, very proud of that and I was very disappointed, in many ways, when the club was taken over and all the shareholders were removed to a single ownership.³¹²

What can the Government do to address these frustrations? The evidence suggested a number of possible ways to reduce bureaucracy and increase opportunity. Henry McLeish was one of a number who suggested that greater use could be made of the Community Interest Company (CIC) as a model for a supporter-owned club to raise finance. Observing that it allows “because of the structure and status of the organisation, for them [clubs] to obtain finance and possibly obtain some grant funding that they wouldn’t have been able to get in their old classification as a public liability company”. He noted though that “I think it needs encouragement. It is happening but it is going to happen very slowly”.³¹³ Olswang similarly suggested that:

CIC’s, particularly for lower league clubs, may well be a very useful model to encourage clubs to adopt. A CIC is formed primarily for social enterprises that are being carried out for the benefit of a community [...] CICs are not for profit, provide the directors and shareholders with the benefit of limited liability and their primary purpose is to pursue activities designed to benefit the community.³¹⁴

Bates, Wells and Braithwaite provided a detailed argument in favour of CICs as a model for community-orientated football clubs. It pointed out that the CIC model guaranteed transparency through an annual report requirement and an asset lock that “reduces the opportunity for private gains and provides some protection for the club’s assets”.³¹⁵

213. Other evidence looked to the Localism Bill as a source of assistance for supporter-owned clubs. Dave Boyle observed that it includes provision for community groups to bid

311 Q 334

312 Q 451

313 Q 246

314 Ev w131

315 Ev w216

for community assets. This could provide more opportunity for supporters trusts to purchase clubs which have gone into administration, as currently one of the challenges for them is to put a bid together quickly enough to see off alternatives. Dave Boyle concluded:

the idea of a big society bank perhaps providing liquidity to such groups [supporter trusts] would be very, very helpful, because at the moment it's that speed of access to cash which is often paramount, specifically where a lot of football clubs have transferred ownership under crisis terms where there needs to be an immediate injection to cover losses.³¹⁶

Wrexham Supporters Trust hoped that the Localism Bill would help it to buy back its ground.³¹⁷

214. Other evidence looked for different ways to secure the same end: preferential status for supporters trusts seeking to purchase clubs that were up for sale. The Liverpool Supporters Trust—Spirit of Shankly—proposed a transfer window policy “whereby clubs that are in the process of changing ownership or ownership stake in excess of 20% are legally bound to offer a properly constituted Supporters Trust the opportunity to purchase a shareholding in the club”.³¹⁸ Under different circumstances, Bristol City Supporters Trust proposed that: “If a club goes into administration, the administrator should be obliged by law to favour a rescue package involving participation by a recognised supporters trust of at least three years standing”.³¹⁹

215. Other evidence put forward the benefits of tax relief on supporters trust fundraising schemes that were intended for community benefit. Co-operatives UK noted that, in Manchester, FC United had benefited from being granted Enterprise Investment Scheme tax relief.³²⁰ Dave Boyle, however, wondered if this would be replicable.³²¹ AFC Wimbledon proposed that fan-owned clubs with a turnover less than a designated amount should be exempted from VAT. Southend Supporters Trust argued that the rules on Corporation Tax should be changed for the benefit of supporters trusts.

216. AST was one of a number of supporters trusts that wanted what it described as a more level playing field with private investors who were allowed to claim tax breaks on their investment in clubs. It proposed that:

DCMS establishes a working group that includes the Cabinet Office and Treasury, that has as its remit to review all the regulatory and fiscal structures that apply to fan investment schemes like Fanshare and recommend additional measures that can be taken to assist them to grow.³²²

316 Q 336

317 Ev w105

318 Ev w41

319 Ev w65

320 Ev w182

321 Q 336

322 Ev w54

217. We asked the Sports Minister what measures he was willing to consider to encourage supporter ownership. He replied that he was open-minded, willing to look at any option that “moves us forward”. He was, for instance, prepared to look at the Financial Services and Markets Act (FSMA) as it applied to supporters trusts. He was, though, cautious about the practicalities of majority ownership of “extraordinarily valuable big football clubs” and cautious, too, about the availability of tax breaks in the current financial climate.³²³

218. The Minister set a challenge to come up with proposals to promote wider supporter ownership. We recommend that he look at two areas: measures to assist clubs that are already supporter-owned, particularly options that increase their ability to raise money; and measures that increase the opportunity for supporters trusts to achieve a share in their clubs, whether on a minority or majority basis.

219. Supporters trusts can be organised as Industrial and Provident Societies, that are able to bid for social and community funds. Unfortunately, trusts face significant legal and bureaucratic hurdles when raising funding, including from fans themselves. We recommend, therefore, that the Government amend the Financial Services and Markets Act 2000 in order to recognise the special nature of supporters trusts. Supporters Direct should continue to play an important role in advising supporters trusts on how to take best advantages of the opportunities available, possibly including use of the Community Interest Company model.

220. We recommend that the Government consider passing legislation to protect minority supporter stakes that would otherwise be the subject of a compulsory purchase order.

221. As part of the licensing process, the FA should give some thought to ensuring that properly constituted supporters trusts, or consortia which include supporters trusts, can play a part in rescuing clubs from insolvency. One fruitful avenue might include giving trusts or such consortia a real opportunity to make a successful matching bid for a club that has gone into administration.

222. Supporter involvement is not just about ownership. There are a number of examples of effective consultation with fans. These include Arsenal, Sunderland and a new approach from Liverpool with the Liverpool Football Club Supporters Committee. We welcome these approaches to consultation with supporters in a more structured format, and urge other clubs to follow suit.

The role of the football authorities

223. Our earlier recommendation on licensing would, if properly implemented, have the effect of reducing the number of football clubs going into administration, and hence reduce the opportunities for supporters trusts to assume ownership of them or to start up phoenix clubs. We would suggest, however, that the wider governance and community benefits of the model should encourage clubs—particularly, though not limited to, the lower leagues—to consider the benefits of a majority or minority supporter shareholding model in circumstances where there is no threat of administration. However, the attitude

of the football authorities will also be important here. In this respect it is disappointing, though perhaps not surprising, that the FA, Premier League and Football League have a somewhat ambivalent attitude to supporters trusts, taking a line of strict neutrality on ownership models, which can have the effect of keeping supporters trusts on the outside. Supporters trusts offer some trenchant criticism of what they see as the over-commercialisation of the game, while the FA, Premier League and Football League offer an equally trenchant defence of their work to increase the popularity of the game at home and abroad.

224. Move beyond this, however, and they all share a key objective; sustaining the unique size and strength-in-depth of the English pyramid structure. The Premier League needs lower divisions to “blood” its young players; help develop new player and managerial talent; and provide competition both in the cups and for the promotion/relegation battle, without which the Premier League would become increasingly sterile. The pyramid structure is fundamental to the rationale of both the FA and the Football League. Supporters trusts, meanwhile, see sustaining the viability of their local club within the pyramid structure as pivotal. The pyramid structure thrives on compelling narratives, and the stories of Swansea City (underdog into Premier League), Exeter City (saved by the supporters trust and the luck of a great FA Cup draw) and AFC Wimbledon (working its way up from the bottom to secure a league place) provide three such recent stories for the football authorities.

Supporters Direct

225. The submissions to this inquiry spell out a strong message that the role played by the Supporters Direct organisation has been absolutely vital to nearly all supporters trust success stories. Supporters Direct was established in 2000, following a recommendation in the Football Task Force report “Investing in the Community”, published in 1999. Like the supporters trusts it seeks to support, it is registered as a Community Benefit Society. Its mission is to promote sustainable sports clubs based on community ownership and supporter involvement, and to that end it provides support and advice to individual clubs, commissions research and works to publicise the benefits of the model. As well as providing support to English football clubs, it is active in Scotland, Europe and in English rugby league.

226. William Gaillard told us that UEFA was funding Supporters Direct to promote the model in Europe. He observed that “Supporters Direct in England and Scotland have done a fantastic job at rescuing clubs, but also at injecting a lot of rationality and positive supervision, thanks to their [supporters trusts] participation in club boards”. He stressed that “our experience with them is that they are highly qualified and determined people with an excellent track record in managing projects”.³²⁴ Academic Richard Giulionotti similarly emphasised that:

The achievements and successes of the 'Supporters Direct' movement should be underlined, as reflected in the agency's own reported figures: Trusts are in place at over 160 clubs; there are over 120,000 members; Trusts contribute board directors at

almost 60 clubs; and, Trusts own or control 15 clubs. Trusts have also played a key role in the survival of several clubs that have been placed in administration. This kind of proximity to club owners and directors should allow supporters to convey their specific views regarding, for example, ticket allocations and prices, club expenditure, and security in stadiums.³²⁵

We also received a number of testimonials from individual supporters trusts. Merthyr Town Supporters Trust recounted how the Trust “sought the assistance of Supporters Direct, and as the club continued to slide towards administration as the 2008/09 season got underway, began to pave the way for a future containing a more positive community-based club”.³²⁶ Telford United Supporters Trust explained how Telford United Independent Supporters Association turned itself into a Trust having come into contact with Supporters Direct and seen the benefits of the Trust’s legally recognised and fully democratic structure. Fisher Supporters Trust wrote that “we have reformed our club as Fisher FC, and received much practical and moral support from Supporters Direct in order to do so”.³²⁷ FC United Supporters Trust explained how “with the assistance of Supporters Direct the model of an Industrial Provident Society (IPS) was adopted as the basis on how the club would be structured”.³²⁸ Chester City Supporters Trust wanted to place on record its thanks to Supporters Direct along with other supporters trusts. Swansea City Supporters Trust and Scarborough Supporters Trust noted Dave Boyle’s presence and advice at key meetings when the decision was taken to form the Trust.³²⁹ Pompey Supporters Trust concluded that “Supporters’ Direct are the perfect vehicle to support non-profit and democratic football clubs”.³³⁰

227. It is of deep concern, therefore, that, despite its track record in helping to deliver sustainable outcomes for football clubs throughout the football pyramid, Supporters Direct’s funding has frequently been precarious and its future is currently uncertain. In 2006, a three year deal drawing on funds provided by the Government, Football Association, Premier League and Football League for the Football Stadia Improvement Fund (FSIF) distributed by the Football Foundation, promised more security. Supporters Direct received £574,000 in 2007-08, £591,000 in 2008-09 and £610,000 in 2009-10. However, when this agreement came to an end, the Government indicated—understandably given wider financial challenges—that it would no longer be able to contribute to the FSIF. The Football Foundation decided to establish a new fund—the Fans Fund—to allow applications for funding for any supporter group, including Supporters Direct. The Fans Fund would be financed solely by the Premier League. In the interim, the Premier League agreed to fund Supporters Direct’s core running costs through the FSIF, until such time as the new long-term arrangements were in place. The FA’s written evidence noted that it had financially supported Supporters Direct for many years, but not why it no longer did so.

325 Ev w62

326 Ev w50

327 Ev w113

328 Ev w123

329 Ev w178 and Ev w149

330 Ev w175

228. Richard Scudamore told us in April that “in a practical sense we now fund Supporters Direct, and we have done for some time”.³³¹ We asked whether he would continue to fund Supporters Direct at the current level. He replied that “this is an ongoing debate as to whether we, the Premier League, should be funding these organisations. We took up the Supporters Direct funding when Government decided it didn’t meet the Government criteria of participation only”. He also observed, however, that “they admit by their own efforts that they would rather find more sustainable sources of funding, because they find it awfully odd being paid for by the Premier League”.³³²

229. Richard Scudamore appeared to be a somewhat reluctant funder. In June long-running discussions between the Premier League and Supporters Direct over funding reached a crisis point when the Premier League, and the other representatives on the FSIF reacted to inappropriate comments posted by Dave Boyle on his personal twitter account upon AFC Wimbledon’s promotion to the Football League in May. These were directed at a named individual with a role in the decision to allow Wimbledon FC to move to Milton Keynes—a decision which had prompted Wimbledon supporters to establish AFC Wimbledon. Deeming his apology, conveyed by Pauline Green, Chairman of Supporters Direct, insufficient, the FSIF withdrew its offer for future funding. Dave Boyle subsequently resigned and new Chief Executive Brian Burgess entered into urgent talks with the Premier League to establish under what circumstances the FSIF would consider future applications from Supporters Direct for funding from the Fans Fund. Supporters Direct accepts the need to reduce its core costs and the need to increase its own fund raising. As things stand, the Premier League has agreed to pay Supporters Direct payroll costs to prevent immediate redundancies. The FSIF agreed on 15 July 2011 to approve one of Supporter Direct’s frozen grant applications—£268,292 for running costs over the next three years. FSIF will consider whether to approve the remaining grant applications—around £1,200,000 over three years—in August 2011. Even if the FSIF does approve all its grant applications, Supporters Direct would still face a drop in grant assistance of 37% from 2010/11 to 2013/14.

230. The Premier League reaps the benefit of collective bargaining on the basis not just of the integrity of the competition but also its commitments given to Government that it will channel some of the proceeds for wider community benefit. We do not, therefore, see anything particularly problematic about the Premier League funding Supporters Direct, though we are surprised that the Football League does not also see fit to make a contribution, given its interest in the sustainability of clubs in its competitions. For the same reason, we are surprised at the absence of any obvious FA commitment to the work of Supporters Direct. We do see something problematic in funding organisations punishing a recipient organisation for an individual’s mistake, particularly when that individual proffered an apology and subsequently resigned. While the comments made on a personal site were unacceptable, it seems to us to be a massive over-reaction to use them to question the validity of an organisation whose track record is so strong. The consequence is that the actions of the Premier League and the FSIF appear vindictive and motivated by a desire to clip Supporters Direct’s wings. While we can see the advantages of the Fans Fund distributing some funding directly to individual supporters trusts, we also note that supporters trusts have asserted that they also need to draw on the expertise of

331 Q 684

332 Q 685

Supporters Direct. In this context, William Gaillard, who expressed concern that the financial future of Supporters Direct was not safe, observed:

If the experiment is to succeed it cannot be left to just a bunch of volunteers who would basically give some of their time to the cause. We need a core organisation—a small one albeit—to run Supporters Direct. We do our part with the European side and I think it would be a tremendous loss for English football if this great experiment, which has already given so much to this country's football, was discontinued or was less efficient than it has been just because of a lack of funding.³³³

231. The reluctance of the FA, Premier League and Football League to devise a formula for the long term future of Supporters Direct is deeply disappointing given the fact that all have a vested interest in sustaining community-based clubs. It constitutes a failure of imagination and a failure of governance by the football authorities, and we urge them to work quickly towards a funding solution that allows Supporters Direct to develop its role assisting supporters trust organisations and makes realistic assumptions of Supporter Direct's own fund-raising potential. We urge the Government, as part of its commitment to supporter involvement in football, to use its influence with the football authorities to work to this end. There is a positive opportunity here for the football authorities to show their commitment to supporting community-based initiatives.

7 The future development of the game

232. English football is not doing enough to create a sustainable future for the clubs in the pyramid system: a failure to get on top of financial management and ownership issues is placing the future of too many clubs in jeopardy. This chapter looks at two other components affecting the future of the game: youth development and coaching. From the evidence, there appear to be two main—and related—concerns: inadequate strategic planning and insufficient funding.

Strategic planning: youth development

233. During our visit to Germany, we heard how the German Football Association (DFB), and German Football League (DFL) had pulled together to address a perceived weakness in youth development arising from the failure of the German national side at the 2000 European Championships. The relative success of the German national side during the World Cup in South Africa in 2010—where a young, dynamic German side beat England 4:1 before losing to Spain in the semi-finals—gave an indication that the German reforms had been successful. The DFB is responsible for young footballers up to the age of 14, the most talented of whom train once a week at national centres with DFB coaches. From 15 to 18, the best young players are nurtured by league clubs and may then be offered professional contracts. The DFB noted that 61% of players in the Bundesliga first division were German, and 71% in the second division. The DFL noted the extent to which, post-2000, the DFB and DFL had focused together on developing young players, with €40 million invested in their programme, and some 5,000 players educated. Each division one and division two club is now obliged to run a youth academy, one aim of which is to support the future national side.

234. By contrast, a number of submissions suggested that a lack of common purpose between the FA, Premier League and Football League was delivering sub-optimal outcomes for youth development in England. For example, there does appear to be tension between the Premier League's vision for youth development, involving elite academies attached to Premier League clubs rolled out across the country, and the Football League's defence of the existing model whereby a number of Football League clubs have developed reputations for youth development and are protected from Premier League "poaching" of players—currently by means of geographical limitations. The Football League appeared particularly concerned that, under new proposals, "poaching" would become easier, and their clubs would not be adequately compensated.

235. When we asked Former Football League Chairman Lord Mawhinney what could be done to prevent "poaching", he told us:

the danger is if it is going in the opposite direction. If the new youth development proposals are enacted there will be four categories. The biggest clubs in the Premier League will be in the top category and they will be allowed to set up training arrangements in towns and cities all around the country, sometimes in competition with Premier League or, more likely, Football League clubs in the same town. So the

direction of travel is being promoted as a new elite structure for developing kids but the danger is that it is going to go in exactly the opposite direction.³³⁴

Lord Mawhinney also alluded to tensions over youth development involving the Football League and the FA, suggesting that the FA wanted to run its own schemes with Football League money and no Football League involvement: “our clubs were putting £40 million into youth development, the FA was putting in a minimal amount and they simply wanted us to hand over our £40 million and our young players and they would decide what to do with them”.³³⁵ In private conversation, the FA disputed this interpretation.

236. Current Football League Chairman Greg Clarke explained that only two of the 72 Football League clubs had no youth development facilities. He observed that there was a financial imperative behind protecting this model:

Some of them, for example Crewe, make about £1 million a year from youth development because they have a real investment in both people and facilities. If that is undermined by the new proposals it will change the business model.³³⁶

He proposed a levy on transfer fees to “fund youth development throughout the game”.³³⁷

237. Greg Clarke also argued that there were wider benefits from supporting youth development at a wider number of clubs, as opposed to the elite Premier League model. He pointed out that a number of League clubs were particularly good at developing young talent, citing Middlesbrough, Southampton, Charlton and Crewe. He felt that allowing them to continue helped retain the link between local clubs and their community, observing that:

Nothing excites the crowd like having a lad that grew up in the city and came up through the youth team making it into the first team. I still remember Emile Heskey, Gary Lineker; having one of your own you have seen in the bus queue actually playing for your local football league club is a great feeling and I don’t want to lose that.³³⁸

He also argued that training with the local club could be better for the welfare of the children, particularly those who subsequently did not make the grade:

The first thing we need to be cognisant of is the well-being of the young lads being trained for football. [...] If you are going to take a young child out of their community and send them a couple of hundred miles away to a boarding school where they are educated with the objective that they are going to be a professional footballer, what happens if they do not shape up or if they break their leg? Do you just dump them back where they have got no friends and no network?³³⁹

334 Q 239

335 Q 238

336 Q 63

337 Q 67

338 Q 74 and Q 71

339 Q 70

He stressed, though, that he was not necessarily against scrapping the geographic limit on developing young players, rather that he wanted to ensure that the Premier League proposals were implemented in such a way that they did not “undermine the economics of the clubs, smaller clubs, and the welfare of the kids”.³⁴⁰

238. The Football League’s Chief Operating Officer, Andy Williamson, observed that Football League youth development had proven itself to be very successful in uncovering talent, pointing to the presence in the England squad of players who had been developed by Football League clubs. Separately, Lord Mawhinney observed that “thirteen of the England team who played recently against Denmark received most of their youth training in the Football League”.³⁴¹ Andy Williamson felt that an advantage of Football League youth development was that young players were more likely to get early experience in the first team:

Debuts in the Football League very often are at the age of 17 or 18. So they are getting into Football League teams that much earlier and being introduced into competitive football that much sooner so their development is enhanced. The danger with development football is that players are not prepared, even in their late teens, to move back into competitive men’s football because they have never been exposed to it.³⁴²

239. The Football League clubs we heard from had similar views. Julian Tagg from Exeter City told us that the youth development system in place across the League was basically sound. He also observed that the ability to bring young players on into the first team could contribute to keeping wage costs down. Leeds United’s Shaun Harvey stressed that “the biggest challenge that we all face is ensuring that there’s an adequate compensation scheme in place that actually protects the interests of the clubs that are developing players from the youngest age”.³⁴³

240. Burnley’s Barry Kilby specifically contrasted the more collaborative German model of youth development with the English one, noting in particular the challenge presented to youth development by the influx of foreign players:

one of the problems for the England team as opposed to Germany is that the Premier League hoovers up the very best talent. The big problem the Premier League has is that once they get to 19, 20, those real vital years of football development, there are so many foreign players in here [...] that players are not getting that chance to develop as they would do in Germany.³⁴⁴

Julian Tagg lamented the lack of collaboration with regard to youth development:

The Premier League are trying to drive it quite rightly, because they’re trying to improve and I applaud that, but that’s not been done with the FA and the Football

340 Q 73

341 Q 237

342 Q 75

343 Q 307

344 Q 308

League and the Premier League all sat around the table. All these people have an interest and so it becomes [...] disparate rather than a unified group of people trying to achieve something.³⁴⁵

241. The League Managers Association also stressed the importance of a collaborative approach. Chief Executive Richard Bevan noted that the Premier League was pressing ahead with a new initiative but stressed that “I think what is important is that they embrace the Football League”. He expressed optimism that this would occur. He too pointed to the example of the German system:

they are more or less one organisation and so they do work much closer together. But I absolutely believe that the Premier League are a very efficient organisation. If they were to work closer with the Football League and indeed with the FA, giving clear guidelines, then we would be in a better position.³⁴⁶

242. David Gill offered a different perspective from the Premier League. He felt that the current system for developing youth was not strong enough, arguing that “we are putting a lot of money in and perhaps the players are not coming out, so how do we improve that”? He explained that the Premier League had been building up its youth academy model for 13 or 14 years, and now wanted to conduct a review to see what changes and improvements needed to be made. He emphasised that the review was “a tripartite process, involving the FA, Premier League and the Football League to see what has happened”.³⁴⁷ In its written evidence, the Premier League stressed its commitment to youth development:

The Premier League and its clubs are committed to generating Home Grown Players (HGP), with over 95% of young players in training being British. Recent Rule changes have strengthened this commitment further, with a squad limit and HGP quota for first team squads.³⁴⁸

The Premier League was particularly keen to extend the number of hours that its youth players practised, to align more closely with youth academies in its main competitor countries.

243. The FA appeared broadly supportive of the Premier League’s academy plans. General Secretary Alex Horne commented:

one of the exciting things about the Premier League proposals for elite player development is that it will necessarily be diverting and requiring investment into young home-grown playing talent. What we’re striving to achieve around that turbo-charged academy system is a much broader, deeper talent pool of young players coming through the system from five years old.³⁴⁹

345 Ibid

346 Q 443

347 Q 189

348 Ev 208

349 Q 489

He did not appear, though, to recognise any tensions in the youth development plans of the Premier League and the Football League, observing that the whole game was aligned behind an approach of developing better English players.³⁵⁰ In his written evidence, Steve Lawrence offered a possible explanation as to why the FA would not see any conflict: namely that, as with regulation, it had effectively sub-contracted out elite youth development: “The FA strategy for English football over the last fifteen years has been: to cede governance of high level youth development to the FA Premier League in the form of the Football Academies and Centres of Excellence”.³⁵¹ One of his concerns was that, in practice, the Premier League was concentrating as much, if not more, on developing young foreign players.

244. Developing the correct strategy for youth development is properly a matter for football. We are, however, concerned, by the evidence we received of a lack of a co-ordinated approach to such a key component in the future of the game. This seems to be an obvious area for the FA to provide strategic direction and leadership, and we urge the FA to do so.

Strategic development - coaching

245. We also heard criticism of a lack of strategic planning with regard to the development of technical expertise. The Rt Hon Henry McLeish was one of a number of witnesses to compare the number of qualified coaches in England (and, in his case, Scotland) unfavourably with the number in Europe. Richard Bevan went into considerable detail: “If you look at the number of UEFA qualified coaches in this country, it is around 2,700. If you compare that to Germany, it is 32,000, to Spain it is 29,000 and Italy is about 27,000”.³⁵² We asked Roger Burden, Chairman of the National Game Board, which has football development within its remit, what had gone wrong, and who was to blame. He replied that “I am not sure why it has happened and I do not know if anybody is to blame for it”.³⁵³ We suggested that the FA had allowed this issue to drift for far too long, and that this was a failure of the governance structures and the leadership of the FA. He responded that: “I think it probably is fair, because the figures prove that we do not have enough coaches compared to competitor countries”.³⁵⁴

246. Roger Burden did make it clear, however, that the FA was now taking steps to redress the situation. Kelly Simmons explained that, starting from an admittedly low base, the FA was working hard to improve things. She observed that the FA was now training 45,000 coaches a year, so that significant numbers were now coming in at the base of the coaching structure. She stressed that the focus was on working with young players as well as the A license and the Pro licence. She suggested that the new National Football Centre at St George’s Park, Burton would be a major asset in making sure that more of the coaches who achieved their first qualifications worked their way up to the top. Richard Bevan also

350 Q 489

351 Ev w4

352 Q 414

353 Q 525

354 Q 526

welcomed the completion of the National Football Centre, whilst criticising the length of time taken to finish the project.

247. William Gaillard made a more general point about the development of the technical side of the game in England, spotting a lack of focus at the top of the FA by comparison with European models:

I think the key issue is that there should be—what exists in most European countries within the FA—a national technical director that would be fully in charge of football development, football education and grassroots for the whole country, and then of course would delegate part of the work to the local associations to the clubs, maybe even to the leagues, but would remain in command of the overall picture.³⁵⁵

248. The development of technical expertise in coaching is central to the future of the game in England. There appears to be clear evidence of historic drift that has left England far behind its main European competitors. We welcome the fact that the FA is now making a concerted effort to address the problem, and suggest that our recommendation of the appointment of the Director of Football Development to the FA Board would help to sustain the momentum.

Finance

249. As well as an absence of strategic planning, some of the evidence has pointed to a lack of funding for grassroots development. A key criticism was that insufficient funding was being redistributed from the top of the game to the grassroots. Much of the grassroots funding is distributed through the Football Foundation. The Football Foundation is funded by the Premier League, the Football Association and the Government. In its evidence it describes itself as:

a unique partnership between English Football and the UK Government, which invests £36 million into grassroots football and multisport projects every year. The Football Foundation is a good example of how TV rights money, matched by investment from Government and a National Governing Body [NGB], is a successful model of funding grassroots sport.³⁵⁶

The Premier League noted that the Football Foundation is a major investor in grassroots facilities and is also responsible for the Football Stadium Improvement Fund which directs Premier League funds towards making football stadia in the lower leagues safe and secure. This community programme is the most substantial undertaken by a single domestic sporting body anywhere in the world. The Premier League pointed out that, in addition to the annual £12 million that it put into the Football Foundation, it also contributes £8.1 million to the Football League; £20.3 million to Premier League clubs; and £3 million internationally for grassroots projects. The FA also contributes an annual £12 million to the Football Foundation, and around £20 million towards youth development and coaching. Sports Minister Hugh Robertson told us that the Government currently provides £10 million annually to the Football Foundation, and is also contributing an additional

355 Q 755

356 Ev w38

£25.6 million to the FA over the period 2009-2013 “through something called Whole Sports Plans”.³⁵⁷

250. The question posed by the evidence, set within the context of the Premier League’s £1 billion-plus TV rights deal, is whether the above figures represent a reasonable distribution to the grass roots. Richard Bevan professed himself to be embarrassed by the small sums spent on training technical support staff, including referees. He compared football unfavourably with the British film industry, which spends 5%-6% of its £3 billion turnover on training for technical staff. Steve Lawrence drew attention to a commitment in the first annual report of the Football Foundation in 2000 that the FA would contribute £20 million a year, rather than the £12 million it is currently contributing. He also contrasted the total Football Foundation expenditure unfavourably with annual expenditure on grass roots football in Holland, which he put at 1 billion Euros.³⁵⁸

251. For Ian Watmore, part of the problem was the formula used by the FA to distribute surplus revenue: a 50:50 split between the national and professional game, distributed respectively through the National Game Board and the Professional Game Board. He explained further what he meant by this. The FA raises around £200 million a year through TV deals and sponsorship deals. Once its core costs, particularly for Wembley stadium, have been absorbed, the remaining profit is distributed on a 50:50 basis between the professional game and the national game. He argued that the national game needed the money more than the professional game did. This is an important point—the total size of the pot was around £80 million last year.

252. Roger Burden told us that the National Game Board was “very happy about the way the money is split”.³⁵⁹ Roger Burden was also content with the “quite clear delegated authority about responsibilities”.³⁶⁰ Lord Burns also professed himself to be content with the way that the National Game Board was operating. FA General Secretary Alex Horne explained that the 50:50 split had been recommended by Lord Burns, and is now set in the FA’s articles of association: “To change it would require, not only 75% shareholder vote, but also Premier League, Football League and the National Game Board approval”. He was, though, less wedded to the principle than Roger Burden, observing that:

I understand the model. However, I do think it is very restrictive. If the size of the surpluses change dramatically, it’s a very restrictive mechanism to have written into our articles and there may well be, five years on, a better way to invest our resources against that of strategic priorities.³⁶¹

David Bernstein accepted that, as suggested by Steve Lawrence, the FA had cut the money going to the Football Foundation because of the need to finance the development of Wembley stadium. He observed, though, that “by 2015 we should start moving into cash-positive territory”.³⁶² One inference that may be taken from this is that the restrictions

357 Q765

358 Ev w5

359 Q 532

360 Q 514

361 Q 455

362 Q 454

imposed by the 50:50 distribution model are likely to become more of an issue in the future.

253. Over time, like the FA, the Government and the Premier League have also reduced the amount of funding they provide to the Football Foundation from a high of £20 million per year to £15 million and a current £12 million a year from the Premier League and £10 million a year from the Government. Hugh Robertson explained that Government contributions to the Football Foundation were capped because of financial constraint, but that there was nothing to stop the Premier League and FA from raising their contributions:

[...] If either the FA or the Premier League decided out of the goodness of their hearts to increase their contributions to “20 million, I would be absolutely delighted [...] if I had the money I would do that, because I think the Football Foundation does absolutely fantastic work [...]”³⁶³

We recommend that the FA review expenditure at the grass roots. It should benchmark spending on the grassroots against the leading European countries, comparing both absolute funding and funding as a proportion of generated income, to help form a view as to whether English football should be spending more on this important component of the game, with a particular emphasis on coaching education. The FA should also publish a more detailed account of funding for youth development and training activities.

8 The way forward

254. There is a need for a strong FA to sit above strong League competitions. A strong FA is needed to strengthen financial governance in relation to club financial management and ownership through oversight of a domestic licensing system which will in turn complement the new financial fair play provisions of UEFA's licensing system. The risk is that, without this, the current unacceptable level of administrations and clubs experiencing acute financial difficulties will continue. This would have a negative effect on the community benefits of football and, potentially, also on the competitiveness of the Leagues and the sustainability of England's uniquely long football pyramid. A strong FA is also required to give strategic direction to youth development and coaching policies, and to direct other initiatives at the grass roots. Finally, though this has not formed a major part of this inquiry, a strong FA is required to develop and maintain strong national sides. We agree with David Bernstein that the FA needs to provide moral leadership, and we see resolution of the future funding of Supporters Direct as a good test case for this.

255. We are optimistic that the reforms we have proposed to improve the FA's own internal governance will enable it to take up this strong role. However, we are also acutely conscious that a number of previous reports into English football governance have sought unavailingly to induce similar reform. While, therefore, we echo the sentiments of previous reports for the key stakeholders to work together to implement our recommendations for the good of the game, we have also considered whether more radical intervention is needed.

256. Much of our evidence has been sceptical that change from within the game is possible. Westminster University reflected on the number of previous reviews and reports on football, and concluded that "it is of some concern that much of the good work and solid recommendations in previous reports have not been fully implemented or considered".³⁶⁴

Manchester United Supporters Trust observed that "football authorities have been given multiple opportunities to reform but have failed to do so", a sentiment echoed by other supporters trusts.³⁶⁵ Ian Watmore advised us:

You should set out what the strategic objectives for football as a whole are and then what role the FA has within that and then how the FA might have a governance structure to determine that. I don't think it will come about through natural causes.³⁶⁶

257. The solution favoured by most was Government intervention. However, it is also the case that the Government has little leverage on a game able to generate huge revenues of its own, and the governing body of which is vehemently opposed to some types of Government intervention. The most practical solution proposed was intervention by means of a Sports Act to consolidate the position of the FA as the governing body of the

364 Ev w145

365 Ev w36

366 Q 368

domestic game. Because such legislation exists in other European countries, this could not be constituted as undue Government interference. Lord Triesman, for example, noted that:

there are a number of countries that have a basic sports law [...] You can use it for all sorts of purposes but it can also, and it does in some countries, allocate the key responsibility for the regulation of sport to the sports governing bodies so that they must do it and they must be accountable for it. After that the Government stands back.³⁶⁷

He concluded that “it would be a great pity to have to consider legislation as a means of doing it but it would not be right to rule it out”.³⁶⁸

258. Ian Watmore similarly argued that Government intervention “whether that is an Act or a strongly worded demand” was required.³⁶⁹ Most intriguingly, perhaps, William Gaillard from UEFA appeared favourably disposed to a legislative solution. Citing the example of France, he told us “there is legislation in my country [...] where it is clearly stated what is the role of the national association, the clubs, the leagues and so on, and therefore you avoid the turf wars that have been going on in this country”.³⁷⁰ Legislation would not be without risk, however. The Court case referred to in earlier chapters concluded that the FA was not susceptible to judicial review. Putting the FA’s authority on a statutory basis might have the unintended consequence of rendering the FA’s decisions susceptible to challenge through the courts.

259. We asked the Sports Minister if legislation was a viable option to strengthen football governance in England. He acknowledged that “we could, in extremis, pass legislation, as indeed a number of other countries have done”.³⁷¹ Urging the football authorities to appreciate the strength of feeling about the need for stronger governance in football, he commented that “I hope they will see the light; that they will make these changes and that we will not have to legislate. But if they prove unable to do it—and the track record isn’t massively encouraging—then legislate we will”.³⁷²

260. We are clear that our key recommendations would improve football governance and act so as to address the weaknesses in our game without impacting adversely on its manifold strengths. They leave the Premier League and the Football League free to run their successful competitions, and give the FA the opportunity to help them curb the financial excesses that threaten to damage the integrity of their competitions. They also allow the FA to chart the strategic direction of football in England in a manner commensurate with its status as a governing body.

261. Almost all our recommendations for the reform of football governance can be achieved through agreement between the football authorities and without legislation. We therefore urge the football authorities to consider our Report carefully, and to

³⁶⁷ Q 52

³⁶⁸ Q 52

³⁶⁹ Q 370

³⁷⁰ Q 749

³⁷¹ Q 763

³⁷² Q 811

respond positively with an agreed strategy and timetable for change. As a last resort, in the absence of substantive progress, we recommend that the Government consider introducing legislation to require the FA to implement the necessary governance reforms in line with its duties as a governing body.

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Conclusions and recommendations

Reform of the FA Board

1. The Football Association is the national governing body of English football. It needs urgent reform to carry out its responsibilities effectively and meet the future challenges of the game. We welcome FA Chairman David Bernstein's commitment to reforming his Board in pursuit of stronger governance, and the support he is receiving from the Premier League and Football League. We accept the value of Premier League, Football League and national game representation on the Board, but recommend that the Board be constructed so that vested interests do not predominate. As the governing body of the game, 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". (Paragraph 52)
2. We recommend two further FA executive staff onto the Board, in addition to the two non-executives, which we trust the shareholders will ratify in August. We would want the two executives to bring wider football matters to the table. One of these should be the Director of Football Development. (Paragraph 53)
3. We recommend that the FA Board reduces to two professional game representatives (one each from Premier League and Football League) and two national game representatives, one of whom should be able to represent the non-League football pyramid. (Paragraph 54)
4. There is a need to strike a balance between an FA Board with a strong representative element and a Board that is small enough to function effectively. Our recommendations would result in a Board of ten, consisting of the Chairman, General Secretary, two further executives, two non-executives, two professional game representatives and two national game representatives. While we can see the arguments in favour of representation from other important stakeholders such as supporters, footballers and league managers, we believe the arguments in favour of a more streamlined Board are stronger. (Paragraph 55)
5. The reconstructed 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. In any event, the FA Board should have greater flexibility to part-fund organisations such as Supporters Direct, the Football Foundation and other initiatives. Given the current availability of alternative sources of revenue for the professional game, we would not expect the national game to receive less than 50% of surplus FA revenue. (Paragraph 56)

Reform of the FA Council

6. The principle that the FA Council should act as the parliament of football is a good one. However, the FA Council as currently constructed is not fit for this purpose. We recommend that the FA review again the composition of the FA Council to improve inclusivity and reduce average length of tenure. We would not expect Council

members to serve for more than ten years. The reformed Council should review the format of its meetings. It should also absorb the shareholder role. Although the shareholder body is larger than the Council, there is a high degree of overlap between the two constituencies, including the Football Associations of Oxford and Cambridge Universities and the three Armed Services, as well as the County Football Associations, the Premier League and Football League. (Paragraph 61)

7. We recommend that the FA Board 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. (Paragraph 62)
8. We recommend that the Leagues, particularly the Premier League and Football League, consider adopting a similar approach to tenure limits as we are recommending for the FA Council, and is already applied to the tenure of the FA Chairman. (Paragraph 63)

Other Committee Reforms

9. 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. (Paragraph 65)

Debt in the game

10. We acknowledge the successes of Premier League and Football League clubs in increasing turnover and improving the spectator experience since the 1980s, but we are concerned by the extent to which English clubs are making losses and operating on the edge of viability. Of course, it is the ability to service debt that is the key factor in any business, but because of demands on clubs, not least from escalating wages, here is no doubt that debt remains a serious problem throughout the football pyramid. (Paragraph 73)

What is causing the debt problem?

11. Since the Premier League became the top tier of the football pyramid, the financial benefits associated with its membership have incentivised clubs continually to increase their expenditure to gain promotion into the Premier League, consolidate their position in the Premier League or achieve the additional rewards associated with a top four placing and entry into the European Champions League. Teams in the Premier League spend up to the hilt to stay there, and teams in the Championship spend up to the hilt to get there. (Paragraph 79)

Players and agents

12. While we accept that agents have a legitimate role as players’ representatives, there is currently too much scope for conflicts of interest and inflationary fees when agents

also act for clubs. Agents should be subject to tighter regulations—particularly with regard to the “tapping-up” of players—enforced consistently on an international basis, with a particular focus on transparency of individual transactions and payments. Given the international nature of football transfers, it is a matter of great regret that FIFA has abdicated its responsibilities in this respect. We urge the FA to press for an international solution for the collective good of the game. (Paragraph 90)

The Football Creditors Rule

13. The FA, Leagues and clubs all appeared defensive and uncomfortable about the Football Creditors Rule. They are right to be. The moral argument against it—that it harms the communities that football is supposed to serve—is persuasive on its own. There is, though, also a compelling systemic argument against it, namely that it positively encourages excessive financial risk-taking, in a system that already offers other inducements to so do, by offering a safety net to those who seek to benefit from such practices. The Football Creditors Rule should be abolished. It represents a “post facto” preferential treatment of creditors that would be illegal in the run-up to the insolvency of any business. If the football authorities do not take the initiative themselves, and Her Majesty’s Revenue and Customs loses its legal challenge to the Football Creditors Rule, we recommend that the Government consider introducing legislation to abolish it. (Paragraph 107)

Broadcasting rights

14. The European Court of Justice’s preliminary opinion with regard to the selling of broadcast rights within Europe poses a grave risk to the sustainability of clubs throughout the football pyramid. We urge the Government to use all its influence within the EU to retain the territorial selling of overseas rights. (Paragraph 113)

Parachute payments

15. The new financial regulations adopted by the Premier League and the Football League mark a welcome shift in emphasis to engaging with the financial challenges inherent in the current model of English football. There are, however, legitimate concerns as to whether they go far enough or will be consistently applied, particularly in the Championship where there is a risk that the increased parachute payments from the Premier League to relegated clubs will have a destabilising effect on other clubs as they try to match their spending power. We urge the FA to broker discussions with the Premier League and Football League to review the balance between parachute payments and solidarity payments. (Paragraph 127)

The impact of UEFA

16. The UEFA initiative does appear to have a good chance of making a positive difference to spending patterns within the Premier League. The fact that Football League clubs have voted in principle to adopt financial fair play regulations also holds out the promise of more prudent spending patterns in the Football League and, most significantly, in the Championship. We will follow with interest the Football

League's plans for adopting financial fair play regulations: It will need to find a balance between curbing unsustainable expenditure on wages and allowing the ambitious owners of smaller clubs sufficient flexibility to fund a competitive squad. (Paragraph 141)

17. The manner in which financial regulations continue to be introduced serves to emphasise the disjointed nature of the English governance system. Different rules and different interpretations of rules apply, with different agencies applying them depending upon whether a club is playing in European competition, the Premier League or the Football League. The FA should take the lead in ensuring that consistency of regulation is a priority for the English game. (Paragraph 142)

A licensing model for England

18. While we acknowledge that financial regulations have been tightened of late, we are not convinced that even the new rules recently adopted by both the Premier League and the Football League are by themselves sufficient to curb English football's excesses. Often their rules appear to be in response to events rather than being proactive. It is right that clubs going into administration should be deducted penalty points, but it is important that the FA adopts more effective pre-emptive measures that anticipate rather than simply follow events. (Paragraph 150)
19. We recommend the introduction of a formal licensing model imposed rigorously and consistently throughout professional English football to underpin the self-regulation measures already introduced by the Premier League and the Football League. The licensing model adopted should both review performance and look to promote sustainable forward-looking business plans. (Paragraph 151)

Administering the domestic licensing model

20. For an English licensing system to deliver the prudential benefits intended, it is essential that it is applied, and is seen to be applied, rigorously and consistently across the professional game. All clubs, and the leagues themselves, are affiliated to the FA, the governing body of the game. We recommend, therefore, that the FA takes responsibility for establishing a licensing system, takes on a strong scrutiny and oversight role in the licensing process and makes the final decision on contentious licence applications. (Paragraph 160)

Foreign ownership

21. We would not wish by any means to rule out or discourage foreign ownership of English clubs. It is a reality that English clubs can be bought and sold more freely than in other major football-playing countries. A strong case can, therefore, be made that because more owners from different backgrounds—both domestic and foreign—are looking to purchase English football clubs, particularly robust criteria for ownership need to be applied before they are allowed to own a club in English competitions. (Paragraph 172)

Leveraged buyouts

22. In all the evidence we have received, a whole-hearted defence of the use of leveraged buyouts to buy football clubs is entirely absent. Within a football context, the leveraged buyout appears to be a particularly risky vehicle with little obvious benefit, and certainly not to supporters and local communities. (Paragraph 176)

Club ownership

23. The FA, Premier League and Football League have spent too long behind the curve on ownership matters. Between them they have allowed some startlingly poor business practices to occur, and have tolerated an unacceptably low level of transparency. In turn, this has resulted in insolvencies; too many clubs losing their grounds to property developers; and has contributed to high levels of indebtedness throughout the League pyramid. We accept that there has to be some flexibility to reflect the reality of individual cases. However, we are not convinced that the football authorities have focused sufficiently on the link between the fit and proper owner test and the sustainability of English football's uniquely deep pyramid structure. (Paragraph 191)
24. We recommend that robust ownership rules, including a strong fit and proper persons test, consistently applied throughout the professional game with the FA having a strong scrutiny and oversight role, should be a key component of the licensing model we propose. The presumption should be against proposals to sell the ground unless it is in the interests of the club. There should be complete transparency around ownership and the terms of loans provided by directors to the club. In this respect, there is no more blatant an example of lack of transparency than the recent ownership history of Leeds United, and we urge the FA to demonstrate its new resolve by conducting a thorough investigation and, if necessary, to seek the assistance of Her Majesty's Revenue and Customs. (Paragraph 192)

A way forward for supporter ownership

25. The Minister set a challenge to come up with proposals to promote wider supporter ownership. We recommend that he look at two areas: measures to assist clubs that are already supporter-owned, particularly options that increase their ability to raise money; and measures that increase the opportunity for supporters trusts to achieve a share in their clubs, whether on a minority or majority basis. (Paragraph 218)
26. Supporters trusts can be organised as Industrial and Provident Societies, that are able to bid for social and community funds. Unfortunately, trusts face significant legal and bureaucratic hurdles when raising funding, including from fans themselves. We recommend, therefore, that the Government amend the Financial Services and Markets Act 2000 in order to recognise the special nature of supporters trusts. Supporters Direct should continue to play an important role in advising supporters trusts on how to take best advantages of the opportunities available, possibly including use of the Community Interest Company model. (Paragraph 219)

27. We recommend that the Government consider passing legislation to protect minority supporter stakes that would otherwise be the subject of a compulsory purchase order. (Paragraph 220)
28. As part of the licensing process, the FA should give some thought to ensuring that properly constituted supporters trusts, or consortia which include supporters trusts, can play a part in rescuing clubs from insolvency. One fruitful avenue might include giving trusts or such consortia a real opportunity to make a successful matching bid for a club that has gone into administration. (Paragraph 221)
29. Supporter involvement is not just about ownership. There are a number of examples of effective consultation with fans. These include Arsenal, Sunderland and a new approach from Liverpool with the Liverpool Football Club Supporters Committee. We welcome these approaches to consultation with supporters in a more structured format, and urge other clubs to follow suit. (Paragraph 222)

Supporters Direct

30. The reluctance of the FA, Premier League and Football League to devise a formula for the long term future of Supporters Direct is deeply disappointing given the fact that all have a vested interest in sustaining community-based clubs. It constitutes a failure of imagination and a failure of governance by the football authorities, and we urge them to work quickly towards a funding solution that allows Supporters Direct to develop its role assisting supporters trust organisations and makes realistic assumptions of Supporter Direct's own fund-raising potential. We urge the Government, as part of its commitment to supporter involvement in football, to use its influence with the football authorities to work to this end. There is a positive opportunity here for the football authorities to show their commitment to supporting community-based initiatives. (Paragraph 231)

Strategic planning: youth development

31. Developing the correct strategy for youth development is properly a matter for football. We are, however, concerned, by the evidence we received of a lack of a co-ordinated approach to such a key component in the future of the game. This seems to be an obvious area for the FA to provide strategic direction and leadership, and we urge the FA to do so. (Paragraph 244)

Strategic development: coaching

32. The development of technical expertise in coaching is central to the future of the game in England. There appears to be clear evidence of historic drift that has left England far behind its main European competitors. We welcome the fact that the FA is now making a concerted effort to address the problem, and suggest that our recommendation of the appointment of the Director of Football Development to the FA Board would help to sustain the momentum. (Paragraph 248)

Finance

33. We recommend that the FA review expenditure at the grass roots. It should benchmark spending on the grassroots against the leading European countries, comparing both absolute funding and funding as a proportion of generated income, to help form a view as to whether English football should be spending more on this important component of the game, with a particular emphasis on coaching education. The FA should also publish a more detailed account of funding for youth development and training activities. (Paragraph 253)

The way forward

34. Almost all our recommendations for the reform of football governance can be achieved through agreement between the football authorities and without legislation. We therefore urge the football authorities to consider our Report carefully, and to respond positively with an agreed strategy and timetable for change. As a last resort, in the absence of substantive progress, we recommend that the Government consider introducing legislation to require the FA to implement the necessary governance reforms in line with its duties as a governing body. (Paragraph 261)

Formal Minutes

Tuesday 19 July 2011

Members present:

John Whittingdale, in the Chair

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

Alan Keen
Mr Adrian Sanders
Jim Sheridan
Mr Tom Watson

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

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

Paragraphs 1 to 261 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Seventh 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.

Written evidence was ordered to be reported to the House for printing with the Report in addition to that ordered to be reported for publishing on 8 and 15 February, 8 and 24 March, 5 and 27 April, 17 May and 14 June.

[Adjourned till Tuesday 19 July at 2.15 pm]

Witnesses

Tuesday 8 February 2011

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Patrick Collins, Mail on Sunday, **Sean Hamil**, Birkbeck Sport Business Centre, University of London, and **Professor Stefan Szymanski**, CASS Business School Ev 1

Lord Burns, **Graham Kelly**, former Chief Executive of the Football Association, and **Lord Triesman**, former Chairman of the Football Association Ev 11

Tuesday 15 February 2011

Greg Clarke, Chairman, the Football League and **Andy Williamson**, Chief Operating Officer, the Football League Ev 21

Gordon Taylor, Chief Executive, Professional Footballers Association, and **Paul Elliott**, former Chelsea Captain and Professional Footballers Association Trustee Ev 32

Tuesday 8 March 2011

David Gill, Chief Executive, Manchester United Football Club, **Peter Coates**, Chairman, Stoke City Football Club, **Tony Scholes**, Director, Stoke City Football Club and **Niall Quinn**, Chairman, Sunderland Football Club Ev 43

Lord Mawhinney, Former Chairman of the Football League, and **Henry McLeish**, author of recent review of Scottish Football Ev 58

Tuesday 15 March 2011

Shaun Harvey, Chief Executive, Leeds United Football Club, **John Bowler**, Chairman, Crewe Alexandra Football Club, **Barry Kilby**, Chairman, Burnley Football Club, **Julian Tagg**, Vice Chairman and Sporting Director, Exeter City Football Club Ev 67

Dave Boyle, Chief Executive, Supporters Direct, **Malcolm Clarke**, Chair, Football Supporters Federation and member of the FA Council, and **Steven Powell**, Director of Policy and Campaigns, Football Supporters Federation Ev 80

Tuesday 22 March 2011

Ian Watmore, former Chief Executive, Football Association Ev 88

Richard Bevan, Chief Executive, League Managers Association, **Steve Coppell**, Former Manager of Reading Football Club, and **Martin O'Neill OBE**, Former Manager of Aston Villa Football Club Ev 98

Tuesday 29 March 2011

David Bernstein , Chairman, the Football Association, and Alex Horne , General Secretary, the Football Association	Ev 110
Roger Burden , Chairman, National Game Board, the Football Association, and Kelly Simmons , Head of National Game, the Football Association	Ev 122
Stewart Regan , Chief Executive, the Scottish Football Association	Ev 131

Tuesday 5 April 2011

Sir Dave Richards , Chairman, the Premier League, and Richard Scudamore , Chief Executive, the Premier League	Ev 138
Brian Lee , Chairman, the Football Conference, and Dennis Strudwick , General Manager, the Football Conference	Ev 156

Tuesday 26 April 2011

William Gaillard , Adviser to the President, UEFA	Ev 161
Hugh Robertson MP , Minister for Sport, Department for Culture, Media and Sport, and Henry Burgess , Head of Professional and International Sport, Department for Culture, Media and Sport	Ev 169

List of printed written evidence

1	Exeter City AFC Supporters Society Ltd	Ev 179
2	Dr. Malcolm Clarke, FRSA, supporter representative on the FA Council	Ev 183
3	Gordon Taylor, Chief Executive, Professional Footballers Association	Ev 186
4	Football Association (The FA)	Ev 188
5	Premier League	Ev 207
6	Supporters Direct	Ev 218
7	Football Supporters' Federation	Ev 223
8	League Managers Association	Ev 227
9	Department for Culture, Media and Sport	Ev 230
10	Football League	Ev 232
11	Dave Boyle	Ev 237
12	Professor Stefan Szymanski	Ev 241
13	Mr Sean Hamil & Dr Geoff Walters, Birkbeck Sport Business Centre, Birkbeck College, University of London	Ev 247

14	The Football Conference	Ev 252
15	Lord Triesman	Ev 257
16	UEFA	Ev 270
17	Ian Watmore	Ev 274
18	Richard Scudamore, Chief Executive, The Premier League	Ev 276
19	Football Association	Ev 278
20	Premier League	Ev 279
21	Supporters Direct	Ev 279
22	Premier League	Ev 281

List of additional written evidence

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

23	Mrs Linsey Wraith	Ev w1
24	Carlos Diaz-Sanchez	Ev w1
25	Steve Lawrence	Ev w2
26	Peter Hodge	Ev w8
27	Jay Cochrane, The International Football Development Academy (iFDA)	Ev w12
28	Saints Trust Consumer Cooperative Action Committee	Ev w13
29	Runcorn Linnets Football Club	Ev w14
30	Gary Pettit	Ev w17
31	Rob Bradley and Roy Noble, Lincoln City Supporters Trust	Ev w20
32	Commission on the Future of Women's Sport	Ev w21
33	Cardiff City Supporters Trust	Ev w21
34	Andy Green	Ev w23
35	Cambridge Fans United (CFU)	Ev w26
36	James Wheeler	Ev w29
37	Paul Norris	Ev w32
38	Manchester United Supporter Trust (MUST)	Ev w36
39	Football Foundation	Ev w38
40	Liverpool Supporters' Union – Spirit of Shankly	Ev w39
41	Steve Beck, York City Supporters Trust	Ev w42
42	Keith Blagbrough	Ev w43
43	Clarets Trust	Ev w47
44	Merthyr Town FC	Ev w49
45	Arsenal Supporters' Trust and Arsenal Fanshare	Ev w52
46	Wimbledon Football Club Supporters Society Limited on behalf of AFC Wimbledon	Ev w56
47	Professor Richard Giulianotti	Ev w59
48	Bristol City Supporters Trust	Ev w63
49	Bees United, the Brentford FC Supporters Trust	Ev w66
50	Independent Manchester United Supporters' Association (IMUSA)	Ev w70
51	Newcastle United Supporters Trust	Ev w72

52	Fulham Supporters' Trust	Ev w74
53	Board of Reading Football Supporters' Society Limited T/A "STAR" (Supporters' Trust at Reading)	Ev w77
54	Blake Welton, Editor, First e11even	Ev w79
55	Southend United Supporters' Club Trust t/as The Shrimpers Trust	Ev w85
56	David Hodges	Ev w89
57	Bradford City Supporters' Trust (BCST)	Ev w91
58	Phil Gregory	Ev w94
59	Wrexham Supporters Trust	Ev w101
60	Blue and Gold Trust (King's Lynn FC Supporters Trust)	Ev w105
61	Foxes Trust (Leicester City Supporters Society Limited)	Ev w107
62	AFC Telford United	Ev w108
63	Daniel York and Ben Westmancott on behalf of the board of Fisher FC	Ev w112
64	Adam Franks FCA CFA	Ev w115
65	Schwery Consulting	Ev w119
66	FC United of Manchester	Ev w122
67	Wimbledon Independent Supporters Association (WISA)	Ev w124
68	Olswang	Ev w127
69	National Association of Disabled Supporters (NADS)	Ev w132
70	Paul Baggeley, Chairman, Newark Town FC	Ev w136
71	Chester Football Club	Ev w137
72	Stephen Temple	Ev w141
73	Centre for the Study of Law, Society and Popular Culture, University of Westminster	Ev w144
74	Scarborough Athletic Football Club	Ev w147
75	Yorkshire Division of the Football Supporters' Federation	Ev w149
76	Professional Players Federation	Ev w153
77	Darlington Supporters Trust	Ev w154
78	Jonathan Keen	Ev w157
79	Dr John Beech, Head of Sport & Tourism, Applied Research Centre for Sustainable Regeneration, Coventry University	Ev w161
80	Lawn Tennis Association (LTA)	Ev w165
81	John Bentley	Ev w169
82	Rick Duniec	Ev w170
83	Pompey Supporters' Trust	Ev w172
84	Football Licensing Authority	Ev w176
85	Swansea City Supporters Trust	Ev w178
86	Co-operatives UK	Ev w180
87	Vince Cullen	Ev w183
88	Cambridge City Supporters Trust	Ev w186
89	Hendon Football Club Supporters Trust	Ev w188
90	Mark Usher	Ev w190
91	Hamburger SV Supporters' Club	Ev w198
92	Christian Müller	Ev w201
93	Substance	Ev w204
94	The Isthmian Football League, known as the Ryman Football League	Ev w208

95	Inclusion and Diversity Caucus	Ev w214
96	Bates Wells and Braithwaite London LLP	Ev w216
97	Chris Vasper	Ev w217

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List of Reports from the Committee during the current Parliament

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
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