



**Supporters' Trusts: Structured Relationships with your club**

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## **Background**

The principle of increased engagement between a supporters' trust and its club has generally been accepted as a positive step by the key stakeholders, with the football authorities stating that "club's interests are best served through having working relationships with its supporters". Consequently there are hopes that supporter engagement is expected to be a regulatory requirement included in the leagues' competition licence via the establishment of a structured relationship.

(For your information - SD would prefer all supporter engagement issues to be covered by the FA Club Licence rather than the individual league's licence for consistency and as good regulation would suggest this is the role of the FA to establish a robust, independent regulatory system).

The purpose of the paper is to develop the thinking on what actually comprises a structured relationship and to ensure a strong case is made for supporters' trusts being central to relationships between supporters and their clubs with particular reference on sustainability.

As per SD club License the longer term objective would be to develop the relationship further with increased democratic involvement of supporters in their club's governance.

## **Terms of Reference Principles**

The relationship should have defined terms to ensure there are no grey areas or disputes as to what should be the focus of any engagement/discussion.

The terms of reference should be agreed ideally as part of the competition's licence rather than on an individual club basis therefore providing clarity and consistency to both parties on the following:

- The issues to be discussed
- Information to be shared
- The officers/directors to meet
- Frequency of meetings
- Clarification on issues to remain confidential.

## **Possible areas to be discussed**

It is effectively an opportunity for two way communication but with a structure that allows issues to be followed up, developed rather than just raising issues, for example, at fan's forums, and hoping the club acts upon them without further encouragement.

- In the most general terms the engagement should be focused on the sustainability of the club to ensure the club is being run for the benefit of current and future generations affected by the club.
- For the purpose of supporters' issues of sustainability would predominantly be social and economic.
- The engagement should be both retrospective and forward looking, therefore discussing historic performance and future plans
- If the principle of greater transparency is accepted there must be an opportunity to discuss the club's financial condition in similar ways to the club/company AGM.
- Any proposals that can affect the future condition of the club would be pertinent, such as:
  - Selling land assets
  - Incurring a significant level of debt in relation to the club's turnover and assets
  - Selling a significant shareholding
- It should also include 'softer' issues such as change of club colours and crests etc
- Partnership Opportunities: It can also be used to identify and discuss possible joint projects

## **Possible Methods of Engagement**

The objective would be to place a supporters' trust as a custodian of the club's heritage plus its current and future condition to ensure it is sustained and/or improved. The terms of reference should reflect these areas of engagement.

The engagement should allow the supporters' trust to act as a constructive conduit between a club and its fans plus the wider communities it affects.

### **AGM Analogous Engagement**

Following a club's AGM a meeting should be held with the supporters' trust board with the content similar to the AGM. In addition to financial, shareholding and director's disclosure the club should discuss relevant plans for the forthcoming season.

Following the meeting, ideally, the same club personnel should attend a member's meeting of the supporters' trust with the content similar to the club AGM but agreed with the trust and club board.

Half yearly meetings – to discuss matters arising from the AGM analogous meeting, ensuring for example they are not left unaddressed

### **Operational Meetings**

- The supporters' trust should have the opportunity to call meetings with various departments during the year with an appropriate senior officer and/or board member present to discuss any arising issues during the season
- Frequency between 1 and 3 per season

### **Supporters Steering Group**

We would also recommend the establishment of regular supporter steering groups by clubs that can involve all supporter groups, including message boards etc, to discuss pertinent issues.

## **Why a Supporters' Trust**

The justification for the suggested terms of reference is that supporters are stakeholders with a legitimate interest in the state of the club, in particular the social and economic condition (sustainability). Therefore a director of a football club must have regard to these interests (mirroring the requirements for legitimate interests in Section 172 of the Companies Act).

The legal model of a supporters' trust makes it an appropriate entity to engage the club on these issues relating to sustainability:

- As a Community Benefit Society associated with their club it can justify legitimate interest to engage on social and economic issues
- The objects in governing document (Model Rules) reflects this general interest in the social and economic well-being of the club

We are not suggesting other supporter groups should not have a structured relationship with their club. However there are clear justifications as to why a supporters' trust would have a particular and legitimate interest in issues of finance and sustainability at their clubs, as well as other issues their members deem important. We would recommend supporters' trust therefore take a lead on these issues if they are deemed 'fit and proper'.

SD as the umbrella organisation can play a part in ensuring that supporters' trusts meet certain standards to ensure an appropriate standard to engage on club matters that may have commercial sensitive matters. A training programme would be established to help our members reach this standard.

### **Supporters' Trust Model Rules Objectives**

- Being the democratic and representative voice of the supporters of the Club and strengthening the bonds between the Club and the communities which it serves;
- Achieving the greatest possible supporter and community influence in the running and ownership of the Club;
- Promoting responsible and constructive community engagement by present and future members of the communities served by the Club and encouraging the Club to do the same;
- Operating democratically, fairly, sustainably, transparently and with financial responsibility and encouraging the Club to do the same;
- Being a positive, inclusive and representative organisation, open and accessible to all supporters of the Club regardless of their age, income, ethnicity, gender, disability, sexuality or religious or moral belief.

The registration of supporters' trusts with these objects reflects the legally recognisable community or public interest in the way football clubs are run which is the proper basis for intervention in private property rights in football clubs.

## **'Fit and Proper' Supporters' Trusts**

The aim of the SD 'Key Principles of Club Licensing' proposal suggests progressive pathway for increased for increased supporter rights and responsibilities. (See appendix for Club Licensing Summary Sheet).

The framework should function as to incrementally improve the level of engagement between 'fit and proper' supporters' trusts and their club's in line with their performance against established criteria to be assessed independently by in collaboration with SD.

If supporters' trusts are to be given the responsibility to act as custodians of the supporter's legitimate interest, supporters' trusts should be able to demonstrate that they meet agreed criteria. The criteria would need to be developed but the following could be included:

- Properly constituted and have an effective democratic operation and governance
- Actively increasing membership of club's supporters
- Engaging the wider community and delivering social value
- Engaged in training programme for trusts [?]

## **Case Study: Arsenal Supporters' Trust (AST)**

AST has developed its links with the club over the years as an organisation that represents the views of supporters on ownership and business strategy issues. The AST seeks to act as a critical friend to the club and scrutinises the club's operations and comments on key issues in a constructive manner. On occasions they have been able to offer remedies to issues faced by the club and their independent view on issues is often welcomed by the club as it is not seen as typical club PR. The relationship is best demonstrated by the creation of Arsenal Fanshare where the club and the AST worked closely together.

The key has been that AST has shown its relevance and has offered input to the club. In addition it should be recognised that Arsenal FC is one of the more progressive clubs and more open to these relationships. For most other supporters' trusts the inclusion of the terms of a structured relationship is required in the league's competition license.

The engagement of most relevance to the paper is their regular dialogue with the club. The AST engages with Arsenal in many different ways including;

- There are currently two to four general catch ups a year with the club CEO with all areas of the club's operations on the agenda
- AST has specific briefings on financial developments at which the club's report and accounts are discussed and explained
- Arsenal FC holds an end of season open meeting Q&A with AST members and shareholders/other supporters
- AST has occasional meetings with presentations from senior members of Arsenal's executive team such as marketing, medical and communications

## Football Governance – SD Proposal A

### Club Licensing Summary Sheet

This paper sets out proposals from Supporters Direct (SD), for a licensing system to be established in response to the recommendations in the Culture, Media and Sport Select Committee inquiry and report on Football Governance. The licensing framework should be aimed at securing:

- The sustainable development of English football and its clubs;
- Supporter and community engagement in the running of football clubs.

The framework should be established by the Football Association (FA) but should be run independently and have appropriate governance to ensure impartiality and transparency. Compliance with the requirements of the licence should be a condition of FA membership.

Compliance with the framework, with a sliding scale of requirements, should be a condition of participation in all league and cup

competitions. The framework for sustainable development should accord with the following principles:

- Promotion of financial and social responsibility, and balancing of the sporting, commercial and social objectives of clubs;
- To ensure that clubs and their assets are protected for current and future generations/

The framework for supporter and community engagement should provide rights for supporters on behalf of the community, subject to conditions. It should accord with the following principles:

- Rights would be granted to a 'Fit and Proper Supporters' Trust' for engagement with their club.
- The level of engagement would increase according to the degree of development of the trust, including:
  - All Fit and Proper Supporters' Trusts would have basic rights to information, and meetings with club executives;
  - The agreement of all Fit and Proper Supporters' Trusts would be required for fundamental changes such as the sale of a club's ground;
  - Fit and Proper Supporters' Trusts which met more onerous criteria would have further rights, including the right to nominate a supporter director, and pre-emption rights on sales of shares.

Fit and Proper Supporters' Trusts will be assessed by the regulatory authority as properly constituted and representative of supporters and the wider community by reference to criteria agreed with SD.

The licensing framework would have an appropriate scale of sanctions for clubs that do not comply, with the ultimate sanction being withdrawal of registration.

## Supporter Engagement Rights and Responsibilities for 'Fit and Proper' Supporters' Trusts

Level	Requirements of Supporters' Trust	Engagement Rights
<b>1: Preliminary</b>	<ul style="list-style-type: none"> <li>• Properly constituted as a community benefit society;</li> <li>• Open membership;</li> <li>• Compliance with Good Governance criteria;</li> <li>• Initial development plan including targets for increasing membership.</li> </ul>	<ul style="list-style-type: none"> <li>• Information provided by the club including detailed annual accounts and directorships (as supplied to regulator);</li> <li>• Regular (at least twice-yearly) meetings with senior club executives;</li> </ul>
<b>2: Intermediate</b>	<ul style="list-style-type: none"> <li>• Demonstrable increase in membership and representativeness;</li> <li>• Structured engagement with all supporters' groups;</li> <li>• Compliance with Good Governance criteria including demonstrable, properly operating democratic structures;</li> <li>• Full development plan.</li> </ul>	<ul style="list-style-type: none"> <li>• Information on club finances, business plans and governance drawn from information provided to regulator;</li> <li>• Regular meetings with senior executives;</li> <li>• Requirements for supporter agreement for:               <ul style="list-style-type: none"> <li>➤➤ Sale of ground;</li> <li>➤➤ Debt beyond specified limits;</li> <li>➤➤ Relocation;</li> <li>➤➤ Change of name.</li> </ul> </li> </ul> <p>These requirements could be met by the club issuing a 'golden share' in a form approved by the regulator.</p>
<b>3: Higher</b>	<ul style="list-style-type: none"> <li>• Achievement of membership targets;</li> <li>• Delivery of full engagement plan;</li> <li>• Engagement with community organisations evidenced through, for example, stakeholder surveys and a social audit;</li> <li>• In the context of any exercise of pre-emption rights or a right to bid, demonstrable fund raising ability and a Fit and Proper Business Plan.</li> </ul>	<ul style="list-style-type: none"> <li>• Right to nominate a supporter director to the club board, with full fiduciary duties;</li> <li>• Pre-emption rights on any sale of shares or insolvency;</li> <li>• Right to bid or acquire all or some shares in the club and receive a reasoned response subject to review by the regulator.</li> </ul>