



FAN LED REVIEW OF FOOTBALL GOVERNANCE ONE YEAR ON

November 2022

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Foreword

NO BALL GAMES

Foreword



If a week is a long time in politics, a year is certainly a long time in football. Some incredible football has been played. Manchester City won the Premier League, Liverpool won the FA Cup, Forest got promoted back into the top flight after 23 years and we saw a record £1.9 billion in summer transfer fees. And for the first time in my life a senior England team won a major trophy in Euro 2022 setting a final game attendance record across men's and women's football.

In November 2021, I wrote that *'there is a stark choice facing football in this country. Build on its strengths, modernise its governance, make it fairer and stronger still at every level, or do nothing and suffer the inevitable consequences of inaction in towns and cities across the country – more owners*

*gambling the future of clubs unchecked; more fan groups forced to mobilise and fight to preserve the very existence of the club they love and inevitably more clubs failing with all the pain on communities that brings.'*¹

One year on this statement remains true and action to implement the recommendations of the Fan Led Review of football governance remains imperative. Stark examples of some of the ongoing problems in the game, including the sanctioning of the then Chelsea owner and the problems at Derby County that threatened its existence, show that there is no room for complacency.

However, the positive reaction of so many who love the game to the need for reform has been incredibly encouraging. This, of course, includes the Government who in April 2022 accepted or supported all the strategic recommendations of the FLR. It includes both the current Prime Minister, who committed on the campaign trail to implement all recommendations of the Fan Led Review², and the Labour Party who have also committed to do so.³ I am confident in my belief that the cross-party support for reforms which will deliver a long-term platform for success of the game at all levels will at some point happen.

1. FLR Report, page 8

2. [Rishi Sunak and Penny Mordaunt dangle radical football & housing policies in last-ditch bid to woo Britain | The Sun](#)

3. [Labour confirms the next Labour Government will bring forward legislation for an independent football regulator, as Conservatives set to abandon the fan-led review - Key updates - PolicyMogul](#)

But football, of course, does not belong to politicians. The support for reform from groups including fan groups, academics, numerous club owners and others shows the importance of the game and the opportunity to make things better. The genuine efforts by the FA to achieve reforms to its constitutional set up – often in the face of stern resistance from those with a vested interest in the status quo – should be applauded and are a good start to the much-needed FA reform. The EFL has also introduced new financial control bodies, and it is to be hoped that these will aid EFL clubs.

Some clubs had also taken the opportunity to embrace reform of their own fan engagement. Working in close collaboration with fan groups clubs, including Liverpool, Manchester United, Cambridge United, Doncaster Rovers and MK Dons, have adopted new measures to improve fan engagement. The close co-operation with fan groups evidenced to deliver these reforms show that clubs and fans can collaborate effectively. They are not natural enemies.

Of course, not everyone reacted positively to the report. Being accused of being a Maoist by one over-exuberant club CEO was certainly a novel experience for a lifelong Conservative! However, some loud self-interested voices within the game have continued to thwart the football authorities' own attempts at meaningful reform, to the detriment of fans without whom football would be nothing.

Where there have been positive developments in the last year they offer a tantalising glimpse of what might be achieved when the FLR recommendations are implemented in full. Those recommendations were never set out as an à la carte menu. Better regulation and corporate governance will lead to clubs being run more sustainably, which will also allow increased distributions down the pyramid without fear that such money will be wasted.

As set out in this paper, the issues identified and the need for such reforms are clearer than ever. But I am more optimistic than ever and look forward to the upcoming publication of the government White Paper on football reform and the legislation that will follow it.

As ever, I thank fans, as individuals or through their representative groups, for their dedication and commitment to their clubs and to the long term positive vision for reform.

**Tracey Crouch MP CBE,
Chair of Independent Fan Led Review of Football Governance**

Strategic Recommendations and Government Response



Strategic Recommendations and Government Response

Recommendation	Government response
(A) To ensure the long-term sustainability of football, the government should create a new independent regulator for English football (IREF).	Accept the recommendation to introduce an independent regulator.
(B) To ensure financial sustainability of the professional game, IREF should oversee financial regulation in football.	Accept , with further detail on the precise model to follow in the White Paper.
(C) New owners' and directors' tests for clubs should be established by IREF replacing the three existing tests and ensuring that only good custodians and qualified directors can run these vital assets.	Accept , with further detail to follow on a strengthened Owners' and Directors' Test.
(D) Football needs a new approach to corporate governance to support a long-term sustainable future of the game.	Accept.
(E) Football needs to improve equality, diversity and inclusion in clubs with committed EDI Action Plans regularly assessed by IREF.	Accept the need for action, and support clubs' commitment to improving equality, diversity and inclusion focusing on improving outcomes while remaining flexible on plans for action.
(F) As a uniquely important stakeholder, supporters should be properly consulted by their clubs in taking key decisions by means of a Shadow Board.	Support , with further consideration of the mechanism.
(G) Football clubs are a vital part of their local communities, in recognition of this there should be additional protection for key items of club heritage.	Support , with further detail on options to follow.
(H) Fair distributions are vital to the long-term health of football. The Premier League should guarantee its support to the pyramid and make additional, proportionate contributions to further support football.	Support , with an expectation of further action from the football authorities ahead of the White Paper.
(I) Women's football should be treated with parity and given its own dedicated review.	Accept.
(J) As an urgent matter, the welfare of players exiting the game needs to be better protected — particularly at a young age.	Support as a matter for the football authorities.

A large, diverse crowd of people is shown from a low angle, looking upwards. Many individuals have their arms raised in the air, suggesting a concert, festival, or a public gathering. The lighting is somewhat dim, with a focus on the people in the foreground. The overall mood is one of excitement and collective energy.

Executive Summary

Executive Summary

1. It has been one year since the publication of the report of the Independent Fan Led Review of Football Governance (the 'FLR Report'). This paper considers the core issues of the FLR Report in the light of the experience of the last year, which has only strengthened the case for the reforms recommended by the FLR Report.
2. The FLR Report was the result of a comprehensive root and branch examination of English football. The FLR Report made ten strategic recommendations alongside 47 specific recommendations. The ten strategic recommendations were:
 - (A) To ensure the long-term sustainability of football, the Government should create a new independent regulator for English football (IREF)
 - (B) To ensure financial sustainability of the professional game, IREF should oversee financial regulation in football.
 - (C) New owners' and directors' tests for clubs should be established by IREF replacing the three existing tests and ensuring that only good custodians and qualified directors can run these vital assets.
 - (D) Football needs a new approach to corporate governance to support a long-term sustainable future of the game.
 - (E) Football needs to improve equality, diversity and inclusion in clubs with committed EDI Action Plans regularly assessed by IREF.
 - (F) As a uniquely important stakeholder, supporters should be properly consulted by their clubs in taking key decisions by means of a Shadow Board.
 - (G) Football clubs are a vital part of their local communities, in recognition of this there should be additional protection for key items of club heritage.
 - (H) Fair distributions are vital to the long term health of football. The Premier League should guarantee its support to the pyramid and make additional, proportionate contributions to further support football.
 - (I) Women's football should be treated with parity and given its own dedicated review.
 - (J) As an urgent matter, the welfare of players exiting the game needs to be better protected – particularly at a young age.
3. The main recommendation of the FLR was the introduction of an independent regulator to ensure the financial stability of the game by introducing objective, evidence-based regulation. The proposed regulatory regime involved a licensing system and would be centred on improving financial sustainability by financial regulation and by encouraging better decision making at clubs through new owner and director tests, corporate governance structures, improved diversity and fan consultation.

4. The main development in the last year was the Government Response to the Fan Led Review of Football Governance ('Government Response')⁴. In it, the Government accepted or supported all ten strategic recommendations, and undertook to introduce a statutory independent regulator.
5. Chapter 1 recaps the case for reform set out in the FLR Report and the Government Response accepting and building on this case. The Government Response, and accompanying study of the finances of football, concluded that there is a significant risk of financial failure at clubs, and that the cultural heritage of English football is at risk. It considers this the result of the structure and dynamics of the market creating incentive for financial overreach, inadequate corporate governance and existing regulatory structures being ineffective at addressing the problem. These dynamics have not changed in the last year and so nor has the need for reform. However, strong cross-party support for the reform proposals, including from the current Prime Minister, Rishi Sunak⁵, and the Labour Party, demonstrate that the reforms can be delivered quickly.
6. Chapter 2 examines financial developments since the publication of the FLR Report. These developments, and case studies of Clubs who have faced financial threats in the last year, show that the financial incentives driving unsustainable market behaviour remain unchanged. The case for reform remains clear.
7. Chapter 3 considers the Owners' and Directors' tests – a key proposal of the FLR Report to ensure good custodians of clubs and effective directors who run clubs. The Government Response accepted the need for reformed tests, and that such tests should be run by the new independent regulator. The high-profile sanctioning of a Premier League owner, as well as issues at clubs including Birmingham City and Morecambe, have demonstrated clearly the need for the reforms suggested by the FLR Report and accepted by the Government.
8. Chapter 4 notes the need for improved club corporate governance via a football-specific governance code drawing on best practice elsewhere as set out by the FLR Report and accepted by the Government. It notes that whilst there has been some evidence of some individual good practice at some clubs, systemic improvement across the industry remains needed. The FLR proposal of a new corporate governance code remains vital for the long-term future of the game.
9. Chapter 5 considers the recommendation of the FLR Report to improve diversity among those running clubs – both as a moral matter but also because diverse organisations perform better in a variety of business settings. This was accepted by the Government, although it wished to consider the exact method of delivery. Recent coverage of the experience of senior figures within the game has confirmed that existing measures within the industry are limited.

4. [Government response to the Fan-Led Review of Football Governance - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/fan-led-review-of-football-governance)

5. [Rishi Sunak and Penny Mordaunt dangle radical football & housing policies in last-ditch bid to woo Britain | The Sun](https://www.theguardian.com/sport/2022/sep/26/rishi-sunak-penny-mordaunt-dangle-radical-football-housing-policies-in-last-ditch-bid-to-woo-britain)

- 10.** Chapter 6 considers the issue of supporter engagement – a key part of driving better decision making by those running clubs. This was accepted by the Government, though it wished to give further consideration to the best way to achieve this. Encouragingly, several clubs from across the football pyramid have proactively taken positive steps in consultation with their supporters to improve engagement, including Liverpool, Manchester United, Cambridge United and others. Further, all bidders for Chelsea FC engaged with the club’s supporters – a welcome sign of recognition of the importance of engagement with fans. However, there are signs that this is not universally recognised. The FLR put forward proposals for that new level of engagement to be delivered consistently by all clubs as part of driving better decision making at the club and the need for an independent regulator to take a role in setting and enforcing standards of supporter engagements is even clearer.
- 11.** Chapter 7 considers the measures advocated by the FLR to protect key items of club heritage. The need to protect these items was accepted by the Government, which was to give further consideration to the way that protection would be delivered. In the last year, the FA has extended protection to some of the heritage items. Further, one of the biggest clubs in England, Liverpool FC, has enshrined legal protections for supporters in relation to key heritage items. However, general threats to heritage remain across the game, and one – the European Super League – has recently re-emerged with a new CEO promising a competition in the near future.
- 12.** Finally, Chapter 8 considers the progress made by football in agreeing fairer financial distributions. The FLR Report recommended that because fair distributions are vital for the long-term health of football, the Premier League should guarantee its support to the pyramid and make additional, proportionate, contributions to further support football. The Government Response supported this, further noting that this could also assist in addressing some of the market failures leading to the current issues within the game. Both the FLR Report and the Government Response believed that the best outcome would be for football to resolve distributional issues itself. Unfortunately, one year on there has been no progress on this and it is increasingly likely that direct intervention will be needed.

1. The Case for Reform

1. The Case for Reform

- 1.1** The FLR Report concluded that change was needed to ensure the long-term health of the men's game, noting⁶:
- the men's game is at the financial precipice, because the incentives are driving poor and reckless decision making
 - this is exacerbated because corporate governance in clubs can be poor, there is too often too little diversity of thought and owners can act with impunity, ignoring the interests of fans.
 - added to this, the short-term interests of owners and long-term interests of fans are not always aligned
 - the system of regulation in place is poorly designed, there is a conflict of interest as regulations are overseen by those that are regulated, football is unable to act at pace or make changes to its setup and there is a lack of clear regulatory leadership
 - fans have lost faith in the football authorities
- 1.2** The Government's response agreed with and built on this analysis, concluding there were two key problems in men's professional football⁷:
- i. There is significant risk of financial failure among clubs, with an academic study published alongside the Government response demonstrating that '*There are therefore serious concerns around the financial sustainability and fragility in football finances*' which included Premier League and Championship clubs; and
 - ii. The cultural heritage of English football is at risk.
- 1.3.** The Government's response further set out three root causes for these problems:
- i. The structure and dynamics of the market create incentives for financial overreach
 - ii. Inadequate corporate governance of clubs
 - iii. Existing regulation is ineffective at addressing the problems.

6. FLR, para 1.45

7. Government response, para 4

“In the year since the publication of the FLR, there has been little progress in addressing these problems and the case for reform remains unanswerable.”

- 1.4. The Government response also rightly noted that there is a high risk of continuing financial failures in football, and that the economic and social costs of such failures would be substantial⁸ due to the community and cultural heritage nature of football clubs and the social ‘spillover benefits’ they deliver. Further, the Government response also correctly noted that football fans are not typical ‘consumers’ who can easily transfer their demand to an alternative supplier. This value is not captured in the market thus meaning that market actors such as club owners do not have incentives to behave in a way that delivers socially optimal outcomes⁹.
- 1.5. The Government therefore accepted or supported all ten strategic recommendations of the Fan Led Review in its response. In recognition of the problems identified, the FLR also attracted strong cross-party support, with the Prime Minister proposing to implement all recommendations¹⁰, and the Shadow Secretary of State, Lucy Powell MP stating to the 2022 Labour conference that the *‘next Labour government will bring in a statutory independent football regulator to protect clubs for communities and fans’*. As recently as 20 October 2022, Conservative MPs Sara Britcliffe and Andrew Bridgen as well as Labour MP Clive Betts all pushed in Parliament the Government for progress in implementing the FLR¹¹.
- 1.6. In the year since the publication of the FLR, there has been little progress in addressing these problems and the case for reform remains unanswerable. The market dynamics noted by the FLR have led to record spending among PL clubs despite the losses incurred during the two COVID-19 impacted seasons, and the Championship continues to average wage-to-turnover ratios of over 100%.

8. Page 15, para 6 and 7

9. Page 16, para 8

10. [Rishi Sunak and Penny Mordaunt dangle radical football & housing policies in last-ditch bid to woo Britain | The Sun](#)

11. <https://hansard.parliament.uk/commons/2022-10-20/debates/50550F06-1718-4C40-A54C-D648195EB182/TopicalQuestions>

Football Association

- 1.7.** In the FLR, it was noted that the FA had been considered as a possible home for a new regulatory body. Although this was seen as a possibility in the long term, the FA was not currently considered a suitable home as it is lacking the constitutional independence, expertise and resources to deliver the needed regulatory reform¹². It is also doubtful if an FA dependent on legal contract law-based powers could operate effectively as a regulator.
- 1.8.** To its credit, the Football Association has been considering its own response to the FLR's recommendations. Already, two additional independent non-executive directors have been appointed to the FA Board - bringing the total number of INEDs on the board to four, alongside an independent Chair, six National/Professional Game representatives, and one executive director. More significantly the FA has accepted the need to implement the Board aspects of recommendation 22 of the FLR report - namely that at least 50% of the Board should consist of independent directors - by reducing the number of Game representatives from six to four. When implemented, this will be a significant achievement for those involved and should result in a much stronger FA Board in the future.
- 1.9.** The FA's efforts have also not been restricted to the Board structure. It has moved to remove some conflicts of interests in the committee roles of certain Board members and is looking at the role and structure of the FA Council in response to the FLR recommendation that it should be reformed (without any specific recommendation). We look forward to the outcome of this examination with every hope and expectation that it will deliver the overdue reform of the FA Council.
- 1.10.** The FA has also made commendable efforts to improve its own interaction with fans. Working in partnership with the Football Supporters' Association it has introduced new arrangements for structured dialogue with football supporters. This will involve quarterly meetings between fan representatives and senior FA officials. Additional structured dialogue arrangements have also been put in place with specific reference to the women's game.
- 1.11.** These initial FA reforms are a welcome start and those involved in delivering the reforms should be congratulated. Although these reforms do not yet fully address the barriers to it taking on the role envisaged for the independent regulator by the FLR Report, we look forward to its continuing modernisation and development.

Conclusions

- 1.12.** The issues and concerns highlighted by the FLR Report and accepted by the Government in April 2022 remain. The threats to football's future, and the need for reform, are even clearer one year on. Although it is a matter of regret that the reforms have been delayed by political events, it is encouraging that there is a strong cross-party consensus for the recommendations. The case for reform is even clearer one year on, as is the opportunity to deliver reform quickly in Parliament.

12. FLR, para 2.51ff

2. Financial Regulation



2. Financial Regulation

Background

- 2.1.** The risk of financial failures among clubs was a key driver for the FLR recommendations, and in the Government response. The FLR Report recommended that *“To ensure financial sustainability of the professional game, [the independent regulator] should oversee financial regulation in football”*. This recommendation was accepted by the Government, with further details on the precise model of financial regulation to follow in the White Paper.

Financial developments since the FLR Report

- 2.2.** Since the report was delivered almost a year ago a football season (2021/22) largely unaffected by COVID has been completed, the financial results of clubs for the 2020/21 COVID-affected season (which were largely unavailable at the time the FLR was produced) have been compiled and two transfer windows (January 2022 and summer 2022) have been completed.
- 2.3.** The financial results for the 2020/21 season revealed that the underlying issues identified in the FLR report remain, and in many cases have got worse:
- The Premier League operated with a substantial financial advantage over its nearest international competitor with its clubs’ collective revenues and wage bill being c. 80% higher. New broadcast deals are expected to see this lead grow.
 - Premier League clubs made pre-tax losses of over £1.6bn in total across the two COVID-impacted seasons. They were also loss-making in the season before (2018/19) to a much lesser degree. Only 4 PL clubs reported a pre-tax profit in 2020/21.
 - Collective PL club debt grew to over £4bn for the first time by the summer of 2021.
 - Championship clubs spent a record 125% of collective revenue on their combined wage bill in 20/21. This exceeded the 120% of 19/20.
 - For the seventh time in nine seasons the Championship clubs spent over 100% of revenue on wages. In the other two seasons they spent 99%.
 - Of the £600m total revenue across 24 Championship Clubs almost 40% (£236m) came from parachute payments to seven former Premier League clubs.
 - Championship clubs lost a total of £0.8bn before tax across the two COVID-impacted seasons. Across the three seasons before they had lost a further £0.8bn. Only three Championship clubs reported a pre-tax profit in 2020/21.

- Collective Championship club debt reached £1.7bn in the summer of 2021.
- League One clubs also spent over 100% of revenue on wages for the first time in 20/21.
- For the 11th time in 12 years League Two had the lowest wage / revenue ratio, spending 80% of revenue - a record high for the division on wages.

2.4. In the January 2022 and summer 2022 transfer windows the Premier League reaffirmed its financial advantage over other European leagues. In January 2022 PL clubs spent almost £300m gross (the second most ever) and a record £180m net on player transfer fees. In summer 2022, Premier League clubs spent £1.9bn on player transfers – over one third more than the previous record. Excluding intra-PL deals, this represented a net transfer spend of over £1bn for the first time. By way of comparison, the gross spend of Premier League clubs (€2.2bn) was almost three times that of the next league, Serie A (€749.2m), and four times that of the Bundesliga (€484.1m).¹³

2.5. These 20/21 financial results and 2022 transfer spending illustrate that without reform there is no reasonable expectation that the issues of excessive wage spending relative to revenue, resulting losses and increases in debt or reliance upon owner funding will ease for clubs in any of the three divisions of the EFL without improved regulation.

Financial threats to Clubs

2.6. The significant risk of financial failure among clubs evidenced in the FLR and the study accompanying the Government response has not receded. Indeed, there are grounds to believe that wider economic concerns will make this risk higher – with some clubs being reported to be considering early kick-offs to try to save money on floodlight costs.¹⁴

2.7. Among clubs to have faced, or currently facing, severe financial issues in the past year are Southend United who alongside being relegated from the EFL for the first time in their history have missed payments to HMRC and are under a transfer embargo with a winding up petition due to be heard on 9 November.¹⁵

2.8. It is also not only clubs in the lower parts of the professional football pyramid that have faced significant threats in the past year. Then reigning European and World Champions Chelsea FC owed its ability to continue operating only due to legal exceptions to sanctions imposed on its then owner. Fortunately, buyers were able to be found for the club, but significant debt run up to the former owner to operate the club was reportedly a major difficulty in resolving the sale.¹⁶

13. <https://www2.deloitte.com/uk/en/pages/press-releases/articles/records-smashed-in-transfer-window-deloitte-reports-highest-ever-premier-league-spend.html>

14. [Great save? Lower league clubs mull early kick-offs to cut energy bills | UK cost of living crisis | The Guardian](#)

15. <https://www.bbc.co.uk/sport/football/63254285>

<https://www.echo-news.co.uk/sport/22997704.southend-united-placed-transfer-embargo/>

16. [Chelsea FC sale hits snag over debt issue | Fortune](#)

- 2.9.** Worse still was the Derby County situation – a textbook illustration of a club responding to the incentives for financial overreach reliant on owner funding which then ceased to be available. Derby County entered into administration in September 2021, having incurred huge losses over preceding seasons without achieving promotion to the Premier League. The administration process took seven months after the preferred bidder selected by the administrators failed to provide funding (one of several failed takeovers of the club). The club was at real risk of liquidation before it was saved by a local businessman and fan David Clowes who wrote that *‘As a lifelong supporter, I could not stand by as the risk of losing Derby County became all too real. I could not have looked myself in the mirror if I had not done everything possible to protect it’*.¹⁷
- 2.10.** The common thread in all three cases is operating in financially unsustainable ways reliant on owners – which then led to a crisis when that owner was unable or unwilling to continue with this support. Only independent financial regulation will address such problems in the future.

Investment

- 2.11.** A final point to note since the publication of the FLR is that the FLR report and subsequent Government commitment to improve regulation have not had any negative effect on the attractiveness of English clubs for investment. At a number of clubs, including Southampton, there have been new investors, bearing out the view of the FLR and leading professional advisers that *“The introduction of measures that will make the game more sustainable and responsive to fans will only make the game more attractive to investors”*.¹⁸

Conclusion

- 2.12.** The past year has only strengthened the need for a financial regulation system operated by an independent regulator. The financial results for 20/21 and subsequent record spending by Premier League clubs demonstrate that the financial incentives driving unsustainable market behaviour remain unchanged. Further, the examples of Chelsea, Derby and Southend United have all shown that these fundamentals can threaten clubs at all levels.

17. <https://www.dfc.co.uk/news/2022/07/derby-county-takeover-clowes-open-letter>

18. [Independent regulation of football can be blueprint for sports sector \(pinsentmasons.com\)](https://www.pinsentmasons.com/independent-regulation-of-football-can-be-blueprint-for-sports-sector)

3. Owners' and Directors' tests ("ODT")



3. Owners' and Directors' tests ("ODT")

- 3.1.** The FLR report noted that owners are the temporary custodians of a community asset. A key part of ensuring that clubs are run well is ensuring that only suitable owners become custodians of clubs, and that skilled and qualified people are running clubs as directors. The FLR report recommended that *'New owners' and directors' tests for clubs should be established by IREF replacing the three existing tests and ensuring that only good custodians and qualified directors can run these vital assets'*. This was proposed to include an integrity test based on those successfully operating in the financial services industry.
- 3.2.** In its response, the Government accepted the need for strengthened ODT tests, noting that *'since owners and directors can be crucial to how sustainably or not a club is run, the government believes that a regulator should assess the suitability of these custodians'*¹⁹. The Government committed to provide further detail in the White Paper, but illustrated certain principles that would form part of the new approach:
- i. In designing the integrity test, balancing protection of football and not unduly deterring investment by being too onerous or subject to change after investment has been made;
 - ii. Limiting the scope of the regulator to ensure that it does not become involved in issues of foreign policy; and
 - iii. Designed to be cognisant of potential impacts, evidence-based, objective and right for football.
- 3.3.** Although to date the White Paper has not been published, the principle of professionally designed, evidence-based ODT tests are a welcome prospect. The last year has continued to provide examples of the need to ensure that better owners and directors are involved in football clubs. The highest profile example is of course Chelsea FC. Although there was no ODT when Roman Abramovich acquired Chelsea, the issues that ultimately resulted in his departure have been long known, including as part of proceedings in a 2012 English court case - *Berezovsky v Abramovich* [2012] EWHC 2463 (Comm). None of these issues resulted in action from the Premier League until after the imposition of sanctions.

19. Government response, para 39

3. Owners' and Directors' tests ("ODT")

“there appears to have been no significant development of the current tests by the existing authorities.”

3.4. Although Chelsea has been the highest profile case in the last year, there have been others:

i. Birmingham City FC

Birmingham City's ownership history has long been a matter of concern, at the very least since the sale by David Sullivan and Ralph Gold of the club to the now convicted money launderer, Carson Yeung.

The Club's convoluted structure has proven a barrier to obtaining new ownership, something that prompted the Mayor of the West Midlands to write to the EFL in October 2022 that *“As you will no doubt be aware, the supporters of Birmingham City have for several years raised serious concerns about the convoluted ownership of the club....I should state firmly that there is a strong view in the city that under the current ownership, the future of the football club is in jeopardy.”*²⁰

Of further concern is that the Club no longer owns its own stadium; the stadium has a different and more convoluted ownership structure.

If these aspects were not themselves bad enough, there are concerns about the suitability of some seeking to acquire the club and doubts about the powers of the EFL to stop such unsuitable purchasers.

ii. Morecambe

At the time of writing, Morecambe FC is up for sale and facing a precarious future. Both of its co-owners have been disqualified from being directors of a company²¹ with one of them also being restricted by the Solicitors Regulation Authority from working as a solicitor.²² A professional rugby union club owned by the same individuals, Worcester Warriors, has gone into administration.

20. <https://www.thebusinessdesk.com/westmidlands/news/2068522-mayor-presses-efl-for-clarity-on-convoluted-ownership-of-birmingham-city-fc>

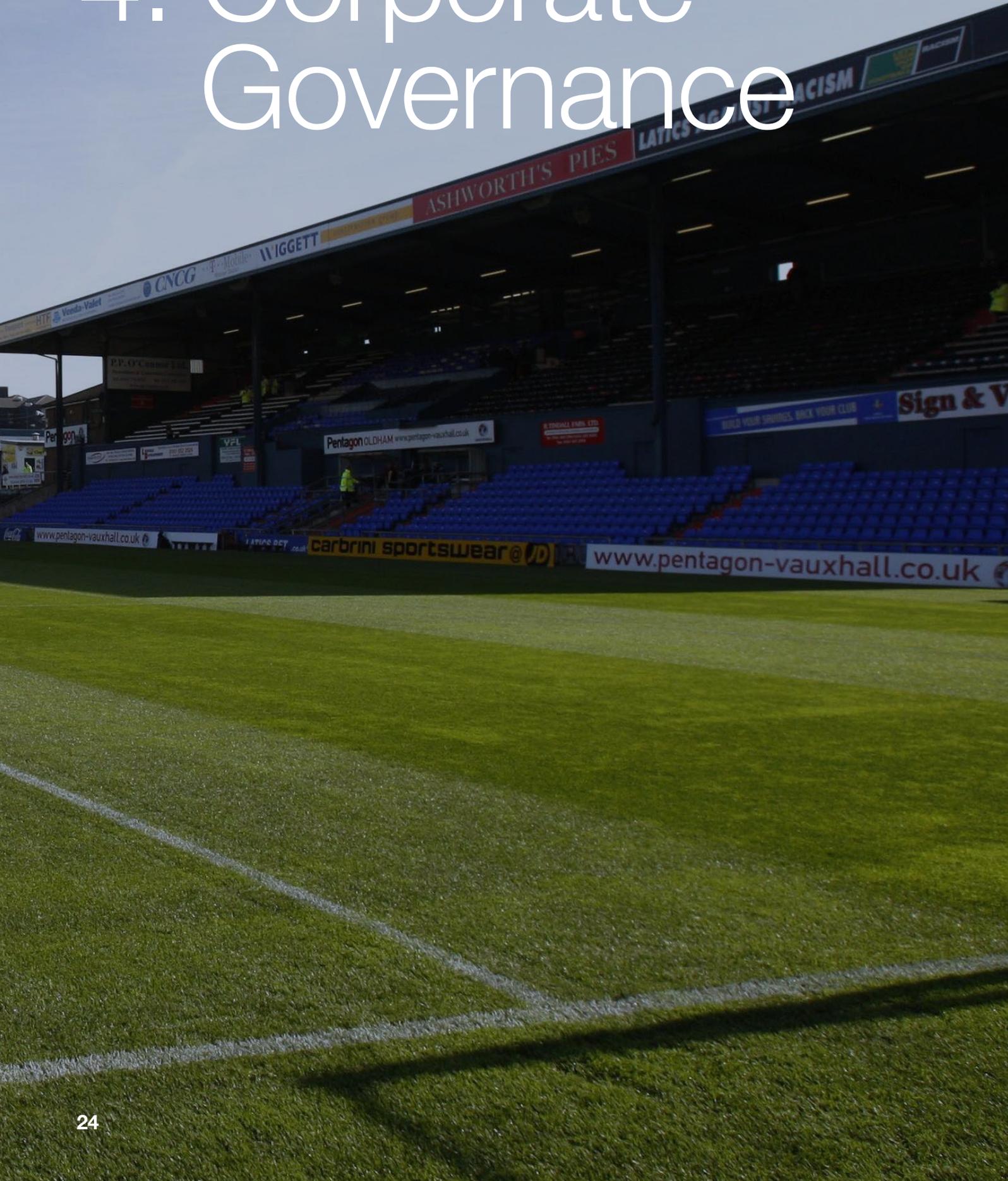
21. [Worcester Warriors: Ex-owners Jason Whittingham & Colin Goldring disqualified from being directors - BBC Sport](#)

22. [SRA | Goldring, Colin Anthony - 491759 | Solicitors Regulation Authority](#)

- 3.5.** It is also notable that despite the findings of the FLR and the Government response, at the date of writing there appears to have been no significant development of the current tests by the existing authorities. Although there have been newspaper reports that reform is being considered, the lack of progress is perhaps a clear illustration of the limits of the existing regime and the requirement to obtain the consent of the regulated entities to any reform.
- 3.6.** The case for a new, professionally designed and independently operated test for Owners and Directors of football clubs as set out by the FLR remains clear.

“..the lack of progress is perhaps a clear illustration of the limits of the existing regime and the requirement to obtain the consent of the regulated entities to any reform.”

4. Corporate Governance



4. Corporate Governance

- 4.1.** The FLR report noted that whilst no system can prevent bad decisions entirely, it is generally accepted that good corporate governance can promote better decision-making. As a result, it recommends that football adopt a new approach to corporate governance to support long-term sustainability, including a new Code for Football Governance.²³
- 4.2.** In its response, the Government accepted this recommendation committing that a ‘new model for corporate governance will be introduced, designed and overseen by the regulator’, with consideration being given to models utilised across industry.²⁴ The Government response further, rightly, considered that the obligations should be proportionate across the game with greater obligations on a Premier League club than a National League club. The details are due to be set out in the White Paper.
- 4.3.** The continued financial overstretch of clubs set out in Chapter Two illustrate the kind of decisions being made by clubs that could benefit from better corporate governance. Examples within the game of club owners who have acquired personal ownership of club stadiums is also a glaring example of the need for better corporate governance.
- 4.4.** It remains true that some clubs do operate good corporate governance structures, and in the last year several have made efforts to improve their governance, including Brentford FC’s efforts to increase the skill set and diversity of its Board.
- 4.5.** However, despite isolated good practice we are unaware of any efforts by either the PL, FA or EFL systemically to improve the standards of club corporate governance in the game. This is likely due, at least in part, to the need to get those currently running clubs to agree to these changes. As part of long-term sustainability, such reform is vital and the lack of any attempt to do so within the game further shows the need for this to be taken forward by an independent regulator.

“...despite isolated good practice we are unaware of any efforts by either the PL, FA or EFL systemically to improve the standards of club corporate governance in the game.”

23. FLR Report, Chapter 5

24. Government Response, para 47

5. Equality, Diversity & Inclusion



5. Equality, Diversity & Inclusion

- 5.1. The FLR noted the need for improved diversity in football, both as a moral matter but also as a crucial part of improving the business decisions taken by clubs. Accordingly, it recommended that as part of licensing arrangements, each club should have an EDI action plan regularly assessed by IREF.
- 5.2. The Government response noted *'The government strongly believes that football needs to improve Equality, Diversity & Inclusion (EDI) in clubs'*²⁵. The Government further supported a flexible approach across the game, with a focus on outcomes and not process. Both of these are welcome.
- 5.3. However, the Government stated that further consideration was needed regarding the role of the regulator in assessing club's progress against EDI plans. It outlined a desire to see each club have a plan to address diversity to ensure that they are reflective of their local communities and accountable to fans for the success of these plans. Further details will be provided in the White Paper.
- 5.4. As stated in the report, efforts made by the existing football authorities are welcome but limited. In particular, since the publication of the FLR report we note that some of the concerns of the FLR regarding measures such as the Football Leadership Diversity Code appear to have been borne out by the experience of senior figures in the game.²⁶
- 5.5. One year on, we continue to believe that improved diversity will benefit the business and stability of football and welcome the actions of clubs such as Brentford who have made deliberate efforts to diversify their Board structure. Further action, as set out in the FLR report, will help secure the future of the game. It remains our firm belief that EDI issues are too important to be left solely to compliance with a voluntary code, and that statutory powers invested in IREF and its licensing system are necessary to ensure improvement across the game.

“It remains our firm belief that EDI issues are too important to be left solely to compliance with a voluntary code.”

25. Para 48, page 26 Government Response

26. [Les Ferdinand: FA diversity code 'made no difference' in helping black players get jobs in football - BBC Sport](#)

6. Improving Supporter Engagement



6. Improving Supporter Engagement

- 6.1.** The FLR recommended that as part of trying to drive better decision-making by those running clubs there should be a licence condition requiring improved supporter engagement.²⁷ It proposed that this would be achieved by requiring a ‘Shadow Board’ to be in operation at all licenced clubs.
- 6.2.** In the Government Response, it stated that it ‘wants supporters to be properly consulted by clubs in taking key decisions²⁸’ and that ‘fans’ views must be better heard, and due regard paid to them²⁹’ through enhanced supporter engagement but wished to give further consideration to the mechanism. It noted that for many clubs a Shadow Board will be suitable but wished to consider other ‘proportionate and flexible methods’ for use across the pyramid. It considers that this is likely to include a minimum standard as part of licencing conditions.
- 6.3.** In the past year, several clubs have taken on board the recommendations of the FLR and implemented Shadow Boards in some form or another. This includes one of the biggest clubs, Liverpool FC whose adoption of an innovative ‘Consent, Consult, Engage’ model with legal obligations for fan engagement demonstrates that even the Premier League elite can, if sufficiently willing, implement extensive fan engagement in club operations.
- 6.4.** Manchester United also deserve credit for developing its approach. Despite a previously difficult relationship, it negotiated with supporter groups and established a new Fan Advisory Board co-chaired by a fan and the club’s CEO. This allows for in-depth board consultation³⁰. It has also appointed a new Head of Fan Engagement actively recruited from the club’s supporter base.
- 6.5.** Proactive improvements in fan engagement have also been seen in League One, where Cambridge United has introduced a Shadow Board demonstrating that high quality engagement with fans can operate without being an undue burden on so-called ‘smaller’ clubs. Further good practice in the last year has been seen from Doncaster Rovers and MK Dons. It was also notable that all parties seeking to acquire Chelsea FC sought to engage with supporter groups.

27. FLR para 7.1

28. Government Response, para 54

29. Government Response, para 56

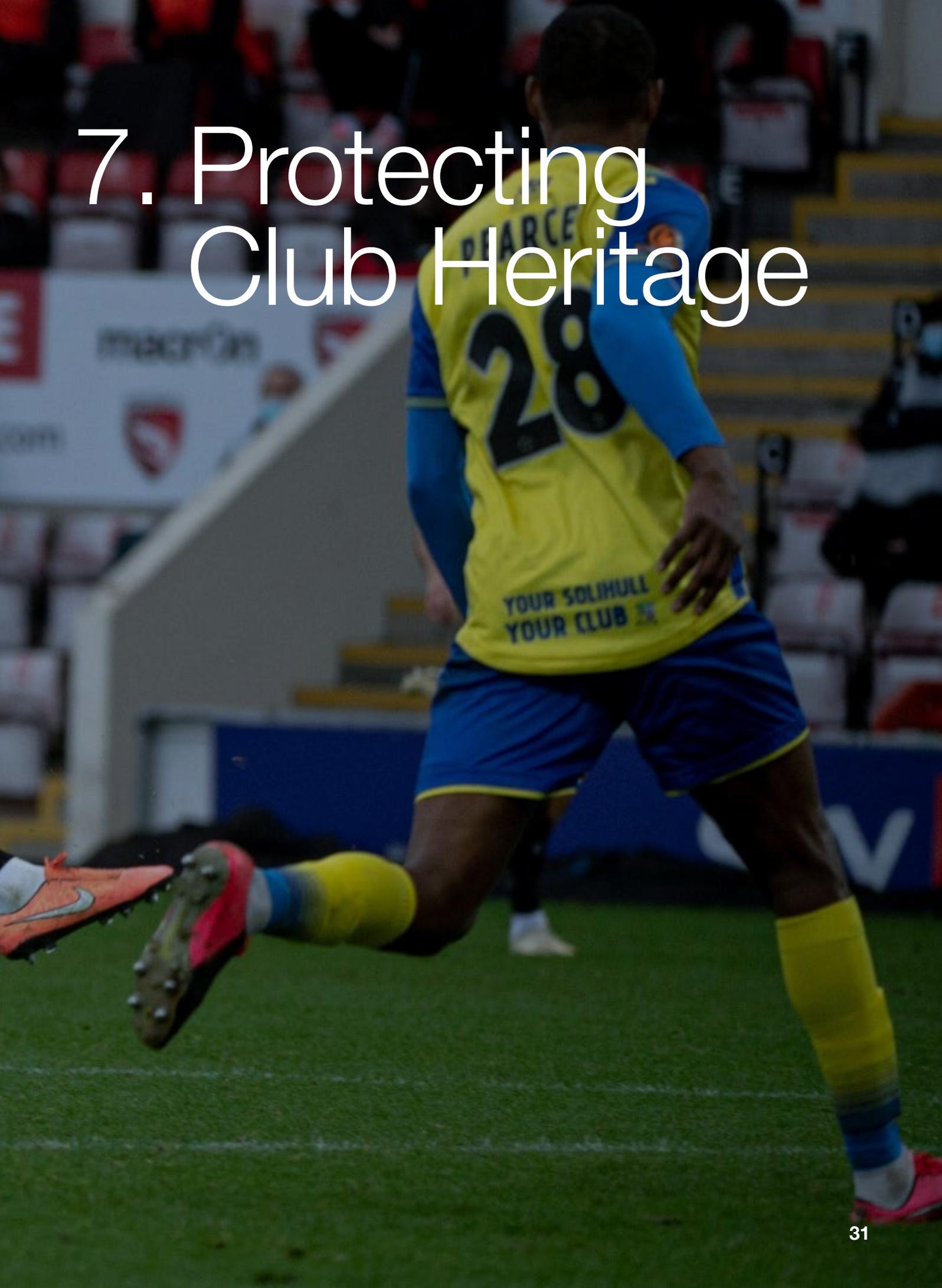
30. [Manchester United announce new Fans’ Advisory Board to strengthen supporter dialogue and input](#) | Football News | Sky Sports

5. Improving Supporter Engagement

“A year on, the need for an independent regulator to take a role in setting and enforcing standards of supporter engagement is even clearer.”

- 6.6.** These examples from clubs at different stages of the football pyramid show that good quality fan engagement is possible whatever the size of the club. However, at the time of writing, there has not been sufficient progress on a consistent improvement of standards across the game. Although there have been a number of discussions between the Premier League and supporter representatives over the past year, the Premier League has not at the time of writing delivered the promised new supporter engagement standard, which it is understood has been significantly ‘watered down’ as a result of club feedback. It is our understanding that this is largely a result of the inability of the Premier League to obtain the agreement of its clubs to fan engagement standards – again illustrating the limitations of a governance model dependant on the consent on the regulated entities and the benefits of an independent body to take the lead on the matter. It also remains the case that even if such measures could be passed, anything conceded by the clubs under this model can just as easily be withdrawn by them at a later date when there is less public attention or pressure.
- 6.7.** The FLR put forward proposals for that new level of engagement to be delivered consistently by all clubs as part of driving better decision making at the club. A year on, the need for an independent regulator to take a role in setting and enforcing standards of supporter engagement is even clearer.

7. Protecting Club Heritage



7. Protecting Club Heritage

- 7.1.** As noted in para 1.4, the need to protect the civic and cultural role of clubs is a key driver for independent regulation of the game. The FLR recommended that *“Football clubs are a vital part of their local communities, in recognition of this there should be additional protection of key items of club heritage.”* This protection was proposed to focus on the following items:
- i. the sale of the club stadium;
 - ii. relocation outside of the local area which is not a temporary part of a redevelopment;
 - iii. joining a new competition that is not approved by FIFA, UEFA and the FA and/or leaving a competition in which it currently plays;
 - iv. club badge;
 - v. first team home colours; and
 - vi. club playing name.
- 7.2.** This recommendation was supported by the Government, including supporting the need for protection of the listed items, with further detail on the exact method of doing so to form part of the White Paper. The Government also committed to consideration of the impact on these items of planning law and security of tenure laws as part of wider reviews.
- 7.3.** Alongside the welcome Government commitment to follow the recommendations of the FLR and protect the listed items of club heritage, it is also a very positive development that some clubs have been proactive in offering fans a role in protection of club heritage. One of the biggest clubs in the world, Liverpool FC, have entered into an arrangement with fans which gives fans consent over certain heritage items.³¹ It is hard to see why, if Liverpool can do this, any other club should fear giving fans this kind of role in their club.

[31. Liverpool FC announce formation of ground-breaking Supporters Board as FSG seek more fan engagement - Liverpool Echo](#)

- 7.4.** There have also been some additional protections for heritage items created by the FA in the last year. The FA has introduced rules that will require clubs to undertake a consultation process if it proposes to make a material change to club crest or home shirt colours. In order to proceed with a change, the club will need to be able to demonstrate that supporters are in favour (e.g. by an independently run poll). If there is a breach of these rules, then the FA will be entitled to order a club to revert to the previous crest or home shirt colour.
- 7.5.** The FA is to be commended for these new rules as any additional protection for the heritage and civic role of clubs is welcome. However, it is notable that the FA has only been able to introduce via its own mechanisms protection for two of the six items (alongside existing rules for club names). The missing items are amongst the most important. Loss of stadium ownership for example, has formed a key part of not just supposed unfair sporting outcomes, but also financial difficulties faced by clubs such as Derby County and Coventry City.
- 7.6.** Further, it is clear that the threat of a European Super League – one of the items that led to the FLR – has not receded. Indeed, not only is the outcome of the litigation at European courts around the initial proposal awaited, but the organisation behind the proposal has also appointed a new CEO who has claimed the competition could start as soon as 2024.³²
- 7.7.** The need for additional statutory protections for the key items of club heritage proposed remains clear. The identified items are as important as they were a year ago, and threats such as the ESL have not diminished. More positively, Liverpool’s reforms show that there is no need for clubs to fear protection of club heritage. However, the failure of others to implement similar reforms demonstrates the need for statutory protection and offers another example of why football sadly cannot be relied upon to regulate itself.

“The need for additional statutory protections for the key items of club heritage proposed remains clear.”

³². [European Super League is BACK as new CEO reveals shock 2024 start date one year after fans beat ‘greedy’ plot | The Sun](#)

8. Finances and Distributions in Football

“It is remarkable that even under the spotlight of the FLR and government pressure the game has not been able to reach a solution. This raises significant concerns about its ability to do so in future years when there is no such pressure.”

8. Finances and Distributions in Football

- 8.1.** The FLR identified that ‘Fair distributions are vital to the long-term health of football’ and that as a result recommended that ‘The Premier League should guarantee its support to the pyramid and make additional, proportionate contributions to further support football’³³. It was noted that the preference should be for football to resolve the related distributional issues itself, but that the independent regulator should have the power to impose a solution if this was not possible.³⁴ The FLR report also considered the possible adoption of other market-driven methods to improve financial support from the Premier League such as a transfer levy.
- 8.2.** In the Government response, the Government noted that it supported the principle of fair distributions to reduce the disparities between different levels of the game which create the wrong incentives and are a key driver of financial ‘gambling’ by clubs.³⁵ The Government also believed that the ‘ideal outcome’ would be for football to ‘arrive at an answer which is mutually agreeable to the bodies which comprise it’.³⁶ However, the Government was also clear that it is open to granting the regulator ‘backstop’ powers to implement redistribution if a solution is not found.³⁷
- 8.3.** Regretfully there has been little progress in resolving the issue. Whilst the EFL has long had a clear position, the Premier League has still not (at the time of writing) engaged in a discussion. Although we understand that it has sought to develop a number of proposals which have been over-reported as equivalent to being close to a deal, the Premier League has still not obtained a mandate from its member clubs to do so. We are disappointed but perhaps not surprised that this is the case.
- 8.4.** It is remarkable that even under the spotlight of the FLR and government pressure the game has not been able to reach a solution. This raises significant concerns about its ability to do so in future years when there is no such pressure. It is therefore increasingly likely that direct intervention by the regulator will be needed to ensure fair distributions across the game – not just now but in the future too.

33. FLR Report, para 9.2

34. FLR Report, paras 9.4 – 9.24

35. Government response, para 74

36. Government response, para 76

37. Government response, para 77



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