



THE INDEPENDENT FOOTBALL COMMISSION

THE GOVERNANCE OF FOOTBALL CLUBS

**an Independent Football Commission seminar
held at Darlington Football Club, 25 August 2004**

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Introduction

The purpose of this event was to examine the way individual clubs are governed, in the light of the experience of football clubs which have faced particular challenges. In some cases the challenge has been financial. In others cases the challenge has been sporting; in others governance issues themselves have stimulated change. A particular feature of the changing nature of football governance in recent years has been the increasing interest of supporters in the way their club is governed and the consequent growth of Supporters Trusts; another has been rising media and public interest in the business of football and how it is run.

The Independent Football Commission (IFC) examined the circumstances of 12 football clubs and invited a number of their representatives to attend a meeting with the aim of:

- comparing experiences of the changing nature of governance
- looking at underlying factors that prompt change;
- highlighting best practice
- sharing views on successes, failures and forward practice.

The event was organised in two halves. The first session focused on the experience of clubs where supporters have come to play a significant role in the running of their club: delegates comprised representatives of Supporters Trusts with either a major shareholding in the club or an established role on the board. In the second session, delegates were drawn from clubs where supporters have either a less prominent role or no formal role at all. Group discussion in each session included consideration of:

- club success in three areas: sporting success, governance success, financial success
- learning points from clubs' experience of combating financial crisis
- the role of the football authorities.

Three external specialists were also invited:

David Conn, author of a weekly football column for *The Independent* and other publications on the conduct of football clubs;

Sean Hamil, Deputy Director of the Football Governance Research Centre at Birkbeck College London;

Dave Boyle, Acting Manager of Supporters Direct.

The seminar was chaired by John Simpson, an IFC Commissioner who leads for the Commission on financial issues. Brian Lomax, who resigned as Managing Director of Supporters Direct in November 2003 to become an IFC Commissioner, joined the afternoon session.

A full list of participating clubs, and further details about the three external delegates can be found in Annexe A.

SESSION 1

AFC Wimbledon, Brentford, Chesterfield, Exeter, Lincoln City, Notts County, York City

1. John Simpson briefly introduced the event and outlined its purpose. He invited Supporters Direct to comment on the overall picture and its role in working towards better governance practice.
2. Dave Boyle said the failure of ITV Digital had prompted financial collapse at a succession of clubs. The pace of change had consequently been quicker than anticipated and Supporters Direct had had less opportunity to guide and shepherd than it would have wished. Overall his view was that the consequence of Supporters' Trusts' involvement in the governance of their clubs was, however, better run, more successful, happier clubs.
3. Delegate clubs had provided a summary profile of their situation in advance of the seminar; delegates were also invited to speak briefly on their individual club situation at the start of the session. In general terms the clubs had much in common:
 - at all seven clubs, Supporters' Trust members represent supporters on the board;
 - with one exception (Lincoln City where the Trust was formed in 1998) all the Trusts had been set up within the last 5 years;
 - in all cases, the Trust either was formed or assumed a prominent role in the running of the club at a time when the club was facing crisis, although in the case of AFC Wimbledon the crisis had been at Wimbledon FC (now MK Dons);

There were significant differences also:

- Four of the clubs (Chesterfield, Lincoln City, Notts County and York City) were either in or had recently been in administration. The other three clubs had never been.
 - Three of the clubs (AFC Wimbledon, Lincoln City and York City) were currently in operating profit before player trading activity; two (Brentford and Notts County) were not; Chesterfield was breaking even;
 - Four of the clubs (AFC Wimbledon, Chesterfield, Exeter City and Lincoln City) were showing turnover growth
 - The legal status of four of the clubs was that of a private company limited by shares; two were public companies (not listed); one was a Private Limited Company;
 - The shareholding of the Trust at the clubs ranged from 0% (Brentford) to 100% (Chesterfield);
 - Four of the clubs were playing in the Football League: two in League 1, two in League 2. Two clubs were playing in the Conference; one was playing in the Ryman League Division 1.
 - Two of the clubs (AFC Wimbledon and Lincoln City) had enjoyed sporting success in the 2003/04 season; two of the clubs (Brentford and Chesterfield) had finished the season towards the bottom of their division; three of the clubs had been relegated.
4. The following points emerged from the seven presentations:
 - The fund-raising role of Supporters' Trusts is crucial. A Trust will often have put a bid together to rescue its club from financial difficulties and takes seriously the responsibility to ensure the club is properly run. Trusts believe that they are successful fund-raisers because they stand for and demonstrate: commitment to their club's longevity; financial care; personal disinterest; the capacity for sound financial management.
 - Supporters' Trusts attract a different cadre of supporters from traditional supporters' associations. Those attracted to Trusts often have specific, useful and professional skills they are willing to offer the club. Typically this is offered on a voluntary, unpaid basis and ranges from functional assistance on matchdays to overseeing the club's finances or employment practices. The voluntary nature of this workforce is often fundamentally linked to the endeavour to correct a club's financial situation.
 - Clubs are becoming wary of the model of governance that operates via a major benefactor. Big investors are initial good news but when their interest fades, disaster tends to follow. Club representatives described their experience of protracted and sometimes painful negotiations with Chairmen seeking to unload responsibility for a club. Such transactions may be concluded under nominal financial arrangements, but bequeath challenging financial obligations which might

include not only substantial debts but long-standing cumulative interest payments on overdrafts, and unsustainable contracted outgoings. Trust fund-raising often contributes significantly to servicing these debts and, alongside prudent financial management, helps keep the club in business.

- Representation on the board is achieved sometimes by nomination, sometimes through election. The former is preferred when the immediate need is to capture particular, urgently-needed skills.
- It is difficult simultaneously to achieve a successful model of governance, financial stability and sporting success. Deciding the order of priority and selling the decision to the supporters is critical in managing supporter expectations.
- Managing supporters' expectations is a fundamental and difficult task for a Trust that is either running a club or representing its supporters on the board. Coaxing supporters towards priorities that may be different from their traditional ones isn't easy. An indicator of success is often the diminution of demands for the club to buy players and a greater realism about wages and what the club can afford its ambitions to be.
- Close relations with local Councils is seen as essential to a club's future. The importance of identifying a club with its community was underlined, and identifying where and how mutual support can benefit both. The club's community programme can be a crucial part in building relationships and branding the club as a contributor to local needs and problem-solving in areas such as neighbourhood regeneration, health agendas and crime reduction.
- The history of clubs that are in or have been in crisis often carries a legacy of supporter mistrust and local suspicions. Strategies of total transparency and positive marketing have been used to address this. This can carry problems (which were disused later, see below) but can help build optimism and belief.
- Gates, in general, are increasing at clubs such as those present, with a strong Trust involvement. Delegates felt this is reflective of supporters' recognition of their club's new probity, and belief that the money they spend will, through the Trust, contribute towards the club's future and not the personal gain of individuals. Gates can remain vulnerable to sporting failure, however.

GROUP DISCUSSION

Sporting success

5. Several clubs felt that the basic issue is about sporting results. A newly-configured club, run by or with the help of a Trust, may achieve significant off-field successes to do with local relations or ground tenure, for example but these can seem insignificant if the football doesn't come right. York City, for example, has secured such successes and moved the club into operating profit. But to the supporters the price has been high: relegation from the Football League. Trust membership has fallen, probably as a result of the lack of success on the field. In the case of AFC Wimbledon, despite sporting success (they lost no games in the 2003-04 season and won their league and promotion) a non-football related management crisis in mid-season threatened supporters' belief in the board. By being transparent – following ACAS guidelines and formal disciplinary procedures, and publishing what was done – they retained the fans' support even though the board's actions seemed to go against results.

6. The importance of sporting success was unanimously recognised, but equally its complex links to other management challenges such as being transparent and managing expectations. For example, acquiring a less expensive manager helps the finances but may backfire in sporting terms. Conveying to fans the reasoning behind this kind of strategy isn't easy for directors, not only because the full disclosure of financial arrangements within contractual agreements is not always possible, but also because supporters are often unused to receiving, still less interpreting, financial information. However, clear messaging can demonstrate, for example, that there is a current sporting advantage for a club with financial troubles to sign several young, inexpensive payers instead of going for one high-risk gamble on an expensive one. As one delegate said:

“Empowering fans through sharing information is a powerful asset in expectations management”.

7. There was a current of feeling amongst the delegates that getting the finances right should take priority over sporting success. A town, its communities, local supporters will have helped save the club by contributing funds. In such circumstances, sound, proper, successful financial management must come first. But, as one delegate said:

“A strategy for going down a league in the interests of financial safety is not sustainable.”

8. The discussion turned to supporters and highlighted two serious issues:

- a. the dangers of generating donation fatigue;
- b. attracting the next generation of supporters, those who don't currently attend matches, on whom both financial and sporting success in the future may depend.

9. The group agreed that donation fatigue was a sensitive and difficult issue. Fund-raising and generating Trust membership tends to target the same people all the time, and they cannot be expected to continue forever. Moreover, when those who give start to see things going wrong on the pitch, they start to wonder why they have donated. Sporting success is the most likely eventuality to retain financial as well as club support. Even so, there must be a strategy for diversifying income and the supporter base: the two go together. Those who don't currently spend at the club have to be targeted and the strategy must include ways of capturing their non-football as well as their football interests. This is where strong community links help. Schools visits are a good start; making football affordable; appealing to fathers who want something to do with their kids on a Saturday: using special events to plant the seed of interest. But these too need careful management and strategic follow-up:

“it's no good if people come once for a fiver and then find it's £12 or £15 for the next visit and don't come again”.

10. Ultimately, sporting questions lead back to issues of good governance. People are glad when their club is rescued but they want to see a winning team – and so the board comes under pressure. The case for stronger regulation of player trading and higher levels of financial disclosure exists. But the point was made that everyone on a Trust-run or small club board will have another job: central help from, for example, a strengthened Supporters Direct would be welcome to some. Others, however, queried this, pointing out that clubs may have the same generic issues to tackle but all Trusts are different and face problems individual to themselves. Any central direction, advice or model must have the capacity to be tailored to individual circumstance.

Financial success

11. The Chair invited discussion on wage-capping as a measure to prevent financial failure, and views on the Football League's recent introduction of a salary management protocol in Leagues 1 and 2. The clubs were generally supportive of wage capping although reservations were expressed, again in the context of sporting ambition. One club suggested that working on a percentage of turnover for salary outlay is unlikely to bring a club success in its league. The problem is that wage capping can render success dependent on the crowd i.e. gate income. It seems good sense but can be high risk and damaging. Ultimately the clubs with most money will succeed. The view was also put that wage capping helps Chairmen to manage players because it gives them resort to a strictness which they are obliged to observe.

12. Several clubs underlined that capping is a strong incentive, amongst others, to reduce outgoings. This helps clubs focus not only on good accounting but also diversification. Clubs have to concentrate on how to develop their income, and on exploiting the brand that football offers. Clubs without capacity for off-field revenue-generation will find it the most difficult to produce and maintain financial stability.

13. The question of risk avoidance was raised. The discussion returned to the welcome contribution that volunteer labour provides at all levels. This undoubtedly helps clubs reduce outgoings whilst raising the quality of management and governance. As one of the clubs in relative financial health commented:

“If all the skills on which the club can draw had to be paid for, the club would be losing money”.

Another observed that:

“Using the business expertise of the supporters has produced greater management capability and professionalism than the club could afford under the previous regime”.

But what if the volunteer labour diminishes? What if poor results start to undermine the fan *and* the volunteer base? It was recognised that the whole volunteer structure is fragile. In one instance, a club had managed a necessary redundancy programme by bringing in volunteer labour – in some cases people who had lost their jobs came back as volunteers. But while this is awesome in terms of people’s commitment to the club, it undoubtedly puts pressure on the individuals (the club will go under if they withdraw their voluntary labour); and there is a knock-on effect on standards and management control (a club has no leverage if it doesn’t pay staff).

14. The meeting shared a general feeling that the leagues could do more to generate good financial practice, through systematic benchmarking, for example, and dissemination of best practice information. All clubs subscribe to the principle of a balanced budget but how to effect it and establish what exactly are the indicators of sound financial management is difficult. The focus can be too strongly on the recruitment of playing staff; non-footballing professionals are quite as necessary. Whilst welcoming some regulatory direction from the leagues (wage capping, for example) a perception remains that, as it was put to the meeting:

“the FA, the Premier League and the Football League think that everyone who isn’t a player isn’t essential and doesn’t matter.”

The suggestion was made that the best source of best practice can be non-League clubs. Gloucester was cited as an example with a good volunteer base; the club is just starting the process of forming a Trust. When money was flooding into the Football League from television, diversifying income, resourcing appropriate staffing, safeguarding the future were ignored; but the non-league clubs had to do something.

15. Financial success is closely linked, it was felt, to sporting achievement and a club’s ability to identify with its community. Sporting achievement was differentiated from success in league or cup competitions. The smaller clubs have played a traditional role in bringing along young players, and in cultivating local youth talent closely connected to the club and the town. This is the source of sporting achievement. Reference was made to the FA’s recent and welcome efforts to benefit grassroots and community football e.g. the rule that academy recruits have to live within one hour’s travelling time of the academy. With local youngsters playing for a club, and first team players living in their local towns again, player involvement in local schools and youth activity is easier and more meaningful, and generates affiliation to the local club rather than the big Premiership clubs.

16. Sporting penalties on clubs that go into administration had prompted mixed reactions when introduced by the Football League. The meeting was in favour of the principle but there was some feeling that to apply a blanket penalty was too blunt an instrument and that each case should be judged on its own merits or demerits. If the penalty system isn’t managed carefully, a club can be permanently condemned to the lower divisions. This can be the consequence of wage-capping, too.

17. Equal gate-sharing was put forward as an alternative means of strengthening club finances. Doubts were expressed. Historical precedent (till 1985) offers evidence of the benefits of this system but, on balance, clubs, whatever their size, prefer to keep their gate receipts these days – cup games being an exception, where gate-sharing is still the rule. In the Premiership, this motivates the drive for bigger capacity grounds. At a small club, equal gate-sharing could seriously damage a club’s financial position if it is one with good home crowds. For a club like AFC Wimbledon, gate income is the only way to service their debt.

18. It was generally observed that Trusts have emerged in response to a set of circumstances, typically related to a sense or state of crisis at individual clubs. Trusts are often focused, therefore, on crisis management, which sits uncomfortably with long-term business planning, strategic thinking, human resource planning and innovative revenue initiatives. The mix of skills and knowledge needed is complex, and was raised during the discussion on governance (see below). The group felt the need for opportunity to pause.

“In terms of going forward, getting together as a group would be useful, having opportunity to put up some signposts for the future, beyond the day-to-day firefighting.”

Supporters Direct offered to facilitate this. The group also suggested getting together with the regulators, outside major league assemblies, to identify what can be achieved and what assurances are needed.

19. It was noted that the discussion had not mentioned the FA Premier League (FAPL), despite the fact that several FAPL clubs have gone into administration and are now struggling in lower leagues. Measures taken to pre-empt irresponsible financial management, such as wage-capping, are not adopted by the Premiership, not least because the financial condition of a successful FAPL club would render meaningless the kind of formula that has been introduced in Leagues 1 and 2. The question was put as to whether there is a role for the FAPL to identify more with the financial challenges facing the lower leagues and to help. Some clubs have experienced this: Sunderland, for example, then in the Premiership, was very supportive of York City at the height of its difficulties. But generally experience was that beyond the occasional player loan, FAPL clubs do nothing much. The suggestion was made that regulatory change is needed to redress the balance; it was also suggested that there should be a review of the current three-part governing body structure and the FAPL’s role in particular, and a review of governance and the governing bodies themselves. The IFC should be calling for this. On the other hand, the non-FAPL game and its support are not collapsing: does the Premiership’s lifestyle matter?

Governance

20. The Chair raised the question of whether directors should be elected or nominated. Practice varied amongst the clubs represented, with a trend towards election. Brentford is about to elect the Trust representative to the board, having nominated till now; whilst Lincoln City, for example, argued that Trust representatives are elected by open vote and so those nominated to the club board are effectively elected. Boards at Trust-run clubs sometimes simply, often rapidly, evolve in response to crisis. Supporters Direct agreed this is an area for attention. No one had looked at best models e.g. co-option v. nomination v. election. There may be no perfect model but there is a need to think through what a club and its Trust needs and does, assigning roles and responsibilities, with conscious awareness of what are the limits of what a group, tasked to run a club, can and can’t do.

21. There is a dilemma between representing the Trust i.e. the supporters, and simultaneously acting objectively in the interests of the club, regardless of affiliation. Directors, it was suggested by the Chair, have a collective duty to the board and shouldn’t have a duty to a representative group. Delegates recognise that it is difficult to ride both horses, in particular it is difficult to decide what to report to the supporters and what not to report, whilst retaining their confidence. It was questioned whether there is any difference in the FC situation and any company board: each director is there because he/she represents a shareholding. It was put that any director has a legal responsibility to the whole company, to taking decisions for its stability and long-term interests. The task for a Trust member is to exercise independent judgment; to represent the supporters’ views to the other directors; to represent the directors back to the fans – including explaining to them the (often financial) limitations under which the board operates. But examples were given of other instances where difficulties arise. For example, chairmen and directors of football clubs have traditionally been expected to help with cash-flow, to act as benefactors as well as board members. Trust representatives may not only be uncomfortable if asked to do this, but also unable. Their job is to run the club properly, not to buy players. At one club:

“They didn’t feel they had gone from being on the Supporters Trust to being on the board in order to provide financial assistance. They are not always able to do it. There is a role question.”

It was suggested that this might be discussed in a piece in the Supporters Direct magazine though Supporters Direct felt it is better for those experiencing the problem to discuss it, to exchange experience of setting up accountability lines between shareholder groups. Some clubs have started to share experience, informally.

22. Managing supporter expectations is the crux. The meeting agreed this is probably easier for a Trust. The onus on Trust board members can be heavy: working closely with the supporters makes heavy

demands on time; the responsibilities of fund-raising can be relentless and require close supporter understanding; likewise helping the image of the club and its links to the community, which must also be done. The meeting strongly stressed these are core duties and that there is no room or right for any director, whatever previous models or customs, to be there to feather their own nest.

23. There has been, it was felt, a big governance shift, a change in roles, responsibilities, expectations. Accountability is a big issue, and one that returned the discussion to the debate between election and nomination. Elections are important if one has to report back what one has been doing and why. Chairmen should no longer be able to dismiss supporter opinion on the grounds that “it is my club”. But as Supporters Direct observed:

“The Supporters Trust motto is that one of the benefits is better management – but that won’t necessarily grab people’s hearts”.

24. In practical terms there are two jobs: addressing the long-term and addressing the nitty-gritty of day-to-day management. The old-style directors had a lot of cumulative experience of, as it was put, “shoving clubs through the problems of running the things”. But clubs are now wary of the expertise that represented, the fast-sacking, the scraping-by. Nonetheless it was recognised that those skills cannot necessarily be disdained and that clubs need to be resourceful about pulling them in and achieving a balance of skills. The same applies to planning the long-term. Clubs may not have experience of how to do this, though forward planning, it was noted, is now required by the Football League. One club acknowledged that it was now planning strategically for the first time:

“Never before has the club said, ‘this is where we want to be in 3, 5 years time’, or thought about how to get from the present situation to somewhere else in the future. Getting to the end of the season was far enough”.

Conclusions

25. In summary, the following points were made:

- The change in club governance in recent years has been remarkable. Seven or eight years ago it was revolutionary to think a supporter might be on the board of his club; the idea of supporter shares was unbelievable.
- The wider changes in society are relevant to the shifts that have occurred. People generally – not only supporters – don’t like the old self-serving model but look for something for the community.
- It is both fortunate and unfortunate that these changes have come about via crisis. If there had been no crisis the old models would not have started to disintegrate. But it is bad luck for the Trust movement always to inherit in the bad times.
- Trusts, the new breed of directors, can put their collective weight to more effect; they can campaign for change; they should see the authorities more; they can call for and influence regulatory change.
- There is no “right” model of governance. The aim must be to conduct a well-run business. The short-term tends to preoccupy but its conduct offers no guide to the longer-term nor the prospective success of a club in juggling the three – maybe irreconcilable – competing demands: sporting success, financial success, successful governance.
- There is a widening gulf between the Premiership and the rest of football. The finances and ambitions are vastly different and in some cases there is an instinct “to let the FAPL go”. Outside the Premiership the focus is not on Europe and TV revenues but on the community and football’s role in local issues. Those clubs represented at the meeting are comfortable with this.
- It was remarked that this event was the first time for those present that they had had opportunity to sit down with each other, exchange views and experience and explore the issues. It had been invaluable and they hoped the opportunity would arise again.

SESSION 2

Boston United, Darlington, Leicester City¹, Oldham, Port Vale, York City

26. Again, clubs had provided a summary profile of their situation in advance of the seminar; delegates were also invited to speak briefly on their individual club situation at the start of the session. In this session, those present, with one exception (York City where the club Chairman is also a Supporters Trust board member) were not members of a Trust or supporters' group but carried an executive role at their club (see Annexe A). Those present reflected a range of experience, including a CEO with 23 years at the same club; a former player who moved from playing to being another club's CEO within 3 days; and an experienced executive brought in from outside the industry as CEO to build the business. In general terms the clubs had more structural and situational differences than points in common:

- All of the 6 clubs were operating under a Chairman appointed within the last 2½ years. With one exception (Boston Utd which has never been in administration) the new Chairman was appointed in consequence of the club's going into administration.
- All the clubs, with the exception of Darlington, are structured around a single company
- All of the clubs² except York City are showing turnover growth.
- All the clubs have a focus on stadium/ground facilities and related marketing opportunities. In the case of Darlington, Leicester and Port Vale, investment by a previous regime has provided these; at Boston, Oldham and York they need either relocation or site development to provide them.

The main differences were:

- Four of the six clubs are private companies limited by shares; the other two (Leicester City and York City) are public companies (not listed).
- Five of the clubs have a Supporters Trust, the exception being Boston United. All were formed at a time of growing financial crisis and concern about the governance of the club. However, at only two of the clubs (Port Vale and York) does the Trust have board representation, although at Leicester City the Trust has an observer at board meetings, and at Boston a member of the Supporters' Association sits on the board.
- At two of the clubs (Boston and Darlington) the Trust has no shareholding; at three (Leicester, Oldham and Port Vale) the Trust's shareholding is minimal (between 1% and 3%). York City is the exception with a Trust shareholding of 85%.
- Four of the six clubs (Boston, Darlington, Leicester and York) were showing an operating profit before player trading after the 2003/04 season; the other two are not.
- One of the clubs, Leicester, is playing in the Championship; two (Oldham and Port Vale) are in League 1; two (Boston and Darlington) are in League 2; York is playing in the Conference. Two of the clubs (Leicester and Oldham) have previously played in the Premiership.
- Two of the clubs (Port Vale and Boston) enjoyed reasonable sporting success in the 2003/04 season, finishing in the top half of their respective divisions; two of the clubs (Oldham and Darlington) finished the season in the bottom half of their division; the other two clubs were relegated.

27. The following points emerged from the five³ presentations:

- The feelings expressed in session one about single, powerful benefactors were echoed. It is a model of which clubs are becoming wary, particularly where clubs are trying to manage a situation where a benefactor has exited, leaving a legacy of debt, distrust and turmoil. The predator chairman has not disappeared: one club reported that there had been six bidders for the club during its time in administration, not one of which enquired about the club's sporting side, the main interest being in the ground. But some recent business takeovers, at Boston and Oldham for example, are offering hope and a new direction. And envy of a club with a single big benefactor remains, even though reliance on benefactors is essentially a lottery – who knows where the saviour's priorities will lie and how long his/her interest last?

¹ Leicester City was not present at the meeting but had supplied information prior to it.

² Position of Oldham Athletic not known at time of writing

³ Leicester City was not present at the meeting but had supplied information prior to it.

- There is respect for the Supporters Trust movement and growing recognition of a role for supporters in the running of the club. At Boston, which has no Trust, the club was looking at the Trust question prior to the recent takeover; Darlington, which has no supporter representation on the board, is looking into possibilities. At Oldham, the Trust's significant fundraising led to agreement to its having a seat on the board.
- There are difficulties in reconciling the interests of and pressures from supporters, and nursing the club out of financial crisis. Supporters don't always seem to realise that debts have to be settled and that running the club as a sustainable business is not compatible with an expensive short-term dash at sporting success.
- Building links with the local authorities is fundamental to success. In some cases the local Council will have bought and leased back the site; in others, local understanding and goodwill is a prerequisite to planning permission and site and business development; almost always off-field activities, dependent on the whole local catchment area (not just its football supporters), supplement and enable on-field activity.
- Being in administration is lonely and uncomfortable. A club is lucky if a football-friendly administrator is appointed, with experience of and sympathy for the peculiar circumstances of the football business.
- Strict financial controls are an essential part of forward business management and stability. Good governance has to be about prudence and clubs not spending what they haven't got.

GROUP DISCUSSION

Supporters, Supporters Trusts and links with sporting success

28. Clubs generally agreed that, for supporters, the success of the club is only measured by success on the field. Even after administration and the turmoil of establishing a new company and/or new board, once there is a new structure in place supporters may start demanding the club buy new players. From this point of view it helps to have supporter representation on the board, gaining direct experience of the financial restrictions the board faces, and sharing the pressure which also comes from managers - who want sporting success to insure their own careers.

29. Clubs were doubtful whether having a Supporters Trust made it easier to manage supporter expectations. The general feeling was that it did not. If a club is relegated the difficulties can actually be exacerbated because those supporters who have donated to the club hoping for its survival may react bitterly. On the other hand, it was felt that supporters are becoming more realistic. At Oldham, for example, the supporters no longer aspire to the Premiership, which they know the club would not survive, and recognise that big playing squads and a succession of managers is not sustainable.

30. Those with Trust representation on the board welcomed the Trust's role in meeting the supporters, educating and informing them and finding the courage to go with, and communicate, unpopular decisions. Supporters' Associations are different unless, like Trusts, they have also raised funds and earned the respect that goes with financial investment in the club and its proper use. Port Vale, however, was brought out of administration by a supporters' group separate from the trust, and has experience of supporter fundraising dating back to the seventies. There are rival factions of supporters at the club, however, giving rise to quarrels and difficult relations with management. The different factions have declined to merge.

31. For the smaller clubs to endure, sporting success has to be put into perspective. Football needs the dream, the belief that anyone can win the FA Cup, even though this is getting harder to sustain as the gap to the Premiership widens. But stability and respectable sporting performance, that entertains the crowd and sustains a loyal supporter base, is acceptable. To achieve this, sporting triumph is not the main driver. At Darlington, for example, the club sees its future as a leisure club that plays football; at Boston and York relocation may be the only answer to revenue growth because present sites offer no commercial opportunities; at Oldham the club has to concentrate on off-field revenue. The meeting noted the York experience however: with relegation to the Conference the club now has only half the income it had in the season when it achieved operating profit; effectively they have to start again.

32. Amongst the clubs present, there was no real pattern in levels of support for the club. Port Vale and Oldham both had increased gates last season; York and Darlington's gates both went down. A major concern is getting the younger generation back into the clubs. As one delegate put it:

“The concern is that clubs will simply bleed to death, rather than crash because of administration.”

Financial success

33. The Chair sought views on the financial requirement imposed by the Football League on clubs exiting administration, and whether these should be more widely applied. There was general agreement that the requirements were useful and that new financial controls, such as wage-capping, help, not only with budget management but in explaining the club's position to fans. Clubs will also independently bring in appropriate controls such as step-down clauses in players' contracts. Preparing regular accounts for the Football League is not seen as either a problem or a burden but normal business practice which a football club should not find out of the ordinary. Clubs reported that they had little dialogue with the Football League: only one club (which had received one query) had experience of any in the last twelve months. Those present generally accepted the Football League's introduction of sporting penalties for those going into administration.

34. Two clubs had been visited by the FA's Financial Advisory Unit (FAU) and found the personnel very sound, although they did not feel they had found out anything from the FAU that they didn't already know. It was noted that strict financial controls are not imposed by the FAPL on its clubs, and that wage capping does not apply in the Championship.

35. Importance was attached to having personnel with appropriate finance skills. Examples were given of board reluctance to sanction such recruitment in the past, deeming it low priority. But professional financial management brings out and develops best practice and gives a clear message to the manager, players and agents.

36. The meeting was asked to what extent reform had been driven by the collapse of ITV Digital and Football League initiatives. Clubs agreed that the ITV collapse had prompted serious rethinking and might be seen as a blessing. Disquiet was expressed about discrepancies in the system that emerged during the succession of financial crises. A club like Leicester was able to write off huge debts through administration, re-opening the financial divide in doing so, and enabling the retention of players and a route straight back to the Premiership. The financial benefits Leicester seemed to gain leave a suspicion of unfairness still hanging in the air. It was also commented that clubs in different divisions seemed to be given different timescales in which to reform and this seems unfair. But that there should be a universal and contemporaneous drive to modernise was welcomed.

“Setting clear and firm financial standards from the centre is an acceptable principle, providing they are applied fairly and consistently.”

37. Fairer distribution of TV money was discussed. This could only be achieved through agreement and direction from the centre and as this would require a majority vote amongst clubs currently benefiting from the present system, it does not look likely. Nonetheless there were strong feelings that the growth in TV revenues in the Premiership in the last ten years has been excessive. Gate-sharing is not an attractive option for addressing greater revenue equality however. Clubs prefer the status quo because it offers a known quantity against which the club can accurately budget.

38. Financial success isn't easily defined. Emerging from administration is a milestone but does not equate to long-term sustainability. Achieving operating profit is an indicator but is not the same as cash. Impressive numbers may mean little in absolute financial and sporting terms: it was sadly pointed out that York's £83,000 operating profit – a tremendous turnaround from being £300,000 in debt two years ago – wouldn't begin to buy a goal-scoring forward. Clubs that have not been in administration are not necessarily more successful financially. Boston explained that the club had gone to the Revenue when there was nothing left for anyone to buy or sell and agreed a deal. Chesterfield risked administration, however, when there was nothing left for the “bandits” to come and get. At the other extreme, some of the biggest and most successful clubs evidently benefit from the single benefactor model. But the risks, at any level, are evident. As one delegate said:

“Benefactors make their investments but they can’t continue to bankroll a club. If the benefactor runs out of money then everyone’s snookered.”

Governance

39. The meeting was asked if there were clubs that were regarded as role models. Clubs agreed that they each had a sense of where they might go for advice and examples were given of helpful and constructive relationships. Darlington, for example, feels it can call on Middlesbrough any time. But the Premiership cannot provide models of good governance because of the difference in scale. The same applies in the Football League. Hull was cited as a possible role model, having achieved a major turnaround, with a magnificent stand paid for by the flotation of the city council’s telecommunications company, a wage bill at 30% of turnover and turnover at £6.3m – and promotion to League 1. But for Boston, though it has spoken with Hull, their situations are on wholly different scales. Port Vale finds the same with Stoke City, though relations between the two neighbouring clubs are open and amiable. Crewe Alexander was put forward as a good example of a well-run small club, with a board willing to believe in its manager despite fluctuating sporting success. There is no obvious model of good governance. At Hull, for example, there is no role for supporters in the governance of the club, but that does not discount the relevance of a supporter involvement elsewhere. Some things are down to luck: Hull had benefited from regeneration money being available at the right time through fortunate local business circumstances.

40. Many of the problems and challenges are common to the CEOs and boards of clubs, not only the nature of the problems, but the fragility of their solution and their seeming inevitability:

“A week before the season starts everything might be looking great. Then cometh the hour: mistakes are made and it all falls down.”

Experience is often shared informally, often on matchdays; more structured networking would be helpful. The forums that exist are welcome: annual meetings on marketing, quarterly Football League meetings for Chairmen and CEOs. But these can be large and sometimes intimidating for a that don’t always engender open debate and which can lend themselves to dominance by a few clubs.

41. Introducing supporters to the governance of the club isn’t automatically a panacea. It isn’t easy to turn gamekeeper, to make decisions that supporters don’t like. Decisions have to be based on fact not sentiment.

42. The point was made that governance is about both internal and external relations, and building trust and confidence in both. Clubs gave examples of how previous poor relations with local suppliers, for example, can prove crippling to new regimes which might encounter not only suspicion but hostility and non-co-operation. Refusal of credit terms, restrictions on bank facilities (including BACS), insistence on cash payments for goods and services all happen. And the other side of the coin is the small creditors who are beguiled by the big benefactor and then lose everything. It was suggested that this is an area for the football authorities to consider: they could help by underwriting, or having a bond for clubs coming out of administration.

43. In general, on questions of finance and governance, clubs find the Football League and the FA helpful. But it was felt that there would be merit in some wider interventions, such as those discussed, and a greater care for consistency in the application and interpretation of the rules applying to clubs in difficulty: the example was given of discrepant conditions on ground tenure imposed when a club is not in administration, when there is no League supervision, and on exiting from administration, where controls are exigent and lose sight of pragmatism.

Conclusions

44. In summary, the following points were made:

- In both sessions, a key issue had been the twin problems of the day-to-day running of clubs whilst also dealing with the broader structure of football.
- That a new realism is creeping into the game is a welcome trend. Awareness is growing of the need for serious standards of financial management and good governance. Lessons from the past are being heeded, predominantly the dangers of wild spending. New boards should be more sensible because of previous troubles – but the old style of benefaction retains a lingering

appeal, driven by the dream, and there remain chairmen and directors content to abandon their business sense once they get the whiff of football

- The rise of supporters movements is important. Supporters Trusts are generally respected and welcome. They exist at almost all clubs now. The value of Supporters Trusts is not simply fundraising, though this is invaluable, but the provision of a two-way conduit to the fans. It is important to find the right *modus vivendi* when it comes to the running of the club. There can be political agendas and factions and these perhaps are inevitable. The important thing is to find ways forward.
- Rediscovering a club's community role is vital. It is the key to a successful sporting future. The local community is the source of the club's present and future supporters. Integrating a club with its community provides football with the right profile and demonstrates the game's capacity to contribute to local needs outside football, through learning centres and wider community programmes. Port Vale, for example, kept its community programme and centre of excellence going throughout its financial difficulties.
- The ageing of the football-going population is a big issue that must be addressed; also the failure of clubs to attract ethnic minorities. The erosion of the traditional supporter base is being ignored. This is a serious oversight.

NEXT STEPS

45. This note forms a summary record of the meeting held in August, and is for distribution to those who contributed and other directly interested parties. It deliberately draws no conclusions on the part of the IFC. The intention of the IFC is to draw on these findings, and other evidence brought to its notice during the course of 2004, and form its conclusions from the totality. These will appear in the IFC's 2004 Annual Report, to be published in February 2005, when it will be publicly available.

46. The IFC would like to thank all those who participated in the August seminar and for their contribution both before and during the vent to the subjects under discussion. All of them are currently central to football's agenda.

Independent Football Commission
October 2004

PARTICIPATING CLUBS

AFC Wimbledon (club Chairman, who is also a Supporters Trust board member)

Boston United FC, CEO

Brentford FC (Bees United – Brentford Supporters Trust)

Chesterfield FC (Chesterfield Football Supporters Society)

Darlington FC, CEO

Exeter City (Exeter City Supporters Trust)

Leicester City FC*

Lincoln City FC (Lincoln City Supporters Trust)

Notts County FC (Notts County Supporters Trust)

Oldham Athletic FC, CEO/Secretary

Port Vale FC, Secretary

York City FC (club Chairman, who is also a Supporters Trust board member)

* not represented at the seminar

INVITED SPECIALISTS

David Conn is a well-known journalist who writes a weekly column for *The Independent* on the conduct of football clubs. He is also the author of two books on the subject: *The Football Business* published in 1997 by Mainstream Publishing; and *The Beautiful Game?: searching for the soul of football* published by Yellow Jersey Press in September 2004.

Sean Hamil is Deputy Director of the Football Governance Research Centre at Birkbeck College London, which conducts academic research into football governance and publishes an annual review of the corporate governance of clubs. He has contributed to several books on the subject, including *Football in the Digital Age: Whose Game is it Anyway* (Mainstream, 2000), and *The Changing Face of the Football Business: Supporters Direct* (Frank Cass, 2001) both of which he co-edited.

Dave Boyle was at the time of the event Acting Manager of Supporters Direct, the organisation founded in September 2000 to assist supporters seeking formally to engage in the running of their club by providing advice and guidance. Supporters Trusts now exist at 121 football clubs; at 8 of them the Trust owns and runs the club. Dave attended the first session of the seminar, representing Supporters Direct and able to provide an overview of the impact of the Trust movement. Supporters Direct is funded by government.

ABOUT THE INDEPENDENT FOOTBALL COMMISSION

The Independent Football Commission was established at the end of 2001 by the governing bodies of football in England, with the agreement of government. It scrutinises the performance of the governing bodies - the Football Association, the FA Premier League and the Football League – with particular reference to their role in enhancing customer services within the football business; their success in meeting the needs of the football community in England; the appropriateness of the rules and regulations by which they govern the game. Overall, the IFC's role is to evaluate the effectiveness of football's existing self-regulatory framework and to suggest improvements. Additionally, the IFC forms the last point of appeal in football's complaints process. The IFC is funded by the football authorities. Its Chairman is Professor Derek Fraser. Five commissioners currently serve on the IFC's board: these are appointed by the Chairman through public advertisement.

Further information about the IFC can be found on the IFC website: www.theifc.co.uk.

The IFC examines a range of issues on an annual basis, and publishes its findings and recommendations in a publicly available Annual Report. Additionally, it publishes single-issue reports from time to time. The following is a list of current IFC publications. These are available free of charge and may be ordered from the publications page of the website, or on request to the Assistant Secretary of the IFC at the address given below.

IFC Annual Report 2002: pushing the pace of reform

Annual Report 2002 Executive Summary (pdf version can be downloaded from our website)

IFC Annual Report 2003: a call for unity of purpose

Annual Report 2003 Executive Summary (pdf version can be downloaded from our website)

Self-Regulation: an examination how football is regulated, with recommendations for the future (May 2004)

For enquiries relating to the above publications contact:

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