



Rt Hon Nadine Dorries MP  
Secretary of State for Digital, Culture, Media, and Sport  
Department for Digital, Culture, Media, and Sport  
Fourth Floor  
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**Letter sent by email.**

5 April 2022

Dear Secretary of State,

Further to the joint letter sent by the football authorities on 11<sup>th</sup> February, I write to provide you with an update on discussions between the EFL, Premier League and Football Association on the Fan Led Review of Football Governance, in particular the issue of financial distributions across the football pyramid.

As you will be aware, the EFL supports the main recommendation of the Fan Led Review which is the introduction of a statutory independent regulator as a means for delivering a sustainable financial model for English and Welsh professional clubs at all levels of the football pyramid. We also continue to engage with your officials in relation to the broader recommendations of Tracey Crouch's report.

Club sustainability cannot be achieved, however, without agreement on the issue of financial distributions from the Premier League to the rest of the game. I am afraid to report that there has been no significant breakthrough despite Tracey Crouch's report calling for a resolution by 31<sup>st</sup> December and your letter of 3<sup>rd</sup> February in which you made it clear that you "*urge progress here*".

It is increasingly clear to all parties that we are trying to bridge both a financial and philosophical divide between English football's two professional leagues. In monetary terms, the gap in annual revenue between Premier League clubs and EFL clubs has increased from £660m to more than £4bn across the last twenty years. Not only is this the problem that we are ultimately seeking to resolve, but it is also indicative of the gulf in bargaining power between the two organisations – as is the fact that this problem has been allowed to build across two decades without the football authorities seeking to identify a workable remedy.

From the EFL's perspective, we have been trying to address this critical strategic challenge for English football for the last two years, but the first meaningful meeting with the Premier League took place only last Thursday (March 31<sup>st</sup>). Progress was limited, but we will continue to see if a resolution can be found.

The reality is that the EFL has relatively little leverage that it can use to effect a positive outcome from these discussions and we would ask that DCMS is realistic when asking the football authorities to resolve this issue themselves. Frankly, it remains unclear to us whether this issue can ever be resolved without some form of external intervention, possibly by the FA, but more likely from Government. Meanwhile, financial pressures continue to mount throughout the football pyramid and political pressures build for the Government in instances of financial distress at individual clubs, such as at Bury, Macclesfield Town, Wigan Athletic and Derby County. If nothing is done, it is likely that there will be many more of these cases.

The recommendations of the Fan Led Review called for any new independent regulator to be given backstop powers to resolve this issue if it cannot be determined by the football authorities themselves. I hope the current impasse demonstrates why it is so important that this recommendation is carried forward into your response to Tracey Crouch's report to create a way of resolving this and any future iterations of this critical negotiation for English football.

That said, our preference would be to find a permanent (or at least long term) solution to this issue to save the need for any future deliberations at all. As you will recall from my previous letter, the EFL believes that football needs a significant financial and regulatory re-set to prevent the football pyramid from fracturing with disastrous consequences for clubs in towns and cities across the country. The solution is for the system of parachute payments, which distort competition and cause clubs in the Championship to spend beyond their means just to remain competitive, to be discontinued. Instead, the Premier League and EFL should jointly sell their broadcasting rights



to maximise value. The distributable revenues of the two leagues should then be pooled with 75% distributed to Premier League clubs and 25% to EFL clubs. In real terms, this would involve around £250m of additional funding to the EFL, less than the £272m Premier League clubs paid to agents over the last 12 months (Feb 2021 to Jan 2022). The two leagues should also adjust the distribution formula within each division to slightly steepen the gap between the top and bottom clubs in the league table.

These measures could halve the financial gap between the Premier League and Championship (negating the need for parachute payments to exist in the first place) and cover the current operating losses of clubs in Leagues One and Two. At the same time, new financial regulations, as proposed by the Fan Led Review, would need to be implemented to ensure that this additional funding would be used to make clubs sustainable rather than simply inflating player wages and transfers. For our part, we continue to work on establishing our new independent unit to oversee compliance with our financial regulations. This initiative predates the Fan Led Review and draws upon our experience in successfully enforcing our Profit and Sustainability Rules over the last two seasons. A new Director of Club Financial Reporting, an experienced forensic accountant, will start work later this month and will lead a new team that will work independently of the EFL. We have also offered the Premier League the opportunity to join with us in this new approach.

It is our belief that that fairer redistribution and better regulation moving forward together, simultaneously, could transform the football landscape by ensuring that clubs live within their means. Equally, this could be achieved without damaging the ability of our top clubs to compete against their European counterparts given that the Premier League would still be the richest league in world football by some considerable margin.

Delivering a sustainable pyramid would also help the government deliver on its Levelling Up agenda and its commitment to increase *"pride in place and engagement with local culture and community"* in towns and cities outside of the major conurbations, where many EFL clubs are located. From deliberations with some of your colleagues in Westminster, it is clear that this point is well understood by Conservative MPs, particularly those in northern seats, who also recognise that it can be delivered ahead of the next General Election and at no cost to the taxpayer.

As ever, my colleagues and I would be very happy to meet with you to discuss these issues further. For our part, we will continue to engage with the DCMS team and Oliver Wyman. We will also continue to try and make progress with the Premier League. We look forward to reading the Government's response to the Fan Led Review and working with you to ensure that we have a sustainable, competitive and well-regulated football pyramid.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Rick Parry". The signature is fluid and cursive, with a large initial "R" and a long, sweeping tail.

Rick Parry

Chairman

EFL