



Department
for Culture,
Media & Sport

A Sustainable Future – Reforming Club Football Governance

February 2023



A Sustainable Future - Reforming Club Football Governance

Presented to Parliament by the Secretary of State for Culture, Media and Sport
by Command of His Majesty

February 2023



© Crown copyright 2023

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at footballgovernancereview@dcms.gov.uk

ISBN 978-1-5286-3855-5

E02846844 02/23

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office

Table of Contents

Ministerial Forewords	1
Executive Summary	5
PART 1: INTRODUCTION	9
1: Background	9
2: The Case for Reform	11
PART 2: THE INDEPENDENT FOOTBALL REGULATOR	21
3: The Regulator	21
4: The Regulatory Framework	27
PART 3: THE REGULATOR'S SYSTEM	32
5: Financial Regulation	32
6: Corporate Governance	40
7: Owners' and Directors' Tests	46
8: Fan Engagement and Club Heritage	54
9: Financial Distributions	60
PART 4: REGULATION IN PRACTICE	64
10: The Regulatory Model	64
11: Procedural Safeguards	71
12: Transition and Shadow Regulation	77
PART 5: NON-REGULATORY REFORMS	81
13: Government's Broader Strategy and Work with the Industry	81
14: Women's Football	82
15: Player Welfare	83
16: Equality, Diversity and Inclusion (EDI)	85
17: Agent Regulation	88
18: Alcohol and Football	89
PART 6: CONCLUSION AND NEXT STEPS	90
19: Conclusion	90
20: Next Steps and Plans for Consultation	92

Ministerial Forewords



Football is not just a sport. It is part of our history, our heritage, and our national way of life - bringing communities across the country together week in, and week out.

We invented the beautiful game. The English Football League is the world's original football league, while for over three decades the Premier League has been the template for all other leagues to follow - simultaneously generating both the most excitement and the most wealth of any league on the planet. The Premier League and EFL are true global success stories, exported and watched by millions of people around the world each week. But despite this global success, in recent years it has become clear that there are systemic issues at the heart of our national game.

Football is nothing without its fans - and yet in the last two decades, too many of those fans have been let down, ignored or shut out by their own teams. Historic clubs like Bury have gone to the wall, while others have been governed poorly or put at risk of financial collapse - threatening the stability of the wider pyramid. Too often, some owners have forgotten that they are only the custodians of their club, responsible for just one chapter in its history.


So now we are stepping in to protect our national game and put fans right back at the heart of football. This White Paper represents the most radical overhaul of football governance since the rules were first invented over a century ago.

It commits to an independent regulator backed by legislation, and sets out the technical details of how that will work in practice - including the licensing regime the regulator will operate, and the non-regulatory reforms also needed within football. It will give fans a greater voice in their own clubs, make sure those clubs are financially resilient - and ultimately, protect a beloved part of our national fabric.

This is not about changing the fundamentals of the game. It is about protecting the Premier League's position as the strongest league in the world, and, in turn, safeguarding clubs across the entire football pyramid. The issues highlighted above have been known for many years, and yet the industry has failed to take action, despite repeated calls for reform.

This is only the latest example of the government listening to fans and acting to protect the values of our national game. In the last few years we have introduced safe standing at grounds across the UK; secured the long-term future of Chelsea after its owner was sanctioned; invested in grassroots football through the £230 million multi-sports facilities programme; provided an unprecedented £1 billion of financial support to support the sport and leisure industry through a global pandemic; and launched the independent review of the Future of Women's Football.

I know how much football means to this country. Today marks a huge step in securing its long-term future, and restoring fans' rightful place at the heart of our national game.

A handwritten signature in black ink that reads "Lucy Frazer". The signature is written in a cursive, flowing style.

Rt Hon Lucy Frazer MP

Secretary of State for Culture, Media and Sport



Football touches all our communities in so many ways. The game is part of the DNA that makes up the identities of our regions, towns, and cities. Our clubs bring people together as part of something bigger, evoking a sense of pride and community. That is why, for so many people up and down the country, football is part of the fabric of our way of life and integral to our society and culture.

Football is also intrinsically linked to our national identity. We are a nation that believes in fair competition, in integrity, and in taking pride in place. For many years, our national game embodied these values.

Many clubs exemplify these values and are well run. However, in recent years we have increasingly seen some clubs spending well beyond their means and being driven to the brink. These clubs have been characterised by poor management behind closed doors, or by owners treating them like chips at a poker table.

Some of our most historic clubs - like Bury, Macclesfield Town, and Derby County - have been lost to bankruptcy, or languished in the uncertainty of administration teetering on the edge of liquidation, leaving their communities devastated. During my time on the Leeds City Council, I witnessed first-hand the impacts that Leeds United's struggles had on the city and its people. No community should have to endure that.

Like many others, I was left bitterly disappointed by the attempts of several of our biggest clubs to join the breakaway European Super League in 2021. These clubs

were ready to turn their backs on the values on which their success had been built. But their fans were not. That it took mass protests and the threat of government action to halt this breakaway was, for me, the clearest indication of just how out of touch many football clubs and their owners have become from their fanbases.

Without fans, football clubs are nothing. We would all do well to remember that as we work towards reform to secure a brighter future for football.

One of my first meetings as Minister for Sport was with football fans, to understand their concerns. I heard how clubs had suffered at the hands of owners who used and abused their stewardship. Some of the stories I heard of the sacrifices that fans had to make, just to make their voices heard, were truly shocking. I heard how Blackpool supporters boycotted their own club for several years, demonstrating an astounding passion for their club and commitment to opposing wrongdoing. But this simply should not have been necessary.

It is clear that football must be reformed. Under the guidance of the new independent Regulator, football will be set on a more sustainable course for the future, from today and for generations to come. It will ensure a stronger foundation for the continued growth and success of English football, so that the whole pyramid all the way down to the grassroots game can thrive alongside those at the very top. Our comprehensive reforms will ensure that fans have a greater voice; that owners are fit to become temporary stewards of these long-lasting community institutions; and that clubs operate in a financially sustainable way.

With this White Paper, we are taking the next step on the journey towards reform that started with Tracey Crouch CBE MP's groundbreaking Fan-Led Review of Football Governance. It is a journey that has shone a light on the serious issues threatening the very future of English football as we know it. However, it has also shown the path to a more enduring future for our national game. The measures set out in this White Paper detail that path, and we are fully committed to working with fans and football to make them a reality.



Rt Hon Stuart Andrew MP

Minister for Sport and Minister for Equalities

Executive Summary

The commercial growth of English football's top division is an achievement to be celebrated. The Premier League is a global success, attracting more viewers and higher revenues than any of its international rivals. It is a force for good in promoting the UK abroad, and a product that should be protected.

However, English football is currently endangered by the high and growing risk of financial failure among clubs across its top five tiers. There exist fundamental problems of perverse incentives, poor governance, and defective industry self-regulation. These, along with the risk of breakaway competitions, threaten the stability of the football pyramid as a whole and risk leaving fans alienated and powerless.

The Fan-Led Review of Football Governance highlighted the need for reform to address these issues. The Review referenced the botched plan for a breakaway European Super League, the catastrophic losses of historic clubs like Bury, and countless more clubs that have come close to liquidation due to mismanagement, as just some examples of why significant change is needed in how football is governed.

The government agrees that reform is needed and that government intervention is needed to effect this reform. The free market does not properly account for the importance of clubs to their fans and communities, and industry self-regulation has remained inadequate - seeing clubs collapse and fans harmed. Therefore, football needs a strong centre to independently apply reformed rules.

The government will introduce a new independent Regulator for English football clubs. The Regulator's primary strategic purpose will be to ensure that English football is sustainable and resilient, for the benefit of fans and the local communities football clubs serve.

To support this purpose, it will have three specific primary duties:

1. Club sustainability - the financial sustainability of individual clubs.
2. Systemic stability - the overall stability of the football pyramid.
3. Cultural heritage - protecting the heritage of football clubs that matter most to fans.

The final institutional location of the Regulator will ensure independence and proper accountability. For this reason, the government is not convinced that an industry body would be an appropriate home for the Regulator.

However, the government is clear that this should not stop football getting its own house in order. The government will undertake a targeted intervention in

football to set up an independent Regulator, but reform is also the responsibility of the industry. Football can act now to address the issues of sustainability, and the government would encourage the industry's existing bodies to continue to bring in change in the interim, before the Regulator is operational.

The Regulator will operate a licensing system, where clubs will need a licence to operate as professional football clubs. Legislation will establish four Threshold Conditions of the licence and the Regulator will set the detailed requirements under each. The Regulator will have a tightly defined scope and could not act outside of these four Threshold Conditions. It will not intervene in, for example, on-pitch rules of the game or ticket prices.

Financial regulation will be the Regulator's core focus, and will be based on improving financial resilience. At its most extreme, financial failure can lead to clubs ceasing to exist and so risks causing the most significant harm to fans and communities.

To protect against this, the Regulator will require clubs to:

- demonstrate good basic financial practices;
- have appropriate financial resources or 'buffers' to meet cash flows and financial shocks; and
- protect the core assets of the club - such as the stadium - from harm.

To address corporate governance issues in football, the Regulator will establish a compulsory 'Football Club Corporate Governance Code'. To date, the poor internal governance at some clubs has allowed owners to act unilaterally, pursuing short-term interests with little accountability or scrutiny. Under the new regulatory system, clubs will be required to apply a new code and report on how they have applied it, to improve transparency and accountability. The code will be applied proportionally, with regard to the size, league and complexity of the club's business model, and where risk may exist as a result of weak corporate governance.

The Regulator will establish new tests for prospective owners and directors of football clubs. This will aim to avoid any more unsuitable custodians causing or contributing to problems at clubs, and risking harm to fans.

The new tests will consist of three key elements:

1. a fitness and propriety test to ensure integrity of owners and directors,
2. enhanced due diligence of source of wealth (owners),
3. a requirement for robust financial plans (owners).

The Regulator will implement a minimum standard of fan engagement. Fans are the most important stakeholder for any football club, and both parties benefit from their involvement in the long-term decision-making process at a club. The Regulator

will ensure clubs have a framework in place to regularly meet a representative group of fans to discuss key matters at the club, and other issues of interest to supporters (including club heritage).

The Regulator will also add, and reinforce existing, protections around club heritage. The Regulator will require clubs to comply with the Football Association (FA) on its new rules for club heritage, which will give fans a veto over changes to the badge and home shirt colours, in addition to the strong existing protections for club names. The Regulator will also require clubs to seek its approval for any sale or relocation of the club's stadium.

Clubs will only be able to compete in competitions that are approved by the Regulator. This will allow the Regulator to prevent English clubs from joining breakaway competitions that did not meet predetermined criteria, in consultation with the FA and fans. Crucially, this will safeguard against a future European Super League-style breakaway league.

The Regulator will have a targeted power of last resort to intervene in relation to financial distributions, to deliver a solution if football fails to find one itself. A mutual agreement between the football authorities remains the preferred solution to resolving the issue of insufficient and destabilising financial flows. However, the Regulator will have statutory powers to intervene on this issue, should certain thresholds be met. The Regulator will empower and encourage football to reach an agreement itself first, but provide a crucial backstop to deliver a lasting resolution if the football authorities cannot.

The Regulator will operate an 'advocacy-first' approach to regulation, but with the power and mandate to intervene swiftly and boldly when necessary. This means it will aim to use constructive engagement rather than formal intervention wherever possible, but use its strong powers and sanctions to enforce compliance if necessary.

The Regulator will be proportionate and adaptive in its approach, rather than take a 'one size fits all' approach. The requirements on clubs will reflect their circumstances, meaning they might vary based on criteria like league, club size, and financial health or riskiness. Where clubs are already well run, the Regulator will not look to intervene unless necessary.

The Regulator will ensure the domestic regulatory landscape remains coherent and simple for all involved. There may be functions that existing industry bodies can assist with, but the Regulator will have the responsibility and necessary powers to manage concurrent regulation to ensure coherence.

Checks and balances will be embedded in the design of the Regulator and its system, to ensure it exercises its functions in a fair and appropriate way. In addition to its duties and principles, the Regulator will be subject to legal processes to govern how it uses its powers, including requirements to consult and to meet legally defined thresholds to intervene. Clubs will have the right to appeal the Regulator's decisions to a court or tribunal if they feel it has acted unfairly or outside its statutory remit.

The Regulator will take steps to ensure a smooth transition to the new regulatory system. The proposed reforms are novel and will represent a significant change for the industry, so it will be crucial for the Regulator to be operationally ready and for clubs to be supported in the early years of the new system. As part of this, the Regulator will be able to phase-in rules, and offer clubs 'grace periods' to become compliant, as appropriate.

Some of the issues flagged in the Fan-Led Review of Football Governance will fall outside of the Regulator's immediate scope.

- On women's football, the Future of Women's Football Review is in progress.
- On player welfare, the industry continues to push for progress but some key gaps remain.
- On equality, diversity and inclusion, the industry has taken on greater accountability and the government will continue to support reform in this space.
- On agent regulation, the government will continue to liaise with the FA and FIFA on incoming regulations.
- On alcohol at football, the government acknowledges the case for pilots made in the Review in the lower leagues and will continue speaking to stakeholders on a way forward.

The government will continue to engage closely with a range of stakeholders across football and beyond as we work towards legislation. We will undertake a process of targeted consultation ahead of finalising our policy to put football back onto a sustainable footing for fans to enjoy for generations to come.

PART 1: INTRODUCTION

1: Background

- 1.1. This country created the beautiful game; the first football club in 1857, the Football Association in 1863, the first Football League in 1888 and the world's foremost league, the Premier League, in 1992. English football is undeniably a success story - watched by billions globally and with some of the most exciting players, clubs and stories in any league.
- 1.2. However, despite the phenomenal success of football at home and abroad since then, we have seen all too many examples of the catastrophic impact the failure of a beloved club can have on its fans and a local community. There have been over 60 instances of clubs going into administration since 1992, and we have lost historic clubs like Bury and Macclesfield Town. We have seen fans fighting back against their owners at Blackpool and Charlton Athletic and events at Derby County leaving it on the brink of liquidation in 2022. Multiple clubs failing to meet payroll in recent months shows these issues are only getting worse.
- 1.3. Football clubs are central to many communities and the benefits of a thriving club extend well beyond their fans. That is why the government considered it critical to look at how clubs could be put on a sustainable footing, through its 2019 manifesto commitment to conduct a Fan-Led Review of Football Governance ("the Review").
- 1.4. The Review was commissioned in April 2021 by the then Secretary of State for Digital, Culture, Media and Sport. Its purpose was to explore ways of improving the governance, ownership and financial sustainability of clubs in English football in order to protect these vital community assets.
- 1.5. COVID-19 had a huge impact on clubs' already fragile finances, and the botched plan for a breakaway European Super League threatened the fundamental tenets of the football pyramid. These events have only strengthened the case for reform and the need to protect some of our most historic clubs.
- 1.6. The Review was published on 24 November 2021.¹ The government is extremely grateful to Tracey Crouch CBE MP, the Chair, for her comprehensive work, which laid the foundations for the reforms we are proposing.
- 1.7. In the Government Response to the Fan-Led Review of Football Governance ("the Government Response"),² the government agreed with the case for

¹ [Fan-Led Review of Football Governance](#), November 2021.

² [Government Response to the Fan-Led Review of Football Governance](#), April 2022.

reform. We also accepted or supported the ten strategic recommendations for successfully implementing that reform, with some nuance where needed.

- 1.8. This White Paper builds on those recommendations, and outlines a comprehensive plan to introduce an independent Regulator (“the Regulator”) for English football clubs.³ It will be a Regulator that is free from the vested and conflicting interests that have hindered progress in the past, and one that makes sure football works for its fans and communities.
- 1.9. Several issues which were flagged in the Review and the Government Response are outside of the Regulator’s immediate scope. This White Paper also provides updates on these points, highlighting where we want to work with the football leagues and the FA to continue progress towards much-needed reform.

³ In this White Paper, ‘English football’ refers to the top five tiers of the English men’s football pyramid (the Premier League, Championship, League 1, League 2, and National League) and all 116 professional English and Welsh clubs competing in them at any point in time.

2: The Case for Reform

Summary

- The commercial growth of English football's top division is an achievement to be celebrated. The Premier League is a global success, attracting more viewers and higher revenues than any of its international rivals. It is a force for good in promoting the UK abroad, and a product that should be protected.
- However, this cannot disguise the underlying fragility of the English football pyramid. Fundamental problems of perverse incentives, poor governance, and defective industry self-regulation mean there is a high and growing risk of financial failure among clubs.
- This, along with the risk of breakaway competitions like the European Super League, threatens the stability of the football pyramid as a whole and risks leaving fans powerless.
- The unique importance of football clubs to their fans and local communities means the social costs of financial failures would be significant. This includes the risk of irreversibly damaging valued cultural heritage. Reform is needed to avoid these failures and prevent these impacts from arising.
- Government intervention is needed to effect this reform. This is because the free market does not properly account for the full social value of clubs to their fans and communities, and industry self-regulation has remained inadequate despite countless opportunities to reform, and plenty of time to do so.
- Football needs a strong centre to independently apply reformed rules. Intervention to establish a statutory independent regulator would achieve this, and deliver a future-proofed and nuanced solution to football's problems.

2.1 Recent years have seen English football propelled to a world-leading position. Its top league attracts more viewers⁴ and higher revenues than any of its international rivals.⁵ The 2022 Summer Transfer Window saw record gross spending by Premier League clubs of £1.9 billion – almost as much as the other four top leagues (in Spain, Germany, Italy and France) combined⁶ - fuelled by a new broadcasting deal, which rose in value while other major European leagues' deals decreased. Clearly, English football is in demand,

⁴ The Premier League, [Entertaining audiences](#).

⁵ In the 2020/21 season, the Premier League's €5.5 billion revenue was €1.5 billion greater than the next best league, the German Bundesliga (€3 billion). Deloitte (2022) [Annual Review of Football Finance 2022](#).

⁶ [Records smashed in transfer window: Deloitte reports highest ever Premier League spend of £1.9bn](#).

attracting investors and consumers from around the world. These are achievements to be celebrated, and a product that should be protected.

- 2.2 However, this success cannot disguise the underlying fragilities of the English football pyramid. The Review laid bare the incentives to take reckless decisions, poor management, opaque governance structures, and ineffective industry self-regulation that threatens the sustainability of many clubs. Since the Review was published, we have seen high-profile crises at Chelsea and Derby County. These have further shone the spotlight on an industry that has developed cracks under the watch of its self-regulatory system.
- 2.3 Ultimately, for every club with a crisis it is the fans that are hurt the most. It is fans and the local communities that face the uncertainty around the future of lifelong passions, and the holes it leaves in towns across the country.
- 2.4 The challenge facing English football today is to repair these cracks while the pyramid continues to grow, to allow the entirety of the game and all its fans to benefit from sustainable growth. It is the government's view that the industry has shown itself unsuitably equipped to properly address this challenge, and so we have a responsibility to intervene to prevent harm to the country's fans and communities.

The Problem

- 2.5 As set out in detail in the Government Response,⁷ the government believes there is an unacceptably high and growing risk of financial failure among football clubs throughout English men's professional football. This, and the risk of breakaway competitions, threatens the stability of the football pyramid as a whole and risks irreversibly damaging valued cultural heritage.
- 2.6 The Government Response set out the three core underlying problems:
 - i. The structure and dynamics of the market give rise to incentives for reckless financial overreach.
 - ii. The financial and operational management at many clubs is inadequate, exacerbated by poor corporate governance.
 - iii. The existing self-regulatory structures have proved ineffective at addressing issues.
- 2.7 In conjunction, these root problems mean many clubs throughout the English football pyramid are operating in financially unsustainable ways.

⁷ [Government Response to the Fan-Led Review of Football Governance](#), April 2022.

- The prevailing business model exhibits a significant reliance on owner funding to sustain consistent loss-making. Pre-tax losses across the Premier League and Championship were nearly £1.1 billion in 2020/21 - albeit as clubs recovered from the pandemic.⁸
- This is typically fuelled by high spending on transfers and wages. For example, 19 out of 24 Championship clubs reported wage-to-revenue ratios of over 100% in 2020/21, with a league average of 125%.⁹
- The result has been a steady rise in borrowing, mostly through ‘soft’ loans from owners.¹⁰ Net debt in the Premier League and Championship combined reached £5.9 billion at the end of the 2020/21 season.¹¹
- Analysis of the financial health of clubs by expert academics confirmed this fragile picture. The analysis of a variety of financial metrics concluded that there are serious concerns around the sustainability and fragility of football finances. Clubs are being run in unsustainable ways, and with a reliance on owner funding that increases insolvency risk if the personal circumstances of these owners change.¹² When the vetting of these owners is not as rigorous as it should be, this risk grows even greater.

2.8 As a result, many clubs lack resilience against financial ‘shocks’. The recent situations at Chelsea and Derby County have highlighted how many clubs are just one ‘shock’ - a geopolitical shift, a failed gamble for promotion, or a disinterested benefactor - away from a crisis.

2.9 Breakaway competitions represent another potential shock to the market. Proposals like the European Super League would exclusively benefit a small number of clubs at the expense of others (see Box 5). These pose a significant risk to the stability of the English football pyramid and its clubs, the majority of whom would be excluded by design.

Case Study: Leeds United - Financial overreach

Box 1

“Should we have spent so heavily in the past? Probably not, but we lived the dream.”

⁸ Deloitte (2022) [Annual Review of Football Finance 2022](#).

⁹ Ibid.

¹⁰ Injections or subsidies from owners typically take the form of ‘soft loans’ usually offered on interest-free terms.

¹¹ Deloitte (2022) [Annual Review of Football Finance 2022](#).

¹² Christina Philippou and Kieran Maguire (2022) [Assessing the Financial Sustainability of Football](#).

In 2003, Leeds United Chairman Peter Ridsdale made a statement to the media regarding the club's financial situation, which included this now infamous line.¹³

The club's fragile position was built on several years of high transfer spending, financed by borrowing from financial institutions. When the club's gamble for Champions League football failed in successive seasons in the early 2000s, it was laden with an £82 million net debt. Even revenue from the growing Premier League broadcast deal could not cover the spiralling debts and wage bill, and in 2003 Leeds posted net losses totalling £49.5 million.

The mass sale of players to reduce the wage bill led to Leeds' relegation from the Premier League in the 2003-04 season. Following relegation, the sale of players continued and the club was forced to sell its training ground and stadium in 2004. Leeds entered administration in 2007, with the ensuing ten-point deduction guaranteeing its relegation to the third tier of English Football.

Leeds was ultimately saved from liquidation, and has now risen back to the Premier League under new ownership. However, the years of hurt for its fans, the city of Leeds, and the club's creditors could not be reversed.

The case for intervention

- 2.10 Football is the most popular sport in the country. It is an important part of the lives of a large proportion of the population and its clubs play a pivotal role in many communities. The loss of a football club can result in substantial economic and social costs felt by a range of affected parties (see Figure 1).
- 2.11 **Fans** - Unlike typical consumers of typical products, fans have deep emotional and social connections to their club. In economic terms, this means when their club ceases to exist, they will not substitute to an alternative 'supplier' - their demand will simply remain unfulfilled. In football terms, an Everton fan is not going to cross Stanley Park to switch allegiance to Liverpool if the worst happens to their club.
- 2.12 **Fans** - In addition, club failures can have wider impacts on the welfare of fans. They are the ones who suffer from not being able to watch the team their parents and grandparents supported, and who feel the gaping hole on weekends and in their communities. These impacts include the loss of a recreational and social outlet, psychological distress, and a loss of identity and pride. Since the Government Response, the government has commissioned research from Ipsos MORI to better understand the value of football clubs to their fans and communities. The research found that the

¹³ [Leeds United, Chairman Makes Statement](#). January 2003.

welfare gains generated through the continued existence of English men's professional football clubs amounted to £360 million per year.¹⁴

- 2.13 **Local communities** - Unlike typical businesses, football clubs are community assets with cultural heritage value. In addition to the direct and indirect economic benefits they deliver to local areas, they benefit wider society. Clubs often engage in community initiatives, and contribute to civic identity and pride in place. For example, Club Community Organisations in the English Football League (EFL) contribute £63 million to community and social projects each year,¹⁵ and The Premier League Charitable Fund has a three-year budget of around £100 million to support community organisations.¹⁶ Even non-football fans value their local football club, citing its cultural heritage value as well as associated charity and volunteering work.¹⁷ In the event of a football club failing, these contributions may be partially or fully lost.

Levelling up: the distributional impacts of club failures

Box 2

- The impacts of club financial failures are likely to fall disproportionately on lower income areas. Around two-thirds (73 of 115) of the clubs in English football's top five tiers are in regions where the average disposable household income is below the UK average. For EFL clubs, this rises to nearly 70% (50 of 72).¹⁸
- The Review found that the loss of football clubs can 'hollow out' towns and communities. In addition to the social impacts, this can lead to long-term economic damage ('scarring') as local economies can no longer benefit from the positive growth multipliers associated with football clubs.

- 2.14 **Wider football ecosystem** - When a club is in financial distress, there can be ripple effects through football. For example, analysis of club finances identified the interconnectivity of clubs through transfer fees owed as a potential risk factor for systemic problems if more clubs become distressed.¹⁹

- 2.15 **Supply chain** - Clubs indirectly support economic activity and employment in supply chains that depend on them.²⁰ When a football club enters

¹⁴ Contingent Valuation of Men's Professional Football Clubs and the Fan-Led Review Recommendations for DCMS, Ipsos MORI, 2022.

¹⁵ EFL (2020), '[Measuring the impact of EFL clubs in the community: insight and impact report 2020](#)', p. 11.

¹⁶ EY (2022), '[Premier League: Economic and social impact](#)', January.

¹⁷ Ibid.

¹⁸ Internal DCMS analysis using ONS Regional differences in productivity and household income data from 2018 by NUTS3 region, ONS, 2021.

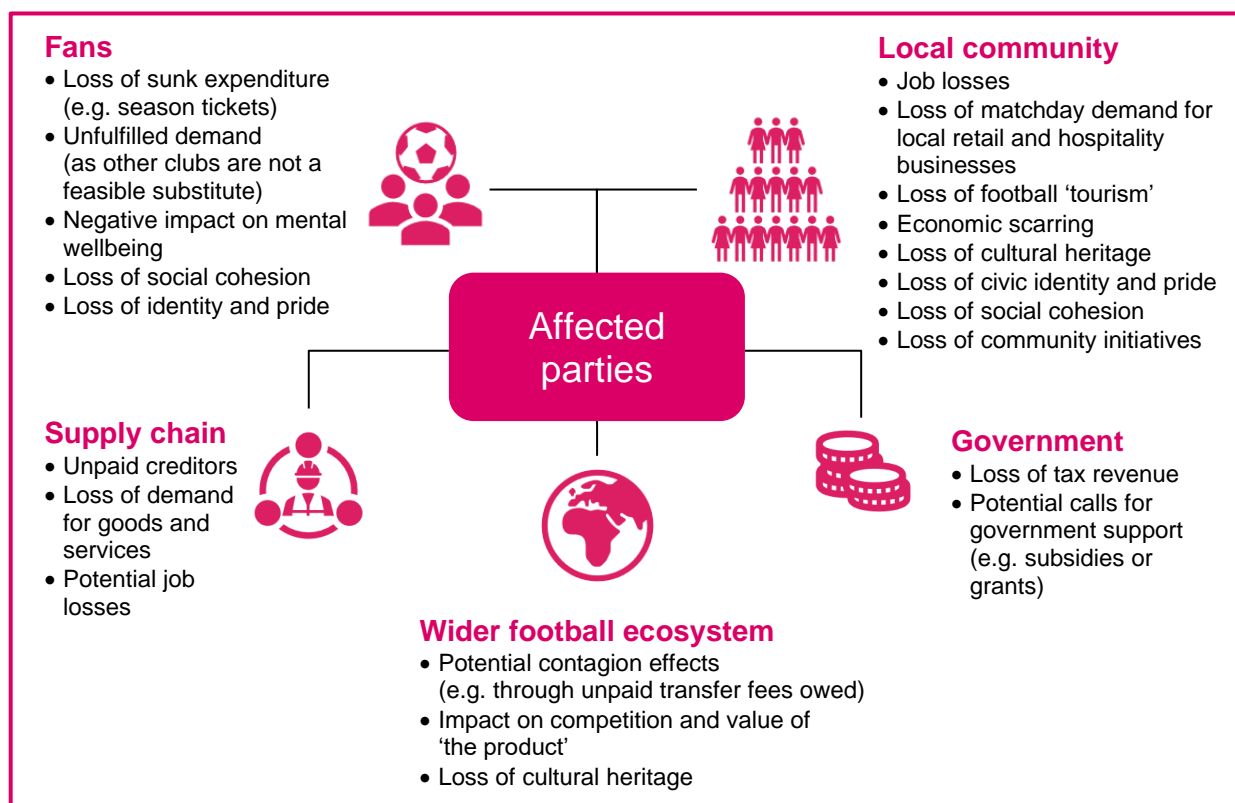
¹⁹ [Assessing the Financial Sustainability of Football](#), Christina Philippou and Kieran Maguire, 2022.

²⁰ For example, Premier League clubs alone spent £1.8 billion through their supply chains in 2019/20, supporting an estimated 47,000 jobs. *EY - Premier League: Economic and social impact 2022*.

administration, there is no guarantee that creditors in the club's supply chain will recoup what is owed to them.²¹ If the club goes into liquidation, those supply chains will lose future demand for their business too. For example, in 2007, Leeds United's administrators produced a 25-page list of creditors, including local hospitals and utilities providers, many of which were offered just pennies on the pound for what they were owed.²² The failure of football clubs has real world consequences for local businesses.

2.16 Government - The Football Creditors Rule also affects HMRC. For example, the EFL requires that for a club to successfully exit administration and retain its EFL membership, all football related debts must be paid in full and any other creditors should be offered a 25p/£ settlement.²³ HMRC is treated as 'any other creditor'. As a result, HMRC estimates that administrations at EFL clubs have contributed to the UK Government being unable to collect nearly £30 million in unpaid taxes since 2019. There can also be impacts on local governments, and club failures can lead to pressure by fans and stakeholder groups on the government to intervene to save them.

Figure 1: The impacts of a football club failure



²¹ The Football Creditors Rule prioritises repayment to 'football creditors' (e.g. players and other football clubs) in the event of an administration. This can often result in non-football creditors recovering only a small amount of what they are owed.

²² The Guardian, [Leeds leave creditors clinging to wreckage](#), May 2007.

²³ [EFL rule book](#), E25 - E34.

2.17 Unfit custodians, poor corporate governance, and financial mismanagement would result in the financial failure of almost any business. For most sectors in the economy this is the acceptable natural selection of the free market. However, as set out above, football is unique. Football clubs are more community and heritage assets than typical businesses, with fans rather than consumers. As such, football clubs should not be left to fail.

2.18 However, as set out in detail in the Government Response and summarised above, if football continues on its current trajectory there is a material risk of further and extensive financial failures. Despite these risks and trajectory, the free market in football has not fixed its problems. It has had years to do so, and yet we still see clubs not meeting payroll or at risk of administration today in 2023. Clearly, something needs to change to avoid the impacts detailed in Figure 1. Intervention is needed to effect this change because:

- i. The unique fan dynamic and social impacts mean the market will not freely rectify its problems.
- ii. Oversight by the industry's existing bodies has been inadequate so far, and self-regulation cannot be trusted to deliver the reform required.

2.19 **The free market will not rectify problems**

- Since football clubs do not behave like typical businesses nor fans like typical consumers, football does not function like a typical market. So a large proportion of the value of clubs to their fans and communities is not properly captured in the market.
- As a result, private actors within the market do not fully account for the potential social costs and benefits of their actions. For example, when owners focused on short-term success take risky financial decisions, they may be placing insufficient weight on the long-term consequences of failure to the local community.
- Indeed, there is precedent for government regulatory intervention in other markets where service disruption (e.g. through the failure of individual businesses) risks imposing significant economic or social costs. For example, financial services regulation and utilities regulators.²⁴

2.20 **Industry self-regulation will not deliver the reform required**

- Many of the market's problems are not new. Despite repeated calls for reform from government, Parliament and the public,²⁵ neither clubs

²⁴ For example, the Prudential Regulation Authority undertakes stress-testing of the financial health of large financial institutions (banks, building societies and insurers). Similarly, Network regulators (e.g. Ofwat and Ofgem) are increasingly taking steps to monitor and promote financial resilience.

²⁵ See for example: [House of Commons Culture, Media and Sport Select Committee \(2011\), 'Football governance'](#), July.

nor leagues have taken the long-term necessary transformative actions. As set out in detail in the Government Response, the industry does not have the incentives and governance structures to make the behavioural and structural changes needed. This means targeted government intervention is required to specifically address financial sustainability.

- Since the Review and the Government Response, there has been limited movement from the industry towards reform. However, the market cannot rely on government pressure as a lasting solution and the proposed reforms we have seen to date do not go far enough to deliver long-term sustainability.
- We welcome further progress by the industry towards reform in the interim, and our plan for regulation does not prevent them from acting. The regulator will look to build on any industry reforms implemented but it is clear that genuinely independent regulation is required.

2.21 The government recognises that other sports are facing financial issues in the wake of the COVID-19 pandemic. At this stage, we are of the view that football alone warrants direct government intervention, because:

- **Football is a mature market that has had its chance to reform but has failed to do so.** Unlike other sports, football has been given ample opportunity to reform its self-regulatory system to address problems that have been highlighted repeatedly over the years.
- **The problems faced by football are unique in their type and scale.** The business models and financialisation of football mean the risk and potential magnitude of harm are greater than in other sports.
- **Football is unique in financial scale and attracts unrivalled public interest.**²⁶ In addition to its importance to fans and communities, the economic size of the football sector is greater than any other sport.

2.22 However, the government hopes that the leagues, governing bodies, and industry authorities of other sports will take inspiration and learnings from reform in football.

DCMS (2016), 'Government Expert Working Group on Football Supporter Ownership and Engagement', January.

House of Commons Digital, Culture, Media and Sport Committee (2020), 'Impact of COVID-19 on DCMS sectors: First Report', July.

²⁶ Aggregate attendances across the top four leagues stand at 35 million fans per season. The Premier League reported that 40% of the UK population (26.8 million people) watched live Premier League coverage in 2020/21.

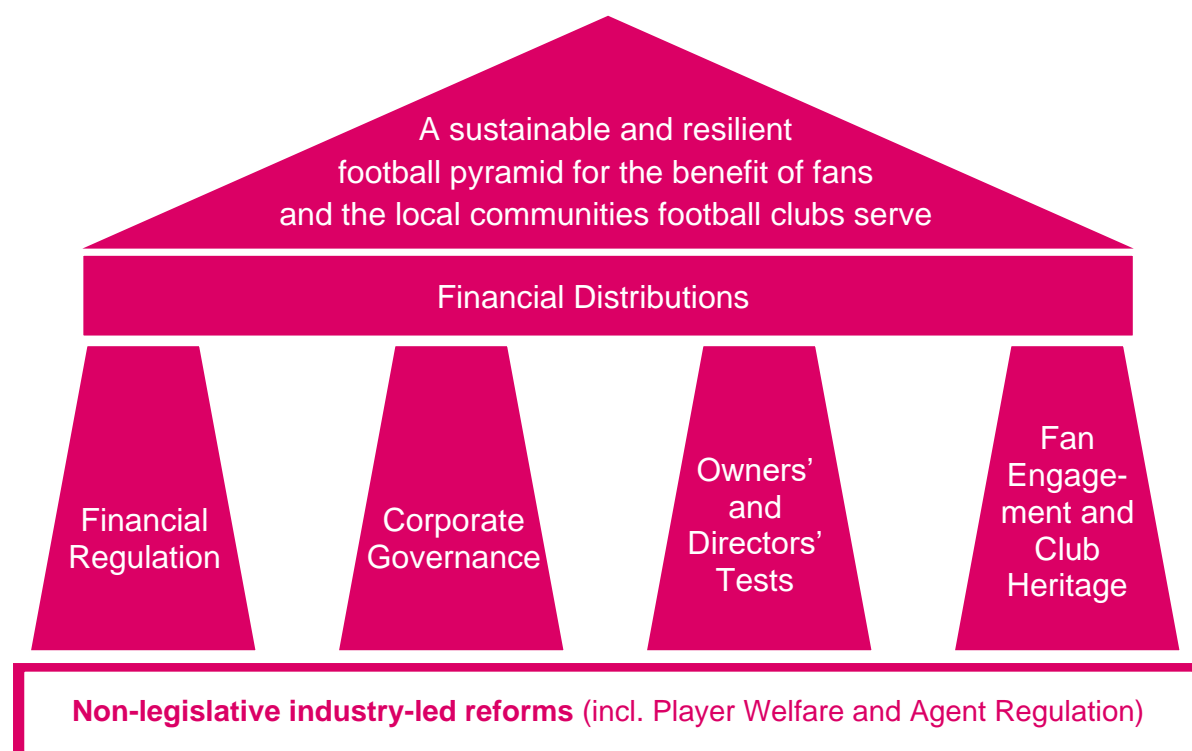
The case for a statutory independent regulator

- 2.23 We have considered options for intervention, including proposals by the FA and Premier League for non-statutory, industry-led reform. We are not convinced these models would be independent of influence from regulated clubs themselves, or that reforms would be guaranteed long-term. We also believe these proposals would not sufficiently tackle the key causes of harm in the market, and would carry a high risk of unintended consequences.
- 2.24 For example, salary caps tied to revenue would have negative impacts on competition if applied throughout the pyramid, and would not build resilience to shocks into clubs' finances and operations. There are no proposals to ensure all clubs pyramid-wide engage with their fans. There is also no guarantee these models would be able to protect against English clubs joining future breakaway competitions.
- 2.25 Instead, we believe the optimum solution is for the government to establish a new statutory independent regulator. Football needs a strong centre to take regulatory decisions away from clubs, put fans back at the forefront, and ensure a stable pyramid all the way down to the grassroots game. Any option that does not involve legislation would be a continuation of industry self-regulation. This would mean the same incentives, governance structures, and lack of independence that have led to poor regulation in the industry to date, with no guarantees that reform would not just be reversed down the line.
- 2.26 By contrast, legislating to establish an independent regulator would:
- Provide a **long-term solution** that could not be altered or revoked in the future by the majority vote of clubs, or under industry pressure.
 - Establish an **independent body** to regulate in the interests of the entire pyramid, rather than prioritising the interests of select clubs.
 - Set a framework and objectives to ensure **rules are designed and applied appropriately**. Legislation would guarantee a sophisticated regulatory system that is proportionate, and tackles the root causes of problems holistically rather than treating the symptoms one-by-one.
 - Provide **statutory weight** behind regulation with new powers and sanctions to ensure non-compliance is met with genuine consequences and sanctions, rather than drawn out legal proceedings that allow harm to grow.
 - Deliver a **coherent regulatory landscape**. Regulation would be carefully managed to avoid burdening clubs with overlapping rules or letting them slip through regulatory gaps.

- Create clear **accountability** for regulation. It would be clear who is responsible for regulation, and there would be clear levers to hold them accountable in the event they were failing.
- Deliver a **cultural shift** in football to one that is open and transparent, and in which fans are valued appropriately by all clubs.

2.27 There has been widespread public support for a new independent regulator, including from fans²⁷ and football finance experts.²⁸ The government has also heard from football investors, club owners, and representatives of the EFL and National League who all support a new statutory independent regulator.

Figure 2: The proposed pillars and foundations of reform



²⁷ The [2022 EFL Supporter Survey](#) found that "79% of fans would welcome the introduction of an Independent Regulator into English football".

²⁸ [Annual Review of Football Finance](#), Deloitte, 2022, p.27.

PART 2: THE INDEPENDENT FOOTBALL REGULATOR

3: The Regulator

Summary

- The government will introduce a new independent Regulator to reform the culture of governance in English football clubs, and mitigate the risk of clubs being entirely lost to fans and communities.
- The Regulator would have a primary strategic purpose to address the key source of potential harm in the market, that is to ensure that English football is sustainable and resilient for the benefit of fans and the local communities football clubs serve.
- To support this strategic purpose, it would have three detailed primary duties: i) Club sustainability, ii) Systemic stability, and iii) Cultural heritage.
- It would have three secondary duties, to have regard to: i) Domestic competition, ii) International competitiveness, and iii) Investment. This would ensure it balances these objectives when striving for its primary purpose.
- This would be a specialist regulator with a precise focus on the issues of financial sustainability. Through the design of its duties and powers in statute, it would be constrained to only acting within a few specific functional areas.
- The government is not convinced that an industry regulator would be genuinely independent from the influence of clubs, or could be sufficiently held accountable for its actions and performance. As such, we do not believe a football body is an appropriate home for the Regulator at this stage. This need not prevent the industry from taking action to reform in the interim.
- The institutional location of the Regulator will be determined based on several guiding principles, including ensuring independence and proper accountability.
- The government believes regulated clubs should bear the cost of regulation, which would ultimately benefit the industry. Therefore, the Regulator would be funded by a levy on clubs proportionate to their revenue.

- 3.1 In the Government Response, the government agreed to the founding principle of the Review, to legislate for a new Regulator when Parliamentary time allows. That remains the case.

The Regulator's purpose

- 3.2 *Section 2: The Case for Reform* outlined the high and growing risk of financial failure throughout the English football pyramid. This is largely driven by the unsustainable ways clubs are run, and a widespread lack of resilience.
- 3.3 The Regulator's strategic purpose and primary duties will be centred on this problem. To provide the legal basis for its actions, legislation would specify that the Regulator must always act in a way which is compatible with its strategic purpose, and advances one or more of its primary duties.

Regulator's strategic purpose

Box 3

To ensure that English football is sustainable and resilient, for the benefit of fans and the local communities football clubs serve.

- 3.4 To achieve this strategic purpose, the Regulator's primary duties would be:
- i. **Club sustainability** - to ensure the financial sustainability of football clubs in the English pyramid. This means individual clubs have the necessary resources and are appropriately run so they are resilient to risks.
 - ii. **Systemic stability** - to ensure the overall stability of the English football pyramid. This means there is protection against an event or events triggering the instability of multiple clubs at once, or of harming the football pyramid as a whole.
 - iii. **Cultural heritage** - to protect the cultural heritage of football clubs for their fans. This means key heritage aspects of the club, which matter greatly to their fans and communities, are protected from harm.
- 3.5 The government's proposed approach differs from the Review's recommendation for the Regulator's objective. As set out in the Government Response, we do not believe a dual primary focus on sustainability and competitiveness is appropriate. The Regulator would still have regard to competition impacts as a secondary duty (see paragraph 3.7)
- 3.6 As outlined in *Section 2: The Case for Reform*, the government recognises the importance of maintaining a thriving 'on-field' product. Sustainability is critical, but it will count for little if English football cannot continue to attract the best players, global viewers and investors. Therefore, the Regulator would have supplementary, 'secondary' duties to mitigate risks to the on-field product.

- 3.7 When acting in a way that advances its primary duties, the Regulator must also have regard to its secondary duties:
- i. **Domestic competition** - the competitive sporting balance of the English football pyramid, where there is dynamic competition within leagues and a genuine chance/risk of moving between leagues.
 - ii. **International competitiveness** - the competitive advantage of English football clubs including in international markets for talent.
 - iii. **Investment** - the benefits of sustainable investment from new and existing investors both domestically and from abroad.
- 3.8 The Regulator may face trade-offs between sustainability and these other objectives, which industry stakeholders have expressed concerns around. This structure of duties would clearly establish the Regulator's priorities in these instances. The Regulator would not pursue the secondary duties in their own right, but would balance these other important policy objectives when striving for sustainability, and attempt to minimise any negative impacts on them where possible.

Not a 'zero-failure' system

Box 4

- Although the incidence of club liquidation is relatively low at present, the government expects this failure rate to increase without reform. The new regulatory system will be designed such that the likelihood of *any* financial distress is drastically reduced. However, the Regulator would not operate a 'zero-failure' system - it would not guarantee that no club ever goes into administration or is liquidated.
- In theory, there may be exceptional circumstances in which a club should be allowed to fail. For example, where a club has no viable owner and no interested buyers for an extended period of time, despite the Regulator's best efforts to maintain its asset value.
- A zero-failure system would introduce perverse incentives for owners and directors to take more risks, in the knowledge that the Regulator would bail them out if things went wrong.
- Instead, in the worst-case scenario, the Regulator's priority would be ensuring an orderly wind down that preserves the cultural heritage of a club in the interests of its fans.

The Regulator's scope

- 3.9 The population of clubs in scope of the Regulator's system is the top five tiers of the English men's football pyramid. It would not be proportionate or

effective to extend the scope beyond this, since the market failures identified relate specifically to professional football clubs.

- 3.10 This should be a specialist financial regulator with a precise focus. Too broad a scope of activities would spread the Regulator too thin and distract it from its primary purpose.²⁹ Similarly, a scope with uncertain outer limits risks scope creep, where the Regulator strays into areas beyond the remit intended by both the government and Parliament.
- 3.11 In addition, many aspects of football are immensely successful and have thrived under the watch of its existing authorities, such as the global commercial growth of English football. These are not areas in which the independent Regulator should or would interfere. Instead its focus would be on tackling harm where it exists and preserving the foundations for this success - a stable, thriving pyramid of sustainable clubs.
- 3.12 The Regulator's statutory duties and powers (see *Section 10: The Regulatory Model*) will help to implicitly define its scope. It would also be a statutory requirement that the Regulator must only act in relation to one or more of the four Threshold Conditions of club licensing (see *Section 4: The Regulatory Framework*). So, although Threshold Conditions would be requirements on clubs, they would have a dual purpose of defining the Regulator's scope.³⁰
- 3.13 The government is also considering explicitly listing in legislation areas the Regulator should not interfere in, which might otherwise be deemed 'grey areas'. For example, this might include ticket prices and fixture scheduling.

The Regulator's form

Institutional location

- 3.14 The location of the Regulator will be important, but it is crucial to get the functions right first. At this stage the government is still assessing the options on where to house the Regulator, including:
- i. Establishing a new standalone body;
 - ii. Housing the Regulator within an existing government arm's length body (ALB);
 - iii. Attaching the Regulator to an existing ALB as a subsidiary.

²⁹ A regulator's scope refers to how far reaching its powers and authority to intervene extend. This is determined by aspects such as the regulated population; and the regulator's statutory duties, functions, responsibilities, and powers.

³⁰ The Regulator's targeted power of last resort in relation to financial distributions would be the unique exception to this, as a power outside of the club licensing system. This power would also be subject to specific constraints on when and how it could be used. See *Section 9: Financial Distributions*.

- 3.15 To decide on the location of the Regulator, we will evaluate these options on core guiding principles. These principles have been informed by the Review, experts in managing ALBs, and experts currently sitting on regulators' boards:
- **Independence** - whether the Regulator would remain genuinely free of industry influence or impact on the body's other responsibilities.
 - **Accountability** - whether there would be a clear structure for the Regulator to be held accountable for its actions and performance.
 - **Implementation** - the ease and cost of setting up the Regulator.
 - **Strategic coherence** - whether there is a genuine alignment in the expertise, skills and knowledge of the body, that fits with the purpose and objectives of a football regulator.
- 3.16 While the government has not yet finalised its position based on the criteria above, we have ruled out housing the Regulator in a football body. This is primarily driven by issues of independence, accountability, and effectiveness. The Review highlighted significant concerns with football's governance and regulation which we agree with. Football has shown itself incapable of sufficient reform and of taking the necessary decisions for the good of the whole pyramid. The governance arrangements mean football has the wrong incentives, and is therefore unlikely to deliver the protections the game urgently needs.
- 3.17 The government will finalise a decision on the institutional location of the Regulator ahead of legislation. It will be independent of football, though will work cooperatively with the industry as appropriate (see *Section 10: The Regulatory Model*).

Funding

- 3.18 To meet its objectives, the Regulator will need to be sufficiently resourced and deliver good value for money. Its funding model will need to accommodate this, and should also be sufficient to regulate effectively, adaptable to changing risks, and fair to citizens and businesses.³¹
- 3.19 The government believes the cost of regulation should be covered by the industry. Football is a wealthy industry, and the likely cost of regulation would represent just a tiny fraction of its aggregate annual revenue (£5.7 billion in 2020/21).³² The industry would also benefit from regulation that would make its clubs more resilient and so protect the commercial value of its product.

³¹ [Good practice guidance: Principles of effective regulation](#), National Audit Office, 2021.

³² [Annual Review of Football Finance 2022](#), Deloitte, 2022.

- 3.20 In line with the government's guidance on Managing Public Money³³ and for budgetary reasons, a levy-funded model will be introduced and raised through the Regulator's licensing system (see *Section 4: The Regulatory Framework*). Clubs would pay an annual fee for the duration they are licensed.
- 3.21 The government believes the fees levied on clubs should be proportionate to their average total revenue. Just as the Premier League distributes revenue down the pyramid, the richest clubs should subsidise regulation for clubs in greater need. This would also spread the cost equitably to avoid poorer clubs being disproportionately burdened. Indicatively, based on 2020/21 revenue, the six richest clubs would cover approximately 50% of the total cost of regulation, and the 20 Premier League clubs approximately 80%.

Organisational structure and governance

- 3.22 The organisational structure and internal governance of the Regulator will be key to its success. It will ensure the Regulator functions properly, decisions are taken at the appropriate level and subject to scrutiny, and that the Regulator is accountable for its actions.
- 3.23 Subject to the final institutional location of the Regulator, it would have a Board responsible for ensuring it fulfils its statutory duties and delivers value for money. The chair and non-executive directors (NEDs) on the Board would have skills and experience across regulation, football, and other industries.
- 3.24 The Regulator would be able to invite the FA to take up an observer role³⁴ on the Board as necessary, as they are the national governing body of English football. The Regulator would manage this to ensure that football has sufficient insight via the FA, but that the independence of the Regulator is not threatened. For this reason, while the Regulator would work closely with the Premier League, EFL, and National League, the individual leagues would *not* have any role on the Board. It is not common practice and would not be appropriate for representatives of regulated parties to sit on the board of a regulator, even in an observational capacity.
- 3.25 The Regulator's culture would be strongly rooted in football. While developing this White Paper, the government has received offers of advice, ideas, and support from a range of experts from across the economy. We are therefore confident that the Regulator would similarly attract specialists with a genuine love of football, motivated to set it back on a sustainable path.

³³ [Managing Public Money](#), HM Treasury.

³⁴ An observer is permitted to attend and participate in meetings of the board, and to receive all information provided to members of the board, but is not permitted to vote on any decisions.

4: The Regulatory Framework

Summary

- The Regulator will operate a licensing system, where all clubs in the top five tiers of the English football pyramid need a licence to operate as professional football clubs.
- Legislation would establish four Threshold Conditions of the licence - on appropriate financial resources, suitable owners, fan interests, and approved competitions. The Regulator would set detailed Specific Licence Conditions to clubs, under each Threshold Condition.
- The Regulator would assess whether clubs were ready, willing and able to comply with the Threshold Conditions in principle upon application, and then monitor compliance with the detailed Specific Licence Conditions on an ongoing basis.
- Specific Licence Conditions would be risk-based. This means regulation would be proportionate to a club's circumstances. The requirements on a club might vary based on criteria like league, club size, and financial health or riskiness.
- The Regulator would monitor and supervise licensed clubs, with the support of the leagues. This would identify non-compliance with Specific Licence Conditions that might require enforcement action. It would also surface any material change in the club's circumstances that might require a change to their Specific Licence Conditions.

- 4.1 The Regulator will implement and enforce its regulation of clubs through a licensing system. All 116 clubs in the top five tiers of the English football pyramid would require a licence from the Regulator to operate as professional men's football clubs.
- 4.2 A licensing system would have several benefits relative to alternative models, such as prescribing detailed rules in legislation. It would allow the Regulator to tailor obligations proportionately to clubs, minimising the burden of regulation. Subject to appropriate consultation, it would give the Regulator the agility to quickly react to changing circumstances, rather than requiring amendments to legislation. It would provide the basis for enforcement action in the event of non-compliance.

Licence conditions and licensing in practice

- 4.3 The government is giving further consideration to the exact process for licensing, but indicatively it could work as follows. Each club would apply to the Regulator to be licensed. The Regulator would determine whether the club was ready, willing, and able to meet four Threshold Conditions in principle (see Table 1). The club would declare that it considered it was able to comply with these Threshold Conditions and the Regulator would make a preliminary assessment of its ability to do so prior to granting the licence. The club would also commit to becoming compliant with the detailed requirements the Regulator will impose. Guidance published by the Regulator would help parties understand what these requirements are likely to entail.

Table 1: Proposed Threshold Conditions for club licensing

1. Appropriate resources	The club must have adequate financial and non-financial resources and controls in place, to meet committed spending and foreseeable risks.
2. Fit and proper custodians	Persons at a club deemed to exercise significant decision-making influence must be fit and proper custodians.
3. Fan interests	The club must have appropriate provisions for considering the interests of fans on key decisions, and issues of club heritage, on an ongoing basis.
4. Approved competitions	The club must agree to only compete in leagues and competitions that are approved by the Regulator based on predetermined criteria.

- 4.4 While the four Threshold Conditions would be set in legislation, there will be detailed requirements underlying each called Specific Licence Conditions which would be determined by the Regulator. Clubs would have to comply with these Specific Licence Conditions in order to meet the overarching Threshold Condition.
- 4.5 The Regulator's discretion to set Specific Licence Conditions would be governed by checks and balances. It could not set detailed requirements on clubs unless they related to one of the Threshold Conditions. It would have to follow the framework set out in legislation, including to consult on and publish new types of rules, on which Specific Licence Conditions would be based.
- 4.6 On an ongoing basis, the Regulator would operate a monitoring and supervision system. This would entail more real-time monitoring of clubs,

engaging and steering them to ensure continued compliance with Specific Licence Conditions. This ongoing approach means licences would not need to be periodically reassessed and renewed.

- 4.7 Licensing of this kind may be a new concept to many football clubs, so there would be a transition period for all clubs to become licensed and compliant with the new system. See *Section 12: Transition and Shadow Regulation*.

Figure 3: An example of how the licensing process might work

<p>1: Club applies for licence</p>	<ul style="list-style-type: none"> • After assessing guidance and engaging the Regulator, the club submits an application to the Regulator. • The Regulator appraises the club's circumstances and determines the Specific Licence Conditions it will be required to comply with in order to meet the Threshold Conditions. • The Regulator assesses the club's application to decide whether the club is ready, willing, and able to comply with these Specific Licence Conditions, and so will be able meet the Threshold Conditions.
<p>2: Club granted licence</p>	<ul style="list-style-type: none"> • The Regulator communicates to the club the Specific Licence Conditions it is expected to comply with, and how long it has to become fully compliant. • If the club is deemed ready, willing, and able, its licence is granted.
<p>3: Club becomes fully compliant</p>	<ul style="list-style-type: none"> • The club is given time and support from the Regulator to become compliant. • If the club is not compliant in time, the Regulator may take enforcement action.
<p>4: Club monitored and supervised</p>	<ul style="list-style-type: none"> • On an ongoing basis, the Regulator monitors and supervises the club, in cooperation with the respective league, to ensure continued compliance and identify where enforcement action might be needed. • Monitoring and supervision is also used to identify whether there has been a change in circumstances that might warrant a change to the club's Specific Licence Conditions.

- 4.8 Specific Licence Conditions set by the Regulator would be risk-based, such that requirements would be targeted where the risk of harm was higher. The

exact requirements on clubs would vary according to a club's circumstances, including aspects like the league the club competes in, the club's size, existing financial health, and the riskiness of its business model.

- 4.9 For example, the following two clubs might not have to satisfy all the exact same requirements to meet their licence obligations:
- i. A mid-table League One club with low costs that meets costs through revenues;
 - ii. A newly promoted Premier League club with high costs funded through owner subsidies.

Table 2: Examples of possible Specific Licence Conditions

<p>Threshold Condition <i>(set in legislation)</i></p>	<p>The club must have adequate financial and non-financial resources, and controls in place, to meet committed spending and foreseeable risks.</p>
<p>Specific Licence Conditions <i>(determined by the Regulator in accordance with statutory process)</i></p>	<ol style="list-style-type: none"> I. Club A must submit multi-year business plans to the Regulator on a regular basis, including scenario planning for [X, Y and Z] key potential risks. II. Club A must have appropriate finances to meet anticipated outgoings, and a financial buffer of [X] in preparation for worst-case scenarios. III. Club A must adhere to Tier [X] of the Football Club Corporate Governance Code on an 'apply and explain' basis. IV. Any plans to relocate from or sell Club A's registered home stadium must be pre-approved by the Regulator.

Threshold condition 4: Approved competitions

- 4.10 The fourth Threshold Condition would require that clubs only compete in competitions that have been approved by the Regulator, based on predetermined criteria. The government is giving further consideration to the possible criteria. For example, the criteria could be:
- i. The competition must be fair and meritocratic.
 - ii. The competition must not unduly undermine the sustainability of English football's existing leagues and competitions.
 - iii. The Regulator must consult fans when approving a competition.
 - iv. The Regulator must consult the FA when approving a competition.

- 4.11 It is the government's view that all existing leagues or competitions would likely meet these criteria (including overseas competitions, such as UEFA's). However, this Threshold Condition would allow the Regulator to create a protective lock against English clubs joining breakaway competitions that did not meet these criteria. This would ensure fans no longer face the prospect of seeing their clubs join competitions, like the European Super League (see Box 5), that do not meet their values.
- 4.12 The Regulator would be expected to cooperate with competition organisers through the approval process. It would work through any concerns and come to a resolution that avoids undue disruption to service or harm to fans. The Regulator would need to establish clear evidence of a breach of one of the criteria to consider not approving a competition, informed by a published cost-benefit analysis and consultation with all relevant industry stakeholders.
- 4.13 As the international governing body of football, FIFA will take an interest in the approval of competitions. As such, the Regulator would have to consult with the FA - who would be expected to represent the interests of FIFA and UEFA - on any decisions related to approving competitions. The Regulator would be obliged to pay due regard to the outcome of this consultation.

Case Study: The European Super League

Box 5

In April 2021, twelve elite football clubs, including six English clubs, attempted to set up a European Super League (ESL). This new competition would have seen its founding members protected from relegation, with limited opportunities for the majority of other clubs in England and across Europe to qualify to compete. By benefiting a select few elite clubs to the detriment of all others, it presented a significant threat to the stability of the entire English football pyramid. As a result, it led to an unprecedented outpouring of protests from fans, clubs, the football leagues, the FA, and the government.

The ESL quickly fell away under this fan backlash and the government's threat to legislate. Nine of the clubs, including all six English clubs, withdrew from the competition. The threat posed by the ESL was a trigger for the Fan-Led Review of Football Governance, which concluded that it would be crucial to mitigate the risk of similar breakaway competitions in the future.

The model we have proposed would be able to prevent English clubs from joining a future breakaway competition if it does not meet predetermined criteria. This is a crucial protection for English football and its fans, especially as the ESL itself has only been temporarily suspended rather than fully renounced.

PART 3: THE REGULATOR'S SYSTEM

5: Financial Regulation

Summary

- The financial situation of many clubs across the pyramid is precarious, and the risk of financial failure high. Many clubs have poor financial plans, are over-reliant on owner funding, overspend, strip away their core saleable value (e.g. the stadium), and are unable to adapt to changing circumstances.
- Financial failure at its most extreme can lead to clubs ceasing to exist. This risks causing the most significant harm to fans and local communities.
- Financial sustainability regulation would be the Regulator's core focus, delivered through the first licence condition 'Appropriate resources'. It would be based on improving financial resilience, to protect the long-term sustainability of clubs for the benefit of their fans and communities.
- Clubs would be required to:
 - demonstrate good basic financial practices;
 - have appropriate financial resources or 'buffers' to enable the club to meet cash flows including in the event of a financial shock; and
 - protect the core assets and value of the club - such as the stadium.

The problem

- 5.1 Financial failure risks causing the most significant harm to English football - to the fans, the wider football pyramid, and the local communities these clubs serve. At its most severe, it can lead to clubs ceasing to exist.
- 5.2 Despite football's ability to generate vast revenues and attract significant investment, the finances of many clubs are a concern. The Review, Government Response and expert analysis^{35 36} demonstrated the magnitude of this problem. The collapse of Bury, the impact of COVID-19, and Derby's recent situation (see Figure 4) further exposed how real a crisis this is for many clubs. It is the government's view that there is an unacceptably high and growing risk of financial failure among clubs.

³⁵ [Annual Review of Football Finance 2022](#), Deloitte, 2022.

³⁶ [Assessing the Financial Sustainability of Football](#), Christina Philippou and Kieran Maguire, 2022.

- 5.3 The financial issues across the pyramid are due to several reasons, including: poor financial planning; over-reliance on owner funds; unsustainable levels of loss and debt; high costs; and a lack of resilience to shocks and changes of financial circumstance. When clubs overspend, experience a shock - such as withdrawal of owner funding - and lack a financial buffer, they find themselves distressed. The lack of resilience means they struggle to carry themselves over until they can return to a sustainable state - increasing income or safely downsizing financially. Instead, clubs may sell off assets hoping to make a quick return, further devaluing the club and ultimately making it hard to sell.
- 5.4 This is enabled by a defective regulatory landscape. Rules have existed for many years within football, but have been inadequate at mitigating financial distress. Rules on permitted losses - used in the Championship³⁷ and Premier League³⁸ - do not encourage sustainable spending. Regulations which cap spending on wages (often relative to turnover, called 'soft salary caps') can reduce overspending, but are prone to circumnavigation. They can also entrench the dominance of the richest clubs - there is a strong correlation between wage spend and league position,³⁹ and soft salary caps permit richer clubs to spend more, thereby increasing their chance of on-pitch success. As an indication, the Premier League club with the highest revenue in the 2020/21 season would have been able to spend over five times the amount on wages as the 'poorest' Premier League club.⁴⁰
- 5.5 Improving financial regulation, and in turn the financial situations of clubs throughout the pyramid, has the ability to make the biggest positive impact to the sustainability of clubs for the benefit of fans, clubs and local communities.

The solution

- 5.6 To address these shortcomings, the Review proposed that an independent regulator should oversee financial regulation in football, focused on ensuring long-term financial sustainability of the professional game. The government agrees, and we believe this should be the key focus of the Regulator.
- 5.7 The purpose of financial regulation would be to make clubs more resilient and sustainable long-term, and so to mitigate the risk of financial distress. The government believes financial regulation should address the key root causes

³⁷ [Appendix 5 Financial Fair Play Regulations](#), EFL.

³⁸ 'Profit and Sustainability Rules' - Premier League Handbook 2022-23.

³⁹ For example, Deloitte's annual review of football finances uses the Spearman's rank correlation coefficient - used to measure the relationship between league position and total wage cost rank - to indicate a strong positive correlation. The coefficient was 0.75 (2017/18), 0.82 (18/19), and 0.66 (19/20). [Deloitte UK Annual Review of Football Finance 2021](#).

⁴⁰ Based on [Deloitte \(2022\) UK Annual Review of Football Finance 2022](#).

of financial distress: clubs planning inadequately, spending far beyond their means, and being unable to adapt to changing circumstances ('shocks').

- 5.8 This regulation would be delivered through the Regulator's licensing system, under the first Threshold Condition of 'Appropriate resources' (see *Section 4: The Regulatory Framework*). The Regulator would set and apply Specific Licence Conditions, within the statutory parameters set by the government. The Regulator would be able to place requirements on clubs to:
- Ensure good basic financial practices;
 - Have appropriate financial resources;
 - Protect key assets for the long-term.
- 5.9 While all regulated clubs would need to adhere to financial requirements, a 'one size fits all' approach is inappropriate. The financial size, sophistication, business model and risk exposure of clubs varies considerably between and even within leagues. Requirements would need to be applied proportionately.

Good basic financial practices

- 5.10 For any well-run organisation, good basic financial practices are crucial: they ensure businesses have a good understanding of cashflows and can plan accordingly. Football clubs should be no different. Although this is basic, sensible practice which some clubs are already doing well, this is currently not the case for all clubs. All clubs should comply with good basic financial practices including scenario planning, multi-year forecasting, monitoring and reporting. This would improve financial oversight at clubs and reduce overspending, which is ultimately what fans would expect. For already well-run clubs, these basic requirements should have a minimal impact. For less well-run clubs, standards would need to be raised.
- 5.11 **Scenario planning or contingency planning** - Clubs would need to plan financially for the season based on a range of possible scenarios. There would be an emphasis on those scenarios that involve a material deterioration in business or sporting performance. This might include relegation or withdrawal of owner funding. Accordingly, clubs would need to demonstrate clear 'wind back' plans with actions they could enact to return the club back to a financially sustainable state. Although some clubs already do sophisticated scenario planning, many do not. The Regulator would need to be content that these plans are realistic, sufficient and stress tested, in that they accurately prepare for sporting and financial downturn and reflect clubs' finances to react, and could be enacted if required to ensure sustainability. If it deemed they were not, the Regulator would require them to be revised by the club.

- 5.12 **Multi-year forecasting** - To better understand and plan for how current spend impacts future spend (e.g. amortisation fees due on players contracts or funding of infrastructure projects) clubs should plan for the seasons ahead where possible. Well run clubs are already doing this. This approach would reduce the risk of clubs operating with a short-term mentality, which can lead to overspend and risk-taking.
- 5.13 Taken together, this would enable clubs to have better planning and build long-termism into spending. It is a straightforward way of embedding good practice upfront which would contribute to the ongoing viability of clubs.
- 5.14 **Monitoring and reporting** - Clubs would report their finances and plans to the Regulator on a sufficiently regular basis, to ensure it has a comprehensive, up-to-date picture. This oversight is crucial for monitoring, holds clubs accountable, and should allow for early regulatory intervention to prevent financial failure in the event that a club's finances are of concern. The leagues are already improving their own monitoring and reporting functions. For example, the EFL recently set up its Financial Reporting Unit - with an independently appointed expert review panel - which will oversee compliance with financial rules by working closely with clubs. We welcome this progress.
- 5.15 Monitoring and reporting is likely to include budgeted income and expenditure, scenario planning for seasons ahead, longer term financial plans and detail on cash flow. If a club encounters substantial deviation from its plans or financial circumstances it would need to inform the Regulator. This would allow the Regulator to assess if the club is still operating sustainably or needs to make a change. For example, to return its operations to a more sustainable state in line with scenario plans, or increase financial resources to meet outgoings.

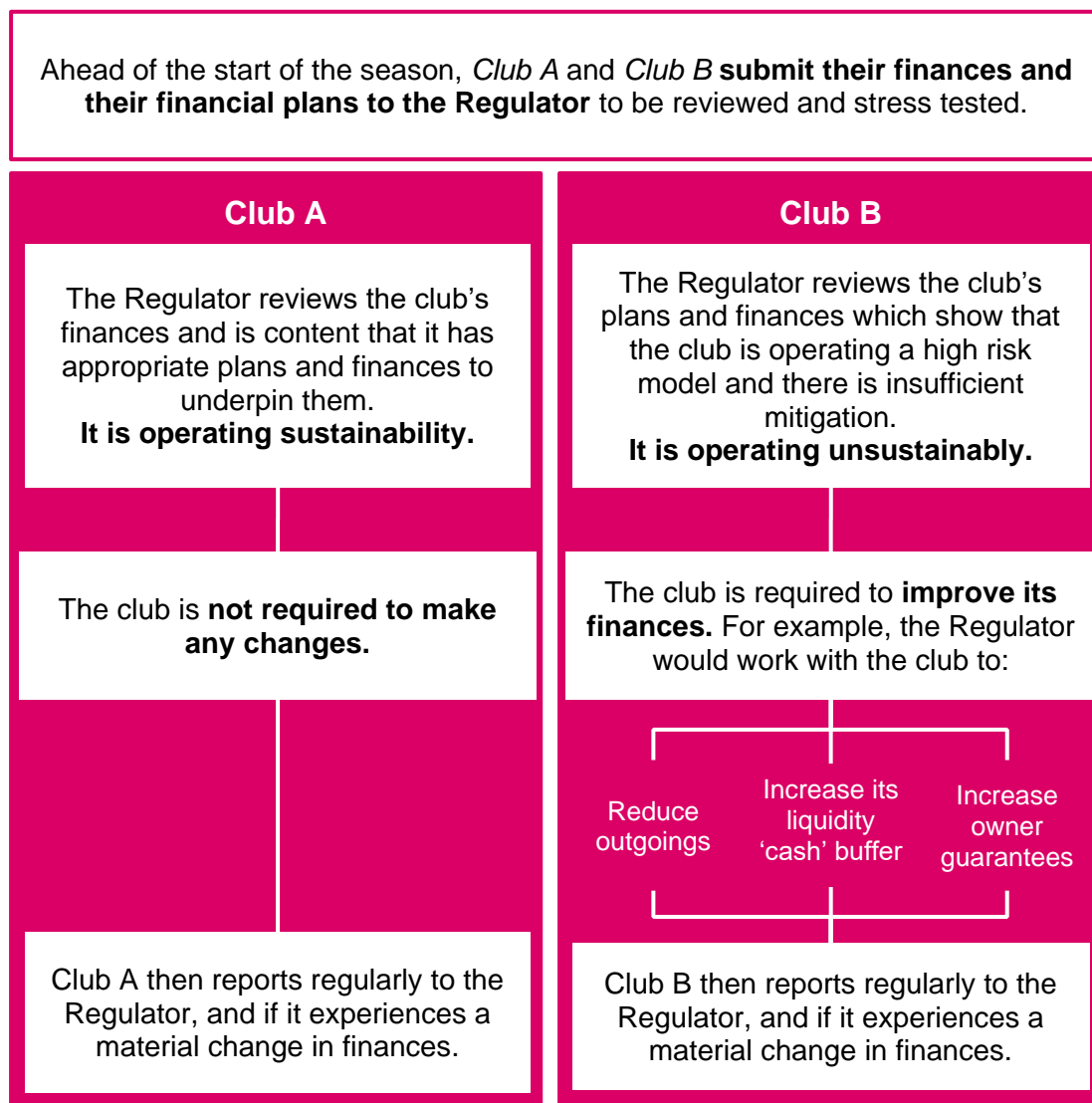
Appropriate financial resources

- 5.16 Plans would need to be underpinned by appropriate finances. If a club and/or owner cannot cover its outgoings long-term, it risks failing. Ensuring clubs have the financial resources to meet outgoings and respond to external shocks is sensible business management and could drastically improve resilience. Crucially, a financial buffer buys time: it allows a club to solve a cash flow issue until it can increase revenue or wind back to a financially smaller entity with lower outgoings.
- 5.17 The current financial resilience of clubs varies considerably. Some operate low-risk financial businesses, and would be able to survive a material financial change without stripping away the club's core assets. Other clubs operate on a 'hand-to-mouth' basis, or are heavily reliant on single or unreliable revenue streams - for example clubs which are heavily owner subsidised.

- 5.18 The Regulator would require clubs to hold adequate financial resources. It would need to make objective, risk-based decisions on what constitutes adequate financial resources according to the club's specific circumstances and its risk level. If a club lacks sufficient resilience, the Regulator may require the club to improve its financial resources, such as by building up its readily available liquid assets or seeking greater assurances on owner funding. The Regulator should work collaboratively with clubs and ensure that these requirements are applied proportionately and where necessary.
- 5.19 Owner funding and the financial resilience of clubs is interrelated. Where clubs are heavily owner funded, funding comes from a riskier source, or is not diversified, clubs are more susceptible and less resilient to shocks. This is true even if the owner has always previously met their financial obligations. A key factor which can lead to financial distress is this heavy reliance on owner funding, where some owners can overspend unconstrained, build up large debt, and then 'walk away'. This leaves fans with a financially distressed club at risk of being unable to attract new ownership, or worse, with no club at all. Historically, it is in these scenarios that we see the worst harm to fans and their local communities - this is why intervention is needed.
- 5.20 Owner funding can allow clubs to chase ambition, and has been a key factor in growing English football into the exciting, and valuable, product it is. Where requirements like salary caps would limit this dynamic competition, it is the government's view that the Regulator should not unduly limit or deter sustainable owner investment. Clubs should be allowed to enjoy the benefits of investment and spending, but enjoy them while being disciplined.
- 5.21 However, high owner subsidisation *can* contribute to overspend on player wages, in turn encouraging other clubs to overspend to compete and further driving up costs. Funding into the game is and will continue to be welcomed. There may be extreme circumstances when it would be sensible for the Regulator to have a role in considering where the overall level of owner injections into the game might be destabilising - given its primary objective on the overall stability of the regime. If the Regulator anticipated that - subject to a shock or change - the stability of the league could be severely threatened, it could use discretion to determine specific licence conditions taking account of the stability of the specific club, and also that of the leagues. A regulator taking a view on the stability of a market is a standard approach to regulation.
- 5.22 The government recognises the need for a balance between ensuring that clubs have sufficient financial resources, and minimising any deterrence of investment. Having risk-based and proportionate regulation would empower

the Regulator to intervene as little as possible where possible, but require clubs to improve their finances where necessary for long-term sustainability.

Figure 4: Example of how financial regulation might work in practice



Protecting key assets for the long-term

- 5.23 To protect a club's saleable value, and thereby minimise the likelihood of liquidation, the Regulator would have an interest in protecting its core assets and preventing activity that could damage its value.
- 5.24 As set out in greater detail in *Section 8: Fan Engagement and Club Heritage*, the stadium a club plays in not only has significant value to fans, but can also be a club's most valuable asset. Beyond its heritage or emotive value, the Regulator would seek to avoid situations where clubs are stripped of assets, sell stadia and have nowhere to play, or stadia are treated riskily as collateral.

- 5.25 On this basis, we believe the Regulator should pre-approve any stadium sale. Clubs would need to satisfy the Regulator that they could still play in the same stadium, or an appropriate alternative, and that long-term financial sustainability would not be undermined. Given the heritage value of stadiums, the Regulator would also need to consider the impact of a stadium sale on its fans (see *Section 8: Fan Engagement and Club Heritage*).
- 5.26 The Regulator would also have an interest in debt. While debt is not inherently problematic, it can lead to problems where it:
- i. challenges the day to day viability of the club. This may occur where the cost of servicing debt as a proportion of income ('debt service ratio') is very high, impacting cash flow; or
 - ii. could damage the value of the club. This is when the size of the debt is a large proportion of the club's future sale value ('leverage ratio').
- 5.27 The Regulator would be able to place controls on excessive debt where it could threaten the viability or value of the club. The Regulator would determine the appropriate limits and controls when setting its Specific Licence Conditions. We expect that these limits may need to be waived in exceptional circumstances, if agreed with the Regulator in advance. For example, a high-interest loan might be the only way to help a club survive to the start of the next transfer window, when players could be sold, debt repaid, and the club downsized.
- 5.28 The Regulator might also want to keep a more holistic eye on the overall level of debt in the game to ensure that, in the event of a wider financial shock (for example rapid inflation and rising interest rates), it is not destabilising. In these extreme circumstances, the Regulator might consider introducing some time-limited controls to mitigate the risk of wider instability or failure, but would need to consider any potential impact on investment or competition.

Additional considerations

- 5.29 The upstream interventions set out above would mitigate the risk of financial failure. Yet, without requiring clubs to hold large amounts of running costs as cash - which is more interventionist and has greater risk of unintended consequences - there may be rare occasions where clubs struggle financially.
- 5.30 The government is giving further consideration to empowering the Regulator to appoint a trusted third-party to run the club, as a last resort, in pre-defined circumstances where it is in financial difficulty but falling short of insolvency.

This would allow the Regulator to be less interventionist up front, but to act decisively to mitigate severe distress when necessary.

Interaction with other financial regulation

- 5.31 Regulation by the Regulator would not exist in a vacuum. Domestic leagues have pre-existing financial rules and UEFA is introducing a squad cost cap tied to revenue for clubs competing in its competitions (up to seven English clubs in any one season).
- 5.32 Regulation will need to be coordinated to minimise the potential compliance burden on clubs and deliver a system which allows the Regulator to fulfil its statutory duties. For further detail on the interaction with the current regulatory landscape, see *Section 10: The Regulatory Model*.
- 5.33 Other major European football leagues also apply financial regulations of their own. These can include explicit spending controls and blanket liquidity ratios, which we believe are more interventionist than the proposals set out in this White Paper. This, coupled with the existing significant financial advantages that English clubs have over overseas counterparts,⁴¹ means that our proposals would not put English clubs at a competitive disadvantage.

Transition

- 5.34 Where clubs are well-run, financial regulation should have less of an impact. However, transitioning would take time, particularly for clubs where standards need raising. The Regulator's initial focus would be on setting the detailed requirements on clubs to underpin 'appropriate financial resources', and supporting clubs to meet these obligations with minimal burden. Further detail is set out in *Section 12: Transition and Shadow Regulation*.

Next steps

- 5.35 Ahead of legislation and throughout the design process, the government will continue to refine policy, including through engagement with stakeholders, to ensure that the design of financial regulation works for the industry while ultimately benefiting the fans of these clubs. Legislation will set out that a club must have adequate financial and non-financial resources and controls in place to meet committed spending and foreseeable risks. It will also set out clear parameters for the Regulator in designing rules and applying Specific Licence Conditions proportionately to clubs.

⁴¹ In 2020/21, the Premier League's revenue was 80% higher than the next richest league's (Germany's Bundesliga) and the average revenue per club was over £100 million more. This gap has been, and is expected to continue, widening. [Deloitte \(2022\) UK Annual Review of Football Finance 2022](#).

6: Corporate Governance

Summary

- The Review found poor internal governance at clubs allowed owners to act unilaterally, pursuing short-term interests with little accountability or scrutiny.
- The Regulator would establish a compulsory 'Football Club Corporate Governance Code', to be enforced through the 'Appropriate resources' Threshold Condition.
- To demonstrate compliance with the Football Club Corporate Governance Code, and provide greater transparency to fans, clubs would be required to report annually on corporate governance compliance.
- The Regulator would apply proportionality in regulating corporate governance, with regard to the size, revenue, league and business model of the club, and the degree of risk. Risk would be determined via an assessment of whether a lack of basic accountability and transparency around decision making leaves it more susceptible to financial shocks.

The problem

- 6.1. Corporate governance refers broadly to the way in which organisations are governed and to what purpose. Aspects of corporate governance include board composition, director responsibilities, policies and processes, standards and conduct, risk management, and communications with stakeholders. High profile business collapses at Carillion⁴² and Patisserie Valerie⁴³ have been attributed to failures of corporate governance. Poor corporate governance can be a root cause for football's problems, particularly by exacerbating financial mismanagement. With poor corporate governance, fans have less confidence in the decisions being made in their club.
- 6.2. An absence of established governance structures and processes will often result in a lack of transparency and accountability. The Review presented evidence that poor practices in clubs allowed owners to act unilaterally, with short term-interests that can conflict with the long-term interests of fans. Clubs can lack transparency and accountability on key decisions, and there can be insufficient independent voices and scrutiny to challenge decision making.

⁴² [The governance lessons of Carillion's collapse](#), ACCA, April 2018.

⁴³ [The corporate icing on the cake](#), BL Global, 14 January 2019.

- 6.3. The Review found problems at football clubs that enabled reckless decisions, including but not limited to: non-existent non-executive directors, a lack of Annual General Meetings, 'boards' with only one director, and insufficient processes such as appropriate financial controls or risk planning. A lack of basic corporate governance practices can threaten the financial sustainability of football clubs and their vital heritage assets, by enabling reckless decisions to be made without scrutiny and challenge. Fans are often entirely unaware of how their club is being run, and cannot hold custodians to account.

Derby County

Box 6

Derby County recently spent nine months in administration, and was relegated to English football's third tier following a points deduction imposed by the EFL for breaching financial rules. The circumstances surrounding this were complex and varied, but demonstrate how corporate governance failures can exacerbate issues of financial sustainability and fan engagement.

Improved scrutiny, challenge, accountability and transparency may have prevented occurrences such as:

- The decision to sell the club's stadium to a separate company owned by the club's owner.
- Increasing the player wage bill far in excess of revenue, and posting operational losses of nearly £31 million in 2018.
- Inadequate financial reporting of 2016, 2017 and 2018 accounts that were found to have broken accounting rules.⁴⁴
- A lack of transparency and consistent engagement with fans.

The loss of Derby County would have been devastating to fans, employees and the local community. While the club was saved in the end, other clubs may not be so lucky in future. Bury and Macclesfield Town are both recent examples of clubs that have collapsed and been expelled by their leagues.

- 6.4. Football clubs are beloved by their fans and communities even through poor club performance both on and off the pitch. These clubs are community heritage assets that will outlive their owners and directors, and so it is vital that they are appropriately managed.
- 6.5. Men's professional football in England currently has distinctly minimal corporate governance reporting requirements. The sport-specific corporate governance measure currently in use in the UK is the Code for Sports

⁴⁴ [Derby County: Championship club file notice to appoint administrators](#), BBC, 17 September 2021.

Governance.⁴⁵ This applies to sport organisations in receipt of public funds, which generally excludes professional football clubs.

- 6.6. Broader corporate governance codes exist in the form of the UK Corporate Governance Code and the Wates Corporate Governance Principles for Large Private Companies.⁴⁶ However, no clubs in English football are publicly listed in the UK⁴⁷ or are of significant size to be required to report against these.
- 6.7. There is one existing requirement around good governance that will generally apply to all Premier League clubs and some Championship clubs, but no clubs further down the pyramid. In accordance with the Companies Act, companies that meet statutory criteria relating to size and turnover are required to submit a Section 172 statement.
- 6.8. Section 172 statements are an opportunity for relevant clubs to explain how directors have regard to the long-term consequences of decision making, business conduct, and their impact on the community.⁴⁸ In reality, they vary significantly in length and detail, and can be as brief as one short paragraph. For example, one Championship club's 2021 accounts included a Section 172 statement consisting of three lines.⁴⁹
- 6.9. The government believes clubs should be run well and act in the best interests of fans. However, failures of corporate governance would likely manifest elsewhere, such as financial mismanagement, the abuse of entrusted power for private benefit, or a lack of regard for fans. Promoting better decision-making, checks and balances, and longer-term planning would serve to mitigate these risks before it is too late. Better corporate governance presents an opportunity to football clubs to deliver better business outcomes, and to better connect clubs and their custodians with fans.

The solution

- 6.10. The Regulator should seek to improve corporate governance through the creation of a compulsory 'Football Club Corporate Governance Code'. Compliance with the code would be enforced through the 'Appropriate resources' Threshold Condition.
- 6.11. The Football Club Corporate Governance Code would draw on established corporate governance principles applied in other industries. The Regulator

⁴⁵ ['A Code for Sports Governance'](#), UK Sport and Sport England.

⁴⁶ [The Wates Corporate Governance Principles for Large Private Companies](#), December 2018.

⁴⁷ Manchester United are publicly listed on the New York Stock Exchange.

⁴⁸ [Section 172, Companies Act 2006](#).

⁴⁹ [Nottingham Forest Football Club Limited, Companies House](#), Submitted 3 March 2022.

may consider drawing on The UK Corporate Governance Code,⁵⁰ The Wates Corporate Governance Principles for Large Private Companies,⁵¹ and the Code for Sports Governance.⁵² However, it would be adapted to ensure it is specific to football and the challenges football clubs face, and to clearly set out both the unique nature of the responsibilities associated with custodianship of a football club and how these responsibilities should be exercised.

- 6.12. The Regulator (or shadow regulator) would conduct a 'State of Football' study (see *Section 12: Transition and Shadow Regulation*). This would be an initial detailed assessment of how the industry operates, including the current standards of corporate governance. The findings of this study would help to inform the design of the Football Club Corporate Governance Code and assess the scale of football's corporate governance issues.
- 6.13. While the specific requirements of the Football Club Corporate Governance Code would be established by the Regulator, indicative requirements may be linked to the following five areas:⁵³
- **Structure** - clubs shall have a clear, appropriate governance structure with a properly constituted board that makes decisions collectively.
 - **People** - clubs shall recruit and engage people with appropriate skills, knowledge, experience and independence to further the club's goals.
 - **Communication** - clubs shall be transparent and accountable, engaging effectively with fans and other stakeholders.
 - **Standards and conduct** - clubs shall uphold high standards of integrity, appropriately address breaches of those standards, and engage in regular evaluation to drive continuous improvement.
 - **Policies and processes** - clubs shall comply with all applicable laws and regulations, undertake responsible financial strategic planning, and have appropriate controls and risk management procedures.
- 6.14. The Football Club Corporate Governance Code should adopt a tiered approach to accommodate the vast difference in scale and resources of the clubs across the pyramid. Each tier would have a different level of requirements. For example, 'Tier A' would be more enhanced than 'Tier B', which would be more enhanced than 'Tier C'.

⁵⁰ [The UK Corporate Governance Code](#), Financial Reporting Council, April 2016.

⁵¹ [The Wates Corporate Governance Principles for Large Private Companies](#), Financial Reporting Council, December 2018.

⁵² Sport England, ['A Code for Sports Governance'](#).

⁵³ These five areas of focus align with the recommendations of the Review and corporate governance codes used in other industries.

- 6.15. The Regulator would assess which tier is appropriate for each club. This categorisation would be based on factors such as a club's size, income, league, business model, and risk (see *Section 4: The Regulatory Framework* for further detail on proportionality). If through ongoing monitoring the Regulator decides a club's circumstances have changed sufficiently, it would change its tier.
- 6.16. The Regulator would monitor corporate governance compliance in a consistent manner with other licence conditions, starting with advocacy and moving to direction and enforcement in cases of persistent non-compliance. This participative approach to intervention is explained in more detail in *Section 10: The Regulatory Model*.
- 6.17. Corporate governance will not be an unnecessary burden. Rather, corporate governance is an opportunity for clubs, helping them to achieve better business outcomes, risk management and transparency for fans. Therefore, it is essential that the Regulator prioritises advocacy and support in this area, so it is not onerous, and is instead focused on helping clubs to achieve higher standards of governance. The Regulator would provide guidance, training, and tools for clubs to help avoid the possibility of corporate governance becoming a 'tick-box' exercise.
- 6.18. To demonstrate compliance with the Football Club Corporate Governance Code, and improve transparency, clubs would be required to report and publish on corporate governance annually. The government accepts the Review's recommendation that compliance with the Football Club Corporate Governance Code should be demonstrated using an 'apply and explain' model. This requires all clubs to comply with all the requirements but allows them to provide an explanation as to how the principles of the code were applied rather than mandate an approach. This approach will allow clubs to engage with corporate governance in a manner that is proportionate to their circumstances and resources.

'Apply and explain'**Box 7**

This approach to corporate governance differs from the more commonly used 'comply or explain' in that it is outcomes-based rather than rules-based. It gives organisations some flexibility and the opportunity to explain *how* they have applied corporate governance principles.

While this model allows for more interpretation by clubs, compliance is compulsory, requiring clubs to engage with (their tier of) the Football Club Corporate Governance Code in full.

The Review identified 'apply and explain' as being more appropriate for football clubs, given the relative immaturity of the football corporate governance structures.⁵⁴

Requiring clubs to 'apply and explain' encourages them to *own* good governance, and avoids a perception of corporate governance as a box-ticking exercise.

- 6.19. The Regulator may identify corporate governance concerns through multiple possible channels, including (but not limited to):
- failure to (sufficiently) report on governance;
 - monitoring of other Threshold Conditions (e.g. financial regulation);
 - information from whistleblowers;
 - complaints (e.g. from creditors, auditors or supporters' groups).
- 6.20. When the Regulator's advocacy approach to corporate governance is unsuccessful and issues persist, the Regulator would apply progressively more targeted remedial powers. These may begin with specific requirements, such as compelling a club to provide information, or issuing a club with a compliance plan. In the most severe cases, the Regulator may proceed to enforcement powers (see *Section 10: The Regulatory Model*).
- 6.21. The Regulator should also apply its principle of proportionality to specific corporate governance risks or issues. The Regulator would be pragmatic in its approach and undertake a risk-based assessment to establish priorities.⁵⁵ *Section 10: The Regulatory Model* contains further detail on the Regulator's proportionate, risk-based approach to regulation.

Next steps

- 6.22. Ahead of legislation, the government will continue to engage with stakeholders and refine policy. Legislation will set clear parameters and guidance for the Regulator with regard to scope, content, proportionality and application of the Football Club Corporate Governance Code. The government is committed to ensuring a tight scope focused on the internal corporate governance of football clubs, and not looking at club's commercial decisions or the governance of leagues and competitions. The specific requirements of the Football Club Corporate Governance Code would be established by the Regulator.

⁵⁴ [Fan-Led Review of Football Governance](#), November 2021, paragraph 5.18.

⁵⁵ For example, the Charity Commission uses a [Risk and Regulatory Framework](#) to identify, assess and guide response to regulatory risks.

7: Owners' and Directors' Tests

Summary

- The Review found examples of unsuitable custodians, including owners with long histories of business bankruptcies, owners with serious criminal convictions, owners later imprisoned for crimes including money laundering, and directors recruited without a proper, transparent appointment process.
- To address these shortcomings, the Regulator would establish new owners' and directors' tests consisting of three key elements: a fitness and propriety test (owners and directors), enhanced due diligence of source of wealth (owners), and a requirement for robust financial plans (owners).
- Fitness and propriety tests would be designed to ensure that prospective owners and directors have sufficient integrity, honesty, financial soundness and competence to be suitable custodians of football clubs.
- The Regulator would combine the disqualifying conditions currently applied by the football leagues with selected criteria that address specific harms identified in the Review.
- The Regulator would conduct fitness and propriety tests for owners and directors, and potentially for other individuals at a club deemed to exercise significant decision-making influence, and clubs would be required to declare their Ultimate Beneficial Owner.

The problem

- 7.1. The Review found that the financial distress we have seen at some of English football's most historic clubs was partly down to i) acquisition by owners unsuited to the custodianship of these important cultural assets and ii) the appointment of unsuitable directors without a proper, transparent appointment process or assessment of skills or qualifications.
- 7.2. Currently, the Premier League, EFL and FA each conduct their own tests. The three existing tests cover broad criteria that disqualify owners from being a football club owner or director. These criteria include, but are not limited to:
- past involvement with club bankruptcies;
 - dishonest dealings with the football leagues or FA;
 - control or influence at multiple clubs;
 - specific unspent criminal convictions (primarily involving dishonesty or corruption);
 - personal insolvencies;

- suspension or ban from another sport;
 - being barred from entry to the UK; and
 - being a football agent.
- 7.3. Existing tests are conducted on a self-declaration basis, where the prospective owner or director completes a form to confirm that they are not barred by any of the disqualifying conditions. Prospective owners or directors may be deemed guilty of misconduct by the football leagues if any information on their application is found to be false.^{56 57}
- 7.4. The Review also flagged concerns about *how* tests are applied; often without clarity or transparency, or after an acquisition has been completed.
- 7.5. Despite the existing tests, the Review found examples of unsuitable owners (whose ownership led to financial difficulties for clubs with long-term consequences) including but not limited to:
- owners with serious criminal convictions;
 - owners with long histories of prior business bankruptcies;
 - owners subsequently imprisoned for offences (e.g. money laundering);
 - owners who acquired clubs without proof of funds;
 - offshore hedge funds with unclear ownership.
- 7.6. The failure of a football club will rarely be attributed solely to its custodians. Nonetheless, there is a clear link between owners and directors, and financial sustainability. Owners and directors with a history of personal or business bankruptcies may be more likely to mismanage or exploit a club's finances. Custodians with conflicts of interest, political or criminal affiliations may take harmful risks and decisions at odds with the interests of fans, abuse their position for private benefit, or embroil a club in legal difficulties.
- 7.7. Corrupt behaviour, defined as the abuse of entrusted power for private benefit, by club officials can lead to poor decision-making and place them at risk of legal, regulatory, and financial jeopardy that can threaten their existence. The investment of illicit or criminal wealth in clubs' finances can similarly threaten their financial health and place them at serious risk, as seen in cases where wealthy backers have had their assets frozen.
- 7.8. There is a risk that owners with a history of impropriety or crime may suddenly be removed by law enforcement, legal challenges or government-imposed sanctions. In these scenarios, clubs may suddenly face a huge financial deficit due to the removal of owner-funding. This risks exposing

⁵⁶ EFL, [Appendix 3 - Owners' and Directors' Test](#) Section 5.2, October 2020.

⁵⁷ [Premier League Handbook Season 2022/23](#), Section F: Owners' and Directors' Test', F.1.3.2.

clubs to financial collapse, and failing to protect vital heritage assets for fans and communities.

- 7.9. *Section 5: Financial Regulation* describes the reliance of many clubs on owner funding. Despite this, owners can walk away, leaving a club financially stretched or, in extreme cases, bankrupt. A requirement to demonstrate robust financial plans, evidence of funds that match the ambitions and risks of those plans, and an understanding of the risks and costs before acquiring a club (see paragraphs 7.28 to 7.31) would help to address this.
- 7.10. As set out in *Section 2: The Case for Reform*, football clubs hold unique importance to their fans and local communities, and it is ultimately they who lose out when clubs are exploited or mismanaged by unsuitable custodians. We have heard from fans at clubs who have experienced ownership issues. Fans of Charlton Athletic took previous owners to court and won, persuading the judge that it was wrong for the community for a club to be owned by people who couldn't run it properly. Blackpool fans explained they had to take matters into their own hands, which was not addressed or supported by the football authorities. Setting a higher bar for suitable owners and directors will serve to instil a culture of stewardship, a duty to protect clubs and ensure their sustainability for the fans and communities on which they rely.

The solution

- 7.11. The Regulator would establish and implement new tests for owners and directors, which would be enforced through the 'Fit and proper custodians' Threshold Condition.
- 7.12. The government recognises that it is important to ensure the right balance is struck when developing tests for owners and directors. Although enhancing the tests is aimed at rooting out unsuitable owners and directors, it must be done in a way that does not disproportionately deter desirable investors. The Regulator's tests will do this by ensuring that obligations and requirements are not too onerous or subject to change after investment has been made. This approach provides certainty to investors.
- 7.13. Strengthened tests would likely attract investors with a more long-term, prudent approach to stewarding and growing these community assets. This is because, along with other aspects of regulation, enhanced tests would create a clearer and more certain regulatory environment for investors.
- 7.14. Primary legislation will give the regulator power to administer owners' and directors' tests, but the specific test criteria will not be detailed in primary

legislation. The government will set clear parameters for the Regulator to operate within when designing owners' and directors' tests.

- 7.15. Tests would consist of three key elements:
- fitness and propriety test (owners and directors);
 - enhanced due diligence of source of wealth (owners);
 - a requirement for robust financial plans (owners).

Fitness and propriety test

- 7.16. A fitness and propriety test assesses an individual's integrity, honesty, financial soundness, and competence. The Regulator would make an evidence-based objective judgement to assess whether an owner or director is a suitable custodian of a club. This would draw on fit and proper persons tests applied by other regulators including the Financial Conduct Authority (FCA), HM Revenue and Customs (HMRC), the Solicitors Regulation Authority and Bar Standards Board.
- 7.17. The Regulator would combine the disqualifying conditions currently applied by the football leagues with *selected* criteria relating to honesty and integrity, financial soundness, and competence and capability. The Regulator would ensure that any additional criteria are relevant to the harms in the market. Indicatively, this *may* include extending test criteria to cover a broader range of past bankruptcies, insolvencies and convictions.
- 7.18. Fitness and propriety tests should be objective and evidence-based. The Regulator must not form subjective judgments or opinions regarding an individual's reputation, character or integrity.
- 7.19. Fitness and propriety tests should apply to prospective owners *and* directors but specific criteria may not apply equally to both roles. For example, testing competence and capability will be more relevant to a prospective finance director than an owner who does not intend to sit on the board of directors. The Regulator would conduct fitness and propriety tests for owners and directors, and potentially for other individuals at a club deemed to exercise significant decision-making influence. The Regulator would require clubs to declare their Ultimate Beneficial Owner as well as individuals holding senior management responsibilities, to improve transparency and accountability.

Ultimate Beneficial Owner

Box 8

Clubs often have complicated ownership structures and may be owned by a chain of companies or hedge funds. Fans have expressed concerns at this opacity, and not knowing who controls the club they support.

Requiring clubs to declare their Ultimate Beneficial Owners (UBO) will identify who ultimately owns and controls clubs, improving transparency and accountability.

While current league rules outline a requirement to declare who controls a club, the Review identified concerns with the application of this rule, in particular where clubs are owned by offshore entities, and where the investors in those entities are unknown, or where clubs are controlled by complex company structures.

- 7.20. For some additional criteria, applicants would have the opportunity to provide additional evidence (e.g. circumstances surrounding an incident) in support of their application. Nonetheless, tests will be objective and evidence-based.
- 7.21. Tests should also be strengthened with regard to *how* they are conducted. As a statutory body, the Regulator would have access to information gateways, facilitating enhanced background and criminal checks.
- 7.22. The Regulator should determine whether a prospective owner or director is a politically-exposed person (PEP).⁵⁸ Applicants would not be approved or rejected on the basis of being a PEP. However, as political affiliation can expose individuals to bribery, corruption or external influence, PEP-status may be considered as part of an in-the-round assessment. The Regulator may direct a club to manage potential higher risks through corporate governance. This approach mirrors the FCA's guidance on treatment of PEPs, which recognises that domestic PEPs are lower risk, and provides guidance on types of countries which also lower risk.⁵⁹

Enhanced due diligence on source of wealth

- 7.23. The Review found examples of owners who were subsequently imprisoned for offences including money laundering. The significant popularity and influence of English football heightens the risk of clubs being exploited as a money-laundering tool for illicit finance.
- 7.24. In support of its objectives relating to ensuring clubs' financial sustainability and promoting sustainable investment, the Regulator will aim to mitigate the presence and risk of the investment of illicit finance in English football clubs.
- 7.25. To address this, the Regulator would assist government agencies in conducting enhanced due diligence checks on a prospective owner's source of wealth, aimed at identifying links to criminality or corruption. The Regulator

⁵⁸ Defined by the Financial Action Task Force as an individual who is or has been entrusted with a prominent function.

⁵⁹ [FG 17/6 The treatment of politically exposed persons for anti-money laundering purposes.](#)

would *not* directly regulate money-laundering or crime, nor would it make unilateral judgments that risk straying into foreign policy. The Regulator would exchange information with existing regulators and agencies to support their statutory objectives.

Robust financial plans

- 7.26. The Review recommended that prospective owners should be required to submit a business plan for assessment by the Regulator, covering multiple elements including strategy, governance, plans for financial sustainability and corporate structure. The government supports this recommendation, but with some minor revisions.
- 7.27. Full business plans including corporate structure and governance should be agreed collectively by a club's board, which has collective responsibility for the club's management and strategy. The Regulator would therefore require clubs to submit detailed business plans periodically, but these would instead be assessed as part of corporate governance and financial regulation through the 'Appropriate resources' Threshold Condition.
- 7.28. Prior to a prospective owner acquiring control of a club (a club would be required to notify the Regulator of a prospective change in ownership), the Regulator would assess the individual's financial plans and resources. Indicatively, this would include:
- proof of sufficient financial resources;
 - financial forecasts;
 - personal guarantee (for owner injections);
 - contingency plans.
- 7.29. Analysis of prospective owners' financial resources would be essential in ensuring that owners would be suitable custodians of the heritage assets of football clubs. To help safeguard the financial sustainability of clubs, the government is considering whether the Regulator should set tougher restrictions around leveraged buyouts, whereby the purchase of a club is (in part or wholly) financed through loans secured against the club itself.
- 7.30. The Regulator would require prospective owners to declare how much money they intend to invest in the club in the short and long-term as part of their 'personal guarantee'. This would help to make owners more accountable to the Regulator. The Regulator should assess adherence to their personal guarantee as part of future owners' tests, when reapplied.
- 7.31. The Regulator would also ask prospective owners to outline contingency plans, explaining how they would manage an unexpected downturn in the

club's financial situation. This could be related to the team's performance, such as relegation or failing to qualify for European competitions, or wider economic impacts, such as a financial crisis or a global pandemic.

Timing and transition

- 7.32. Football clubs operate within temporal constraints such as league seasons, transfer windows, and short-term commercial contracts. Tests should therefore be as quick as possible to avoid unnecessarily deterring investors, frustrating fans, or leaving clubs 'in limbo'. The Regulator would be subject to a statutory deadline (see paragraph 11.9) in determining the outcome of a test, to provide certainty to clubs, fans, and other stakeholders.
- 7.33. Owners' and directors' tests may include a 'pre-notification' option, whereby clubs can confidentially inform the Regulator in advance of a proposed takeover, providing more time to gather information and perform checks.
- 7.34. The Regulator should increase oversight of owners and directors, to ensure their suitability on an ongoing basis. Incumbent owners and directors would be required to inform the Regulator of any relevant changes to club or personal circumstances, as part of an annual compliance statement. Changes in circumstances could trigger a retest of relevant owners and/or directors. The Regulator would have the power to retest owners or directors at any given time (or regular interval), such as following an update to the Regulator's rules, or in response to a change in the individual's circumstances.
- 7.35. In the event that an owner or director is retested and they fail to comply with requirements, leagues have existing rules to suspend or disqualify the individual. The Regulator would work with the leagues on this, and would have its own powers to disqualify individuals as a backstop.
- 7.36. Strengthened owners' and directors' tests will help to limit, at the point of entry, unsuitable custodians controlling football clubs. The government believes this will create a higher standard of stewardship and reduce the number of harmful risks taken by dishonest, incompetent, or nefarious owners, thus helping to protect the future of football clubs.
- 7.37. The owners' and directors' tests administered by the Regulator will set the minimum standard for prospective owners and directors. As membership organisations, the leagues would be entitled to add their own test criteria, separate to the Regulator's tests. This would be on the basis that any additions would not unduly delay or burden the process. The leagues are

also encouraged to continue making progress and strengthening their own tests in the meantime, as the Premier League have committed to doing.

Next steps

- 7.38. Ahead of legislation, the government will continue to engage with stakeholders, refine policy and analyse the relationship between investment and owners' and directors' tests. Legislation will set clear parameters and guidance for the Regulator, with regard to test criteria, proportionality, objectivity, transition, timing, and application.

8: Fan Engagement and Club Heritage

Summary

- Fans are the most important stakeholder for any football club, and both parties benefit from their involvement in the long-term decision-making process at a club. Supporters were at the heart of the Review and it is vital the Regulator ensures their views are better heard by clubs.
- The Regulator would set a minimum standard of fan engagement as part of its licensing regime through the 'Fan interests' Threshold Condition, in line with the aims of the Review. This would require clubs to have a framework in place to regularly meet a representative group of fans to discuss key strategic matters at the club, and other issues of interest to supporters (including club heritage).
- The Regulator should require clubs to engage with the FA on their new rules for club badges and home shirt colours (which will give fans a veto over any proposed changes), and adhere to all decisions.
- The Regulator should also require clubs to seek the Regulator's approval for any sale or relocation of the stadium. This would primarily be on the basis of financial considerations, with a remit to consider the implications for club heritage and the views of fans.

The problem

- 8.1. Supporter engagement can mean different things to different people. In the context of this regulatory system, it means dialogue between a football club and its fans, ensuring that the views of fans are listened to and acted upon.
- 8.2. The Review identified highly variable standards of fan engagement across clubs. While some clubs have effective structures in place, others have shown limited progress in delivering the standards set out by the Premier League and EFL. The result is that fans feel they are not consulted as part of the strategic decision-making process at some clubs.
- 8.3. These off-pitch decisions include proposals which affect the heritage of a football club. The badge, home team colours, and name of the club can be considered intrinsic representations of a club's history. The stadium and the club joining a new competition were also identified by the Review as key aspects of club heritage.

- 8.4. The benefit of an effective engagement strategy between a football club and its fanbase is two-fold. Clubs can receive valuable insight into their decision-making process from the perspective of their most important stakeholders, and they can also communicate the rationale behind their preferred choices for those decisions. In particular, this includes any changes to the heritage assets identified in the Review.

The solution

- 8.5. Clubs will need to satisfy the Regulator that they have appropriate and proportionate provisions for considering the interests of fans on key decisions and issues of club heritage. Clubs will need to show they are regularly consulting a representative group of fans on key strategic matters at the club, and other issues of interest to supporters (including club heritage). Fans deserve this level of engagement, and this system allows it to be done in a proportionate way by the regulator.
- 8.6. Clubs would need to engage with the FA's new rules⁶⁰ for changes to heritage assets and adhere to all decisions made by the FA. Finally, the government's intention is for clubs to seek the Regulator's approval prior to any stadium sale or relocation.

Fan engagement

- 8.7. The objectives of improving fan engagement would be to ensure that fans are consulted on strategic matters and other issues of interest to supporters in a manner which allows for open discussion and effective feedback. This can benefit the decision-making process of clubs in a number of areas - fans are a uniquely important stakeholder and their involvement improves transparency and accountability, improving the long-term sustainability of clubs.
- 8.8. Although a 'shadow board' can work well for many clubs, the government does not consider it appropriate for the Regulator to mandate the exact form that fan engagement should take at all 116 clubs it would license. A 'one size fits all approach' is unlikely to be optimal or proportionate given the diverse range of clubs across the pyramid and their fans' preferences with regards to engagement.⁶¹ A prescriptive 'shadow board' requirement would impose a large administrative burden on clubs, inhibit new or innovative forms of engagement, and may be counterproductive if the club believes it has existing processes which work better for their fanbase.

⁶⁰ The FA, [FA introduce new rules to protect heritage of clubs](#), August 2022.

⁶¹ Alternative forms of engagement could include fans' forums, regular meetings with supporter groups, or fan ownership (e.g. Exeter City, AFC Wimbledon and Newport County AFC). There are many ways of structuring a club's fan engagement and each one will be in the best position to decide how exactly to design their approach in line with the requirements of the Regulator.

- 8.9. The Regulator would provide this flexibility through the design and application of Specific Licence Conditions, and provide guidance on how clubs can meet them as part of its assessment process. However, at a high level, the Regulator would expect to see evidence (e.g. a Memorandum of Understanding, meeting agendas, minutes) that a club has an effective structure in place for senior members at the club to regularly discuss relevant strategic matters of interest to a representative group of fans. The Regulator would also expect to assess evidence from fan representatives on how the club's framework works in practice.
- 8.10. In practice, we expect most clubs will employ a 'shadow board', but this representative group should at least include a club's Supporters' Trust and adequate representation for the women's team if the club has one affiliated. If attendance is restricted to a small group of supporters – which would be the expectation – a significant proportion of this representative group of supporters should be elected, selected, or invited to these meetings in line with basic democratic principles and in line with the wider demography of the fanbase.
- 8.11. The Regulator would look to work with clubs to improve, where necessary, the structures that exist within a club to facilitate effective fan engagement. This would involve working with the relevant league, the club, the fanbase, and the Football Supporters' Association to help identify any issues and share best practice across clubs. The Regulator would have the power to review the structures clubs have for engaging their fans and make recommendations for improvements.
- 8.12. In all cases, the emphasis would be on collaboration between parties - involving fans in the decision-making process of their club to the benefit of both. However, the Regulator would have the power to sanction individual clubs if there is a persistent and wilful lack of engagement, in breach of its licence. The Regulator would publish guidance to outline the conditions for sanctions to be applied, but a range of options would be available to the Regulator. See *Section 10: The Regulatory Model* for further detail on the proposed approach to enforcement of the Regulator's licensing system.
- 8.13. This policy is designed to improve, where necessary, the structures around how clubs engage with their fans in a proportionate manner. Clubs are in the best position to understand how to engage with their own supporters and many already have structures in place which work well and would meet the proposed 'Fan Interests' Threshold Condition. The Regulator's role should be to ensure that all clubs meet a minimum standard of engagement with their supporters while providing flexibility to implement solutions which suit each club's unique fan base.

- 8.14. The 'Fan Engagement Standard', which the Premier League are planning to implement for their clubs, is welcomed by the government. This will see Premier League clubs introduce Fan Advisory Boards and nominate a board-level official responsible for the club's fan engagement activities. The Regulator should make its own assessment, but it is expected that clubs that comply with these new rules would meet the Regulator's requirements for fan engagement.

Club heritage

- 8.15. A 'Golden Share' (a special share held by a club's Community Benefit Society (CBS) requiring fan consent for certain actions) can work well for some clubs. However, after careful consideration for protecting club heritage, and alternatives, the government does not think it is appropriate for the Regulator to require every club to introduce a 'Golden Share'. This would require each club to amend its Articles of Association, establish a CBS if one does not exist, and involve a direct impact on the rights of existing owners and shareholders. This would place a significant burden on clubs and could deter investment and development with regards to stadiums as any proposal can be vetoed by the CBS.
- 8.16. No club will be prevented from utilising a 'Golden Share' model, however the government considers that the Regulator could ensure suitable protections are in place for club heritage across the football pyramid through alternative means.
- With regards to the badge, name of a club, and home shirt colours, we believe the FA's rules are simpler and give fans protection which is just as effective as a 'Golden Share'. These protections are in place now and, once live, the Regulator will give this a regulatory underpinning.
 - The Regulator will implement further protections for club stadiums by requiring every club to seek pre-approval for a sale or relocation. This would primarily be based on financial considerations, but the Regulator should also have a remit to consider the implications for club heritage of any proposal, the views of fans and the club's historical connection to its locality.
 - Fans will also be protected by the Regulator from their clubs joining breakaway leagues through the 'Approved Competitions' Threshold Condition (see *Section 4: The Regulatory Framework*).
- 8.17. In the response to the Review, the government noted that the FA were working to update their rules on changes to club heritage assets. We have discussed these with the FA in detail and welcome the introduction of new rules this season to cover changes to the badge and home shirt colours for

the top five tiers of men's football and the top two tiers of women's football. These are in addition to the strong existing protections for the name of a club.

- 8.18. Clubs will need to collect proof that a majority of fans are in favour of a change for it to go ahead, giving fans an effective veto over changes to these intrinsic representations of their club's history and heritage. These additional protections are already in place (including for the women's game) and will prevent owners from interfering with the heritage of their clubs against the wishes of the fans. Evidence this is working can already be seen at Bristol Rovers and Aston Villa, where fan consultation has resulted in the existing badge being kept at Bristol Rovers, and a new badge being approved by supporters at Aston Villa.
- 8.19. The Regulator should require clubs to seek the approval of their fans for these changes by complying with the rules and decisions made by the FA, and they would remain the relevant regulatory body in this regard. The Regulator should also reserve the right to implement its own rules at a later stage if it deems that necessary to continue that protection for fans, providing a regulatory backstop for heritage protection.
- 8.20. Moving the stadium is, rightly, an emotive issue for fans. Their clubs will have an historic connection to the location they play football in and their stadiums are often important landmarks for the local community. However, there are more stakeholders and issues in moving the stadium than making changes to the badge, colours or name of the club. Importantly, there will generally be wide ranging financial implications - moving stadium will involve selling or leasing the existing one, and renting or building a new one. The Regulator is in the best position to assess the merits of such a bid in the round i.e. it can balance the commercial, financial and stakeholder (in particular, fan) interests.
- 8.21. Our intention is for all stadium sales and relocations to require pre-approval by the Regulator given its status as a key heritage asset for any club. The Regulator's primary consideration when considering an application for a stadium relocation will be the financial sustainability of the move. Should the Regulator consider that the application is financially viable, they will also have a remit to consider the heritage impact of any proposal in consultation with fans and other relevant affected parties.
- 8.22. The conditions for approval would be published by the Regulator, but after assessing the financial sustainability of a proposal, it should also have a remit to consider the heritage implications of a stadium sale or move. This could include:

- The historical connection to a specific location;
- The views of supporters and the local community;
- The impact on other clubs in a new location.

8.23. Many clubs do not own the stadium they play in. The Review recommended that the government should explore the viability of introducing new security of tenure property rights for clubs where the club does not own the stadium in which it plays.

8.24. The government has committed to launching a review of the landlord and tenant relationship and the legislation surrounding it. This will cover, but will not be limited to, football grounds. Further details will be announced by the Department for Levelling Up, Housing and Communities in the coming months, including whether the scope of the review will include security of tenure.

Next steps

8.25. Ahead of legislation, the government will continue to engage with stakeholders to finalise the design of policy for fan engagement and club heritage. Legislation will require clubs to meet a minimum standard with regards to fan engagement and the Regulator will provide guidance to clubs for meeting its assessment. The Regulator should design these in a proportionate manner which does not unduly burden clubs, particularly where effective structures are already in place.

9: Financial Distributions

Summary

- The current distribution of revenue is not sufficient, contributing to problems of financial unsustainability and having a destabilising effect on the football pyramid. Therefore, there remains a clear need to reform financial distributions in English football.
- A football-led resolution to this important issue remains the government's preference, and football must come to an agreement soon. We do not see any reason why that cannot happen at pace.
- However, the Regulator will need targeted statutory powers to intervene as a last resort if necessary, should certain thresholds be met. This will be to a statutory timetable, and start with arbitration by the Regulator.
- The Regulator would ideally not need to intervene in this space, and the process will be designed to empower and encourage football to find a solution first. But if football fails to deliver a solution, the Regulator will deliver one.
- The government is giving further consideration to the exact model for the Regulator's targeted power of last resort. One option we are considering is binding final offer arbitration - the parties would each submit their proposal, the Regulator would assess them against predetermined criteria, and would choose and impose one as the binding arrangement.

The problem

- 9.1. English football clubs have been highly successful in growing their income. Combined revenues across the top four men's leagues increased from around £260 million in 1991/92 to around £6 billion in 2020/21, with a level of growth that has outperformed comparator leagues across Europe.⁶² Despite this, analysis of the financial health of English clubs indicates that a large number of clubs struggle to remain financially viable without the help of external owner funding. One way clubs will need to address this, as in any industry, is to better manage costs and seek ways to further grow commercial revenue.
- 9.2. However, it is widely accepted within the football industry that financial redistribution is also needed to maintain a competitive league system. This in turn protects sporting integrity, prevents clubs from having to gamble beyond their means in order to compete, and strengthens the commercial value of

⁶² Analysis based on Deloitte (2022) [Annual Review of Football Finance 2022](#).

English football. It is for this reason that the Premier League already willingly redistributes TV broadcast revenue down the pyramid.

- 9.3. However, the current distribution of revenues is considered by many to be insufficient and, as a result, is contributing to the problems of financial unsustainability:⁶³
- The majority (c.83%) of revenue earned by clubs in the top four divisions now sits within the Premier League, while League Two clubs account for just 1.5%. By comparison, in 1993 the Premier League's share of revenue was 57%.
 - The gap between the collective revenues of Premier League clubs and of Championship clubs exceeded £4 billion in 2020/21. The average revenue of a Premier League club (£243 million) was approximately eight times that of a Championship club (£25 million). There was also a wide gap between Championship (£25 million) and League One (£7.2 million) clubs.
 - There is a large revenue 'cliff edge' between the bottom of the Premier League (c. £120 million) and the top of the Championship (£70 million). This 'cliff edge' is even greater for clubs that do not receive parachute payments.⁶⁴
- 9.4. In addition to these issues regarding the elite men's game, there are concerns that too little money is being redistributed to the rest of football.
- 9.5. There remains a clear need for football to reassess both the magnitude of revenue distributions and the way in which money is allocated between teams. The current approach has affected competitiveness and led to financial risk-taking by clubs - the persisting revenue disparities encourage clubs to take financial gambles in an attempt to achieve promotion or avoid relegation. This is accentuated by parachute payments, which can distort competition in the Championship and encourage greater financial risk taking by clubs that are not in receipt of them.
- 9.6. The Government Response supported the principle of a football-led solution to revenue distribution, with additional proportionate contributions from the Premier League to the rest of the football pyramid. However, it noted that there has been no progress on reaching a solution and therefore reiterated the potential for the Regulator to play a role in redistributing income.

⁶³ All figures based on Deloitte (2022) [Annual Review of Football Finance 2022](#).

⁶⁴ "Parachute payments are made to clubs after they are relegated from the Premier League. They allow clubs to invest in their teams, and wider operations, in the knowledge that should they be relegated they have provisions in place to re-adjust their finances."
Premier League (2017) [What are parachute payments?](#)

The solution

- 9.7. A football-led solution to solving distributional issues remains the strongly preferred outcome both now, and for the future. Both the Premier League and EFL are in agreement that a greater quantum of cash needs to flow through the pyramid, alongside cost controls, in order to achieve the financial sustainability that is so urgently needed. However, despite pressure from the Government to reach a solution, the parties have made limited progress on reaching an agreement and it remains a very real prospect that a football-led solution will not be reached without external pressure.
- 9.8. Therefore, the Regulator will require the statutory power to intervene on financial distributions, should certain high thresholds be met. This would be a targeted power of last resort only triggered if insufficient distributions threaten to undermine the ability of the Regulator to meet its objectives on sustainability. The Regulator will undertake a periodic assessment of how the industry is working and the health of finances. The process set out below will only be triggered if the Regulator has evidence of systemic financial issues, compromising its ability to deliver its purpose and sustainability duties.
- 9.9. Any Regulator intervention would only come after the market has been given adequate opportunity to reach a settlement. If the industry is able to reach a deal, the Regulator would be able to place a binding backstop behind it. If a deal is not reached, a first step would be for the Regulator to undertake a mediation role, similar to the Advisory, Conciliation and Arbitration Service (ACAS). Further intervention would only be taken if an impasse still remains after this mediation. This would all work to a set timetable, to push for a solution as quickly as possible.
- 9.10. The Regulator would ideally never need to intervene in this space. Its powers and the statutory process for intervention will be designed to empower and encourage football to find a solution itself first. However, if football fails to deliver a solution, the Regulator will use its targeted power of last resort to deliver one.
- 9.11. We are still determining the best model for this power. One model we are considering is to give the Regulator the power to oversee a model of binding final offer arbitration.

Binding final offer arbitration

- 9.12. In this model, the Regulator would set out the terms of the process, including the issues that any financing would need to address. In response, the Premier League and EFL would each set out their proposal, with accompanying analysis and justifications. The Regulator would then choose which of the two proposals is more appropriate based on the evidence

presented and in consultation with all relevant parties. The decision would be based on consideration of both proposals against pre-defined criteria set out by the Regulator. The proposal with the largest quantum would not necessarily be the one chosen. We would expect this model to incentivise the parties to take a reasonable approach on the level of financial support needed.

- 9.13. This intervention would only be triggered if the industry could not come to a solution itself and the Regulator had sufficient evidence that it would be unable to meet its statutory objective without intervention. Intervention would follow a clear and fair process, decisions would need to be evidence-based and there would be opportunities for affected parties to make representations and appeal decisions. Both the decision by the Regulator that the arbitration process has been triggered and any final determination would be open to appeal through the Courts (see *Section 11: Procedural Safeguards*). This gives all parties sufficient confidence that decisions will be evidence-based and have followed the correct procedure.
- 9.14. This would not be a tool for the Regulator to ensure the financial sustainability of individual clubs, but rather part of a balanced package of measures to maintain stability at the macro level. As such, the renegotiation of distributions would only occur periodically and not be a continuous exercise.

PART 4: REGULATION IN PRACTICE

10: The Regulatory Model

Summary

- The Regulator would operate an ‘advocacy-first’ approach to regulation as the default, but with the power and mandate to intervene swiftly and boldly when necessary.
- The Regulator would have a range of powers, including a variety of strong sanctions on clubs and individuals, to deliver its licensing system.
- It would operate an escalating model of enforcement, using increasingly stronger powers and with greater involvement in club operations if certain thresholds for intervention are met.
- It would be proportionate in its approach. Regulation would adapt to the circumstances and where clubs are already well run, the Regulator would have less of a role.
- This operating model would be defined through regulatory principles, which would also ensure the Regulator operates transparently and consistently.
- Existing and emerging regulation in football risks imposing additional burdens if it overlaps with the Regulator’s system. As such, the Regulator should have the ultimate responsibility for ensuring financial sustainability in football, while also consulting with industry and overseeing industry rules within this remit to ensure coherence.
- The Regulator may wish to allow concurrent systems, or delegate responsibilities to industry bodies, in certain circumstances. It would manage this in a way that is coherent and simple for all involved, especially clubs.

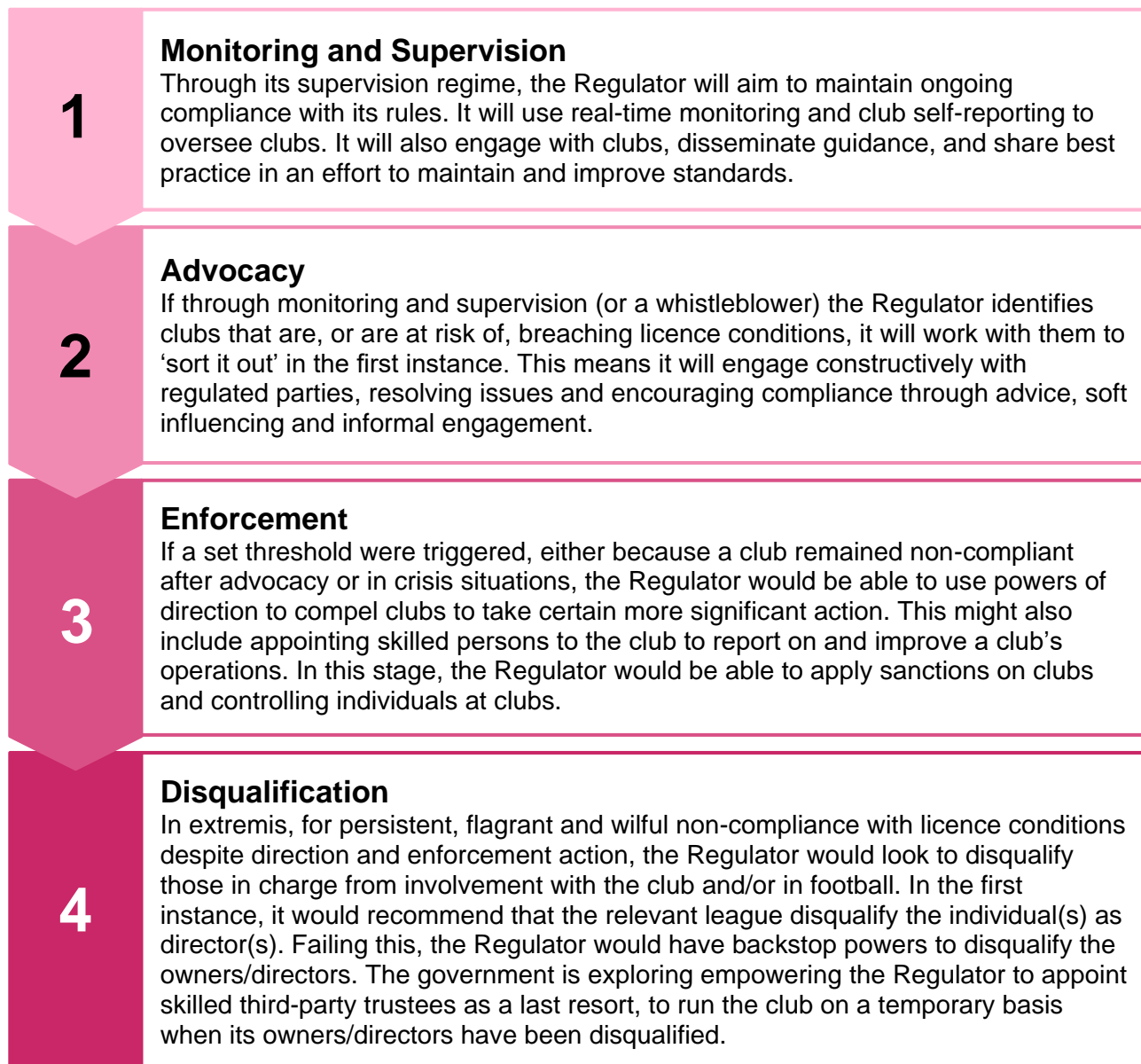
Approach to regulation and enforcement

- 10.1. The government recognises that *how* the Regulator exercises its functions in pursuit of its objectives, will be as important as the functions and objectives themselves. A clearly defined operating model will ensure that all regulated parties know what to expect.
- 10.2. The Regulator would take a participative approach to regulation as the default, aiming wherever possible to deliver its objectives through engaging constructively with clubs rather than enforcement. However, it would have the power and mandate to intervene boldly and swiftly when set thresholds have

been met to minimise the risk of harm. Any enforcement action would be evidence-based - facilitated by prior monitoring and/or investigation.

- 10.3. The Regulator's approach to regulation and enforcement would follow stages of escalating intervention, as illustrated in Figure 5. If a club remained non-compliant, the Regulator would ratchet up through these stages, and would become more directly involved in the operation of the club.

Figure 5: The Regulator's escalating approach to regulation



- 10.4. The Regulator would have the statutory powers necessary to deliver its functions and, when necessary, enforce its obligations. Checks and balances would be embedded within the system to govern its use of these powers (see *Section 11: Procedural Safeguards*). Its powers would include:

- Licensing and rule-making;
 - Monitoring and supervision;
 - Investigation and information gathering;
 - Direction and approval (e.g. pre-approval for stadium relocation);
 - Sanctions.
- 10.5. The Regulator would have the power to impose directions on clubs to take certain action. These would only be used if certain thresholds for intervention had been met, in order to address particularly urgent and significant problems, or if softer forms of advocacy had failed to address non-compliance.⁶⁵
- 10.6. We expect compliance would be the norm, as the Regulator would provide guidance on its system and expectations, and it would be in the best interests of clubs to comply in most cases. However, the Regulator would have a broad and varied suite of sanctions to enforce its licensing system if necessary. Its use of sanctions would be strong and aim to deter future non-compliance. Sanctions would only kick in if clubs repeatedly or egregiously failed to meet their obligations. These sanctions would include:
- Reputational sanctions (i.e. naming and shaming) on both clubs and controlling individuals;
 - Financial penalties on both clubs and controlling individuals;
 - Suspension or disqualification of controlling individuals from involvement in football;
 - Suspension of clubs via withdrawal of licences.
- 10.7. The Regulator would deploy sanctions proportionate to the offence. For example, financial penalties may not be an appropriate sanction to apply to a club already in financial distress, or may be a weak deterrent to wealthy clubs or individuals. Sanctions would target the culprits (e.g. the decision makers at clubs) in isolation, with minimal undue impact on fans, club staff, and players wherever possible.
- 10.8. The Regulator should not directly regulate on-pitch outcomes. So, the government does not believe the Regulator should have sanction powers directly related to sporting competition, such as points deductions. Sporting sanctions would be reserved for the respective leagues or the FA to apply in response to a breach of their own rules. However, the Regulator would have the ability to recommend that leagues or the FA apply sporting sanctions, and would supply any evidence it has to assist in their investigation. For example,

⁶⁵ For example, the FCA uses VREQ (voluntary requirement) and OIREQ (own initiative requirement) powers to vary permission, impose requirements, or change individuals' approvals in response to suspected serious misconduct and where harm needs to be prevented urgently.

the Regulator might provide evidence of financial strain as a result of transfer activity, and recommend that the league should consider a ban on player registrations. It would ultimately remain a decision for the league though.

- 10.9. The Regulator would hold a club's senior management accountable for the club's decisions and for compliance with regulation. Every club would be required to make it clear which individuals have significant decision-making influence at the club, and whether the owner is involved in day-to-day decisions. This means, where appropriate, it could take enforcement action against individuals as well as, or instead of, clubs.
- 10.10. Legislation will set parameters around sanctions. The Regulator would be obliged to assess the level of sanction against objective criteria, and take certain steps before imposing a penalty (e.g. issue notices). The Regulator would also be subject to maximum limits for sanctions such as financial penalties, and individual sanctions would only be applicable in certain circumstances. We are giving further consideration to the appropriate process and maximum penalties for the Regulator. The Regulator's approach to enforcement and sanctions would be published in its guidance.

Regulatory principles

- 10.11. Regulatory principles are basic and fundamental rules that the Regulator would be obliged to follow when discharging its functions. We have taken inspiration from the FCA's 'Principles of good regulation' which are designed to ensure the Regulator exercises its functions appropriately.⁶⁶
- 10.12. These regulatory principles would establish the Regulator's participative, evidence-based, and bold enforcement approach outlined above. They would also further define its regulatory philosophy as outlined in the proposed list in Table 3.

Table 3: The Regulator's proposed regulatory principles

1. Participative	As the default, the Regulator should aim to deliver its statutory duties without formal intervention, but instead through advocacy. This means engaging constructively with clubs and steering them to compliance, wherever possible.
2. Bold enforcement	When advocacy is ineffective or in critical situations, intervention and enforcement should be bold. Sanctions should be strong and aim to deter future non-compliance.

⁶⁶ FCA, [Principles of good regulation](#).

3. Evidence-based	All decisions taken by the Regulator should be evidence-led. This means it should make the case for its decisions using information and data gathered through monitoring and investigations, such that they are defensible under scrutiny.
4. Senior management responsibility	Responsibility for the activities of football clubs and compliance with regulatory requirements rests collectively with the board of directors. Clubs would be required to make it clear which individuals hold board and/or senior management responsibilities, including the owner where relevant. The Regulator should hold these individuals, and the Board as a whole, to account as appropriate.
5. Adaptive and context-specific	The Regulator should be flexible in its approach to regulating different clubs. This means, where appropriate, it should exercise its functions (e.g. set Specific Licence Conditions) in a way that recognises differences in the context (nature, circumstances, and objectives) of different clubs.
6. Proportionality	The Regulator should ensure that any burden or restriction that it imposes on a person, club or activity is proportionate to the benefits expected as a result. It should perform a risk-based assessment, taking into account the potential for benefits and harm to any affected stakeholders. Where clubs are already well run and the risk of harm is lower, the Regulator would have less of a role.
7. Efficiency and economy	The Regulator should use its resources in the most time efficient and cost efficient way possible. It should pre-empt or rectify problems as comprehensively and quickly as is reasonable and practicable. The Board of the Regulator would be accountable for delivering value for money.
8. Transparency and consultation	The Regulator should exercise its functions as transparently as possible. It is important that it provides appropriate information on regulatory decisions, and should be open and accessible to the regulated population and the general public. It should publish guidance on its system. ⁶⁷ The Regulator should also consult on key decisions, particularly where these would affect fans.
9. Coherence	The Regulator should ensure its requirements of clubs are simple, clear, and coherent with the wider regulatory

⁶⁷ For example, like the FCA publishes the [FCA Handbook](#).

	landscape. This would provide regulatory certainty and minimise the compliance burden on clubs.
10. Consistency	The Regulator should exercise its functions consistently. While it would take a proportionate and context-specific approach, it should ensure equivalent clubs are treated the same and regulation is applied consistently in response to the same circumstances, risks, and thresholds.

Regulatory cooperation

- 10.13. In response to some of the challenges and concerns presented in the Review, the football industry has been considering how it can reform. Some of this reform is in closely related or identical areas to that which the Regulator would oversee. If these overlap with the Regulator's proposed remit, this risks confusing clubs and imposing additional burdens.
- 10.14. There needs to be clarity across the regulatory landscape and accountability for regulation, especially when problems occur. This was an issue explicitly highlighted by the Review, which found overlaps and gaps to be a key driver of bad regulatory outcomes. The roles and responsibilities of other bodies within football should be clearly defined to ensure these overlaps and gaps do not persist under the new Regulator's system. The Regulator should not simply layer additional requirements on clubs.
- 10.15. Therefore, the Regulator would have the primary responsibility for ensuring financial sustainability and resilience in English professional men's football. This means it would be ultimately responsible for achieving this objective, and accountable for any regulation related to the four Threshold Conditions of its licensing system.
- 10.16. Where rules of industry bodies stray into the Regulator's remit, the Regulator would have oversight to ensure that regulations are coherent and effective. It would work cooperatively with the industry to avoid duplication, conflict, and burdens. For example, leagues should consult the Regulator on planned changes to their rules if they think they might overlap with the Regulator's system. The Regulator would also engage with the industry when designing rules, and consult with the industry on certain decisions (see *Section 11: Procedural Safeguards*).
- 10.17. This way, both the Regulator and industry would have the space to act within their own remits and deliver on their own objectives. For example, domestic leagues could still apply financial rules aimed at delivering fair competition, but the Regulator might take a view if certain rules risked cutting across its

own financial resilience regulation. If cooperation does not work, the Regulator would need powers to enforce the boundaries of respective rules and responsibilities.

- 10.18. Regulatory issues that fall outside of the Regulator's remit would remain the sole responsibility of football's existing bodies domestically and internationally. For example, the Regulator would have no oversight of laws of the game, fixture scheduling etc.
- 10.19. Some domestic clubs are bound by the rules of non-domestic industry bodies such as UEFA and FIFA.⁶⁸ The Regulator should still aim to manage any overlaps cooperatively, but it would ultimately have to be reactive to these rules. The government expects the Regulator to maintain a healthy relationship with these external bodies, so that it can communicate concerns and jointly coordinate rules as appropriate.
- 10.20. The government recognises that there may be merit in sharing or delegating regulatory responsibilities in certain circumstances. For example, where leagues already have capability, are best placed, and can be trusted to perform certain regulatory functions. If responsibilities are coordinated correctly, the industry could help the Regulator to deliver some aspects of regulation more efficiently and effectively.
- 10.21. Therefore, we are considering whether the Regulator should have the statutory power to delegate some specific regulatory functions and responsibilities if it considers this is in the best interests of football. Crucially, the Regulator would need to be reassured that the industry body would make decisions independently of influence from clubs. For example, the proposals in *Section 8: Fan Engagement and Club Heritage* outline that the FA should have responsibility for making and enforcing some heritage protection rules. However, the Regulator would reserve the right to implement its own rules at a later stage if it deems it necessary to continue protecting heritage for fans.

Cooperation outside of football

- 10.22. We expect the Regulator would have good relationships with other regulators, government agencies, and bodies more widely across the economy. Two-way flows of information and advice with bodies such as the Financial Conduct Authority, National Crime Agency, HMRC, and Information Commissioner's Office, would help improve regulatory outcomes for all parties.

⁶⁸ UEFA's rules would only affect up to seven Premier League clubs at any one time. However, some additional clubs may feel softly bound by them, in the expectation that they might compete in UEFA competitions in the near future.

11: Procedural Safeguards

Summary

- Checks and balances would be embedded in the design of the Regulator and its system to ensure it is using its powers in a fair and appropriate way.
- In addition to its duties and principles, the Regulator would be subject to legal processes to govern how it uses its powers. These would include requirements to consult, and to meet set thresholds to intervene.
- The Regulator would use a Regulatory Decisions Committee to advise on certain key regulatory decisions. This would introduce expert scrutiny to ensure a more robust decision-making process.
- Although operationally independent of the government, as with other regulators, the Regulator would be ultimately accountable to Ministers.
- Regulated parties would have the right to appeal the Regulator's decisions to a court or tribunal. The majority of these would be on judicial review principles but, in certain rare circumstances, there would be a limited right to appeal a decision on the merits.

- 11.1 The Regulator would have a range of strong powers and a bold mandate. So it will be important to embed the appropriate safeguards into its system. These would ensure the Regulator is using its powers appropriately, is making considered evidence-led decisions, and is accountable for its actions.
- 11.2 The checks and balances that would apply to the Regulator can broadly be grouped into the five categories in Table 4. Each of these will be crucial to the success of the Regulator, the risk of any unintended consequences, and the burden regulation may place on football. While significant reform is needed in the industry, it is equally important to protect against over-regulation that might harm the successful commercial product that is English football.

Table 4: The Regulator's checks and balances

Duties, principles, and Government guidance

The Regulator's actions would be guided by its statutory duties and regulatory principles. These would place natural checks and balances on the way the Regulator operates. For example, its principle of proportionality and secondary duty to have regard to domestic competition would place important controls on when and how it intervenes. It would not strive for

	<p>sustainability at all costs, if the potential burden on clubs or the risk of harming competition was too high.</p> <p>The Regulator would also have regard to the government's guidance when exercising its functions. Though this guidance would be non-binding, it could further govern the Regulator's approach.</p>
Processes	<p>The Regulator would be required to follow set legal processes when exercising its functions. For example, it would have a duty to consult on certain decisions, and threshold tests would have to be met before it can take certain action.</p>
Structures	<p>There would be structural safeguards built into the design of the Regulator. For example, a separation of decision makers would mean certain predetermined key decisions are taken by experts with 'fresh eyes'.</p>
Accountability	<p>The Regulator should be accountable for its decisions and performance against its duties. This means its decisions should be subject to appropriate scrutiny and, if necessary, it should have to answer to Ministers (and then possibly Parliament) for its actions.</p>
Rights to appeal	<p>Affected parties would have the right to appeal key decisions made by the Regulator, to challenge that they were taken in line with public law principles, via a fair process and within a proper interpretation of the law.</p> <p>There may also be an internal review process for affected parties to contest decisions without going to the courts.</p>

Government guidance

- 11.3 The government is considering issuing non-binding guidance to the Regulator alongside legislation, to support the Regulator in achieving its objectives. The guidance would provide additional instruction around how the government intends the Regulator to operate its system, without interfering with the independence of the Regulator.
- 11.4 It would be a statutory requirement for the Regulator to 'have regard to' this guidance when exercising its functions. This means it would be expected, but

not obliged, to act in accordance with the guidance. This is crucial in maintaining independence from ongoing political influence.

Processes

Consultation

- 11.5 The Regulator would have a duty to consult affected stakeholders ahead of taking certain key decisions or actions. These stakeholders could include: regulated clubs; supporter groups; industry bodies (e.g. the FA, domestic leagues, FIFA, UEFA); and the government.
- 11.6 The government is giving further consideration to the specific decisions and circumstances in which the Regulator would be obliged to consult, and with which parties. The form of consultation would be proportionate; it would not necessarily require a formal public consultation in every circumstance.
- 11.7 The Regulator would need to have due regard to the outcome of any consultation, but would not be obliged to act in accordance with it. The aim of consultation is to ensure the views of all affected parties are heard and taken into account. The Regulator should be trusted as the expert to make an independent decision based on these views and all the evidence.

Thresholds for intervention

- 11.8 In order to take certain action, such as escalating from advocacy to enforcement, the Regulator would have to be content that a set threshold for intervention has been met. These thresholds would be tests established in statute. They would ensure decisions are taken consistently and based on evidence. The government is giving further consideration to the exact thresholds for intervention, and which specific actions they should apply to.

Example threshold for intervention

Box 9

The Regulator would have to meet a set threshold in order to impose a direction on a club. For example, this might be to satisfy three tests:

- i. Is the club in breach of a Threshold Condition of its licence?
- ii. Has the club failed to rectify a breach following reasonable efforts by the Regulator to steer it towards compliance?
- iii. Would a direction advance one of the Regulator's primary duties?

Statutory deadlines

11.9 The Regulator would be subject to statutory deadlines for certain processes it undertakes. For example, the licensing of a club, or testing of an owner. These would inject expediency into the Regulator's system, and provide greater certainty for the industry. In some cases, these deadlines would be partly governed by football-specific constraints such as playing seasons and transfer windows. The government is giving further consideration to appropriate deadlines for key regulatory functions, including for when the Regulator would intervene on financial distributions.

Structures*Separation of decision makers*

11.10 The Regulator would have an Expert Advisory Panel, appointed by the Secretary of State for Culture, Media and Sport and separate from the Board. Panel members would have expertise across a range of sectors and disciplines, including football. The Board would be able to draw on the Panel to form a Regulatory Decisions Committee (RDC) to advise on certain key or complex regulatory decisions, such as enforcement action.⁶⁹

11.11 This would ensure the correct experts are advising on the relevant issues, and manage the Regulator's capacity to take decisions. The Board (also appointed by the Secretary of State) would take strategic decisions, and the RDC would oversee certain technical regulatory decisions. While the Board would have the power to constitute the RDC as appropriate, the government is giving further consideration to whether certain issues might require, in statute, the use of the RDC before a final decision is taken.

11.12 This separation would also introduce internal scrutiny and challenge, since the autonomous RDC would approach an issue with fresh eyes. This would ensure a more robust and considered decision-making process, and provide greater certainty to the Regulator's decisions.

Accountability

11.13 It is important that the Regulator can be held accountable for its decisions. This would create the incentives for the Regulator to act appropriately, and ensure changes can be made if it is not fulfilling its statutory responsibilities.

⁶⁹ There is precedent for this proposal. For example, the Competition and Markets Authority (CMA) draws on the CMA Panel to act as fresh decision-makers in phase 2 market investigations, merger inquiries and regulatory appeals. Similarly the FCA Board has a Regulatory Decisions Committee to take contested enforcement decisions on behalf of the FCA.

- 11.14 Scrutiny from the public, industry, and government are important ways through which the Regulator would be held to account. The requirement for transparency, including through publication, would enable this scrutiny.
- The Regulator would be expected to publish detailed guidance on its regulatory system, including its rules and enforcement policy.⁷⁰
 - The Regulator would be required to publish an annual report detailing its operational and financial performance against key performance indicators set in legislation. These would include that it is fulfilling its statutory duties and delivering value for money. The report would be laid in Parliament, as is done with other statutory regulators, and so the Regulator's performance could be scrutinised, for example by the Culture, Media and Sport Select Committee.
- 11.15 If an affected regulated party felt that the Regulator had overreached beyond its statutory remit through a decision/action it had taken, the affected party would have a right to appeal the decision to a court or tribunal (see paragraphs 11.18 to 11.24).
- 11.16 As is the case with other public bodies, if the government is not content with the performance of the Regulator, Ministers will have powers to make changes. The Secretary of State for Culture, Media and Sport would have the levers to effect change by:
- appointing new Board and/or panel members; or
 - directing the Board to replace the Regulator's executive leadership.
- 11.17 These are common powers which ensure changes can be made at public bodies if necessary but do not open the door to ongoing political interference in regulation.

Appeals

- 11.18 The majority of the decisions of the Regulator would be appealable on judicial review principles.⁷¹ The opportunity to challenge the Regulator's decisions before an independent court or tribunal would give all parties confidence that the Regulator is acting fairly and within its powers. A legal challenge would be a remedy of last resort for regulated parties if they considered that alternative complaints procedures were not sufficient (see paragraphs 11.23 to 11.24).

⁷⁰ See for example, the [FCA's handbook](#).

⁷¹ This approach would be consistent with the approach commonly taken in the regimes of other economic regulators. For example, the CMA's markets regime and Ofcom's Significant Market Power regime.

- 11.19 Deciding an appeal by applying judicial review principles means that the court or tribunal reviewing the decision would focus on how the decision was made - whether the public body acted within its powers, applied proper reasoning having taken into account necessary considerations, and followed due process - rather than hearing the facts ('merits') of the case again.
- 11.20 While it is important that the Regulator's decisions are subject to an appropriate level of scrutiny, this must be balanced against the risk of those decisions being constantly challenged and its system being undermined. It is the government's view that a judicial review standard of appeal would:
- Provide effective oversight and assurance of the Regulator's decision-making process and judgement, if needed.
 - Allow a focused court appeals process, minimising delays to the final resolution of decisions.
 - Ensure appropriate trust and deference is given to the Regulator as an expert regulator best placed to make decisions of technical judgement.
- 11.21 The government recognises that, in some circumstances, it may be appropriate for the court/tribunal to go further than only reviewing the process through which a decision was taken. This situation is most likely to arise in appeals against more punitive regulatory sanctions. In these circumstances, there may be a limited right to appeal specific decisions on the merits.
- 11.22 The government is giving further consideration to the appropriate appeals standard for the full range of the Regulator's decisions - in particular, determining which decisions might be subject to a full merits review. We are also considering which court or tribunal is best placed to hear the claims.

Internal review

- 11.23 In addition to appeals to the courts, we are considering including an internal review function for the Regulator. This would allow affected parties to request that fresh decision makers within the Regulator re-evaluate contested decisions.
- 11.24 This would provide an alternative complaints procedure to avoid clubs immediately opting for litigation. This additional step ahead of clubs going to the courts would streamline the overall appeals process. This would support the Regulator to tackle harms swiftly and without undue hindrance, and minimise burdens on all parties.

12: Transition and Shadow Regulation

Summary

- The proposed reforms represent a significant change for the industry. The Regulator would need to take steps to ensure a smooth transition to the new system. The Regulator will need to be resourced and operationally ready, and clubs would need support to become compliant with new rules.
- The Regulator would undertake a State of Football study, to better understand the market and its individual clubs. This would identify problems, and inform the detailed design of the Regulator's system.
- The Regulator would incorporate transitional arrangements, such as 'grace periods' and phased-in rules. It would work with clubs to minimise early non-compliance.
- The government is actively exploring establishing a non-statutory shadow regulator to begin the work of the Regulator in advance of legislation coming into force.
- The government is also clear that the industry can continue to take steps towards reform itself, prior to the Regulator becoming operational. These reforms could help steer clubs towards financial sustainability and ease the transition to the Regulator's new system.

- 12.1 The introduction of an independent Regulator would be a significant and novel development in football. The industry would need time and support to implement required changes and become compliant with the new system.
- 12.2 The Regulator would also need time to become fully operational and fine-tune its system. This would involve designing and consulting on new detailed rules, including the new Football Club Corporate Governance Code and owners' and directors' tests. To achieve this, it would need to be ready with the resources, skills, and knowledge on day one. The Regulator would engage closely with the industry when designing the details of its system and proposed rules.
- 12.3 The government believes there should be certain arrangements in place to facilitate a smooth transition period. This would include a State of Football study, and transitional provisions within the Regulator's system. We are also considering whether it would be appropriate to establish a non-statutory Shadow Regulator in advance of legislation.

State of Football study

- 12.4 As an initial step, the Regulator (or a Shadow Regulator - see paragraphs 12.10 to 12.12) would undertake a State of Football analysis. This would be a market study type exercise, taking inspiration from the CMA's State of Competition reports,⁷² where the Regulator would take an in-depth look into the industry with its objectives in mind. In addition to understanding the finances and business models of clubs on a micro level, the study would help the Regulator assess the health of the game and the scale of its problems at a macro level.
- 12.5 This study would provide a forensic understanding of the market, on which the Regulator would base the detailed design of its system. In particular, it would inform:
- the design of detailed rules that would form the basis for Specific Licence Conditions;
 - the risk-based assessments of clubs, and accordingly which proportionate Specific Licence Conditions should apply;
 - the design of the Football Club Corporate Governance Code; and
 - the design of the owners' and directors' tests.
- 12.6 The Regulator would undertake a State of Football study with regularity in the future, and would publish the report each time. This would form part of ongoing monitoring, including evaluation of the Regulator's own system.

Transitional provisions

- 12.7 The Regulator would have some discretion in its approach to implementation, reflecting its view of a reasonable timeframe for compliance. However, it should seek to strike a balance between i) acting quickly to address harms, ii) ensuring clubs have sufficient time to put changes into effect, and iii) managing any initial disruption to the market when the new regulatory system is introduced.
- 12.8 The Regulator would include provisions in its system specifically aimed at 'phasing in' implementation. For example, these might include:
- sequenced functions, where the Regulator might prioritise certain aspects of its system and stagger the introduction of others;
 - 'grace periods', where clubs are given time to become fully compliant with specific rules;

⁷² CMA, [State of UK competition report 2022](#).

- phased-in rules, where specific requirements ratchet up over time;⁷³
- appropriate leeway for football-specific constraints (e.g. fixed-term player contracts, transfer windows, football seasons, promotions or relegations).

12.9 As outlined in *Section 4: The Regulatory Framework*, there would be a natural phase-in when clubs apply for a licence. Clubs would only have to demonstrate their intent to comply (i.e. that they are ready, willing, and able to comply) with Threshold Conditions when applying for a licence, rather than be fully compliant on day one.

Shadow regulation

12.10 One way of best supporting transition would be to create a non-statutory, or 'shadow', regulator. As it would be established prior to and without legislation, the Shadow Regulator would not have the full proposed statutory powers of the new Regulator. However, it could begin to operationalise the system and prepare the industry for regulation at an early stage. Football would be able to share information to help shape the design of the system. This would enable both the statutory Regulator and regulated parties to 'hit the ground running' once statutory regulation is introduced. This is an approach that has been used for other regulators.⁷⁴

12.11 The Shadow Regulator would largely focus on research and preparatory work. It may also start to guide clubs regarding expectations and requirements for compliance with the new statutory system. For example, a shadow regulator's responsibilities could include:

- **State of Football study** - subject to being able to gather the appropriate information, the shadow regulator could conduct the State of Football analysis in advance of legislation.
- **Determine the details of the system** - begin to determine the detailed rules that will form the basis of Specific Licence Conditions, the design of aspects like the Football Club Corporate Governance Code, and how all of these would be phased in.
- **Engagement work** - preparing clubs and leagues for regulation and the transition to new rules.
- **Preparatory work** - provisional work for licensing assessments and owners' and directors' tests.

⁷³ For example, UEFA's new Financial Sustainability regulations will follow a gradual transition path, with the squad cost threshold falling from 90% to 70% of revenue over the course of three seasons. UEFA, [Explainer: UEFA's new Financial Sustainability regulations](#), April 2022.

⁷⁴ For example, the Digital Markets Unit was established in 'shadow' form in the CMA as of 2021.

- **Operational work** - practical set up of the Regulator so that it is ready to be operational on day one of the new statutory system.

12.12 The government is actively exploring establishing a shadow regulator. We will evaluate the case for shadow regulation, alongside resource, timing, and deliverability considerations.

Industry reform prior to legislation

12.13 The government is committed to establishing the independent Regulator as soon as Parliamentary time allows. The legislative process, and the time it takes to set up a regulator, means this will not happen overnight. That is why the government is encouraging the industry to take steps towards reforming its own self-regulatory systems in the meantime, before the Regulator provides a backstop with legal underpinning.

12.14 The impending introduction of the new Regulator should not preclude football from taking action now. Improvements in areas such as financial regulation and owners' and directors' tests, prior to the Regulator becoming operational, can begin to move the industry in the right direction and steer clubs towards more sustainable futures. Such reforms by the leagues may also help the industry transition to the new system post-legislation, both as the Regulator may be able to fold these reforms into its own system and as clubs may find the step-change to the new system easier.

12.15 The government will continue to engage with the industry on the reforms it could introduce. The proposals in this White Paper should serve as an indication of what improvements the government believes are needed.

PART 5: NON-REGULATORY REFORMS

13: Government's Broader Strategy and Work with the Industry

Summary

- Some issues flagged in the Review fall outside of the Regulator's immediate scope. These include women's football, player welfare, equality, diversity and inclusion, agent regulation, and alcohol at football.
- Through ongoing liaison with football stakeholders, the government will continue to drive industry action in these areas for the ongoing development of the men's and women's games, at both elite and grassroots levels.

13.1 This White Paper has outlined that regulatory intervention is necessary to tackle the predominant issue threatening football - a lack of sustainability and resilience. However, there were a number of other key issues flagged in the Review related to the broader health and development of the game, which will fall outside of the Regulator's immediate scope.

13.2 The government has continued to engage extensively with the FA, the leagues, the FSA and the PFA since the Government Response to maintain momentum on these crucial matters. While good progress has been made on some issues, there remain areas which require continued work.

Areas for focus

13.3 Part 5 of this White Paper will cover, in detail:

- **Women's Football** - where the Future of Women's Football Review is in progress, chaired by Karen Carney MBE.
- **Player Welfare** - where the industry continues to push for progress, but gaps in independent youth support provisions remain.
- **Equality, Diversity and Inclusion (EDI)** - where the football leagues and the FA are placing increasing focus and resource, with an agreed intent to create a transparent, inclusive environment both on and off the pitch.
- **Agent Regulation** - where the government will continue to liaise with both the FA and FIFA on incoming regulations on agent activity.
- **Alcohol and Football** - where the government acknowledges the case for pilots made in the Review, recognises the many viewpoints on this complex issue, and will continue speaking to stakeholders on the way forward.

14: Women's Football

Summary

- The independent review of the Future of Women's Football launched in September 2022.
- The review's report is expected in 2023, and the government will respond afterwards.

- 14.1 The England Women's team's spectacular performance in the 2022 European Women's Championship shows how far the top of the women's game has come. While it is right that we celebrate and reflect on that success, it has only highlighted the need for an equal emphasis on key issues facing the women's game - including improving participation, employment opportunities, commercial investment, and visibility in the media.
- 14.2 In the summer, the government announced the Chair and Terms of Reference for the Future of Women's Football Review.⁷⁵ Former England and Great Britain footballer Karen Carney MBE is chairing the in-depth review into the future of domestic women's football.
- 14.3 Within the review, there is a particular focus on:
- Assessing the potential audience reach and growth of the game;
 - Examining the financial health of the game and its financial sustainability for the long-term;
 - Examining the structures within women's football.
- 14.4 A full report is expected to be published this year, with the government formally responding afterwards.
- 14.5 The Regulator will be designed to regulate the top five tiers of English men's professional football. However, in many places there is clear read-across and overlap with the women's game via affiliated teams. The government is giving further consideration to these areas of overlap and how these can be managed for the benefit of all impacted clubs.
- 14.6 Improving women's and girls' access to sport is fundamental to our ambition. The government's sport strategy will set out our ambition to increase participation, visibility and investment into all forms of women's sport. This thorough review of women's football is central to that ambition.

⁷⁵ [Future of Women's Football review - terms of reference](#), September 2022.

15: Player Welfare

Summary

- Support mechanisms for players, particularly in academies, have come a long way since the introduction of the Elite Player Performance Plan.
- A gap remains in the availability of independent support and advice for players in academies who don't yet qualify for PFA membership.
- The football leagues and the FA should work together to develop a standardised and agreed programme of support for *all* academy players.

The problem

- 15.1 As an urgent matter, the welfare of players exiting the game needs to be better protected - particularly at a young age.
- 15.2 As the number of players being recruited into professional academies continues to expand, a cultural issue remains where the dreams of young footballers are made to seem achievable, when in reality, very few will go on to secure professional football contracts.
- 15.3 The Elite Player Performance Plan (EPPP)⁷⁶ is a youth development system with the ultimate aim of increasing the number of home grown players progressing through football academies. The EPPP is delivered through four key functions: Games Programme, Education, Coaching, and Elite Performance. Since its introduction in 2012, player care resources and services have significantly improved. The progress and modernisation of service offerings in areas such as education and welfare are welcomed.
- 15.4 However, there remains a fundamental issue in that there is a clear conflict of interest where player and family support services are led by those whose ultimate objective is the footballing success of each academy player.
- 15.5 Children playing in football academies do not qualify for PFA membership, and the package of independent support that this includes, until they become scholars at their clubs at age 16. This means that in many cases, children will have progressed through football academies with no form of independent representation or support. This ultimately means that as many key decisions are taken by players and their families, these will be taken without a full understanding of the contractual obligations involved.

⁷⁶ Premier League, [Elite Player Performance Plan](#).

- 15.6 The PFA is able to provide an element of independent support and advice to academy players, through its ongoing collaboration with individual clubs. However, as this offer of support is not mandated in any way, clubs will ultimately remain in control of the degree to which their players are aware of the independent support that organisations such as the PFA can offer. The independent support offered by the PFA is therefore applied inconsistently and is dependent on individual employer/club engagement.

The solution

- 15.7 We are therefore recommending that the football leagues and the FA seek to address this issue, and work together to develop a consistent programme of support which allows all academy players to access an offering of independent support and advice as and when required.
- 15.8 This programme should formalise the delivery of these independent support mechanisms, and should be delivered in a standardised manner across the football pyramid as agreed by the football leagues, the FA, and clubs.
- 15.9 There is evidence to suggest that demand for independently led support channels has increased in recent years. It is therefore essential that, as the number of children entering academies continues to grow, a consistent programme of independent support exists, so that all academy players and their families have a clear understanding of the services available to them and can access this without the involvement of clubs.

Rationale behind this solution

- 15.10 The Review noted that the wellbeing and advisory support for players in academies should be led independently of clubs and leagues, and the government agrees with this recommendation.
- 15.11 The PFA already delivers a significant amount of support to academy players and their families. However, as mentioned above, access to these offerings is ultimately at the discretion of clubs. The introduction of an established programme of independent support for younger players should ensure that all children progressing through academies are aware of the independent support available to them, and that this support is delivered on a consistent basis across all clubs and leagues.
- 15.12 The government will look to convene the football leagues, the FA and the PFA in early 2023 to understand progress in this space.

16: Equality, Diversity and Inclusion (EDI)

Summary

- We fully support football clubs' efforts in their current EDI commitments which look to ensure they reflect their local football communities. We welcome all action by clubs in improving EDI through practices which seek to provide equity and fair opportunities for all.
- The government will monitor progress in this space as the football leagues continue to drive measures within clubs, shifting the culture in football to be more diverse, fully inclusive, and reflective of the communities that clubs serve.

The background

- 16.1 The appeal of English football for those who want to watch, play, support or work within the game transcends all characteristics. Therefore, football should be open and accessible to all to enjoy and participate in, free from discrimination or disadvantage.
- 16.2 The Review identified it is time for change and recommended that football needs to improve equality, diversity and inclusion in clubs. This is not only to address organisational diversity leading to better corporate culture and performance,⁷⁷ but also to increase transparency and accountability in this space. The Review also highlighted the need for greater consistency across EDI objectives, and that the lack of data on reports of discrimination should be addressed. The government's response to the Review accepted the need for action and supported clubs' commitment to improvements in this space.
- 16.3 The government supports the approach that clubs should be transparent in their EDI objectives and progress both on and off the pitch. We believe that clubs' actions should focus on producing outcomes which:
- reflect the local football community of the club;
 - widen opportunities for all underrepresented groups (including those from lower socioeconomic backgrounds);
 - promote women's football;
 - improve accessibility for those with disabilities;
 - combat racism, homophobia, and other abuse.

⁷⁷ FRC (2021) [Board Diversity and Effectiveness in FTSE 350 Companies](#).

Government recommendations to support a solution

- 16.4 The government supports improving EDI in football clubs through practices which seek to provide equity and fair opportunities for all. Regardless of status, background or characteristics there should be support and equal access throughout clubs, with a focus on developing talent within underrepresented groups.
- 16.5 Success in achieving fairer and more diverse outcomes is often attributed to greater transparency reporting and internal culture changes which garner and promote inclusion while taking a zero tolerance policy to discrimination and prejudice.
- 16.6 Kick It Out, an organisation that aims to end all forms of discrimination in football, is running a pilot programme to improve the transparency of reporting across football clubs on incidents of racism and discrimination.⁷⁸ The aim is to work with professional leagues and clubs to simplify and centralise reports of discriminatory issues, to drive change in behaviours.

Football leagues and the FA as part of the solution

- 16.7 The football leagues are making headway in supporting clubs to implement measures. The EFL's mandatory Equality Code of Practice⁷⁹ requires all EFL clubs to focus on priority groups in which under-representation exists (those characteristics protected under the Equality Act 2010). The Premier League Equality, Diversity and Inclusion Standard (PLEDIS) sets a mandatory framework for all Premier League clubs to follow.⁸⁰ The standards set by both the Premier League and the EFL are supported in parallel by the FA's Football Leadership Diversity Code (FLDC).⁸¹
- 16.8 The industry's enhanced requirements set out clear, coherent and proportionate approaches to improving equality and diversity. Through advocacy and support measures provided by the football leagues and the FA, as a matter of good practice clubs should continue to comply with the tiered standards and practices set. This includes being held to account through independent assessment by the industry.
- 16.9 There is an improving picture in football with positive action being taken. However, the football leagues, the FA and government recognise that there is

⁷⁸ Kick It Out, [Report It](#).

⁷⁹ EFL, [Equality Code Of Practice](#).

⁸⁰ Premier League, [Championing equality, diversity and inclusion in the Premier League](#).

⁸¹ The FA, [Football Leadership Diversity Code - Professional Clubs - Inclusion and Anti-Discrimination - Rules & Regulations](#).

still work to do. For example, the recent results published from the second year of the FA's FLDC showed clubs are missing six of the eight targets, including senior leadership and team operations roles across both race and gender.

- 16.10 Football clubs should continue to work closely with the FA, Premier League and the EFL to drive improvements in EDI measures, developing standards along with best practice to effect real change. The football authorities should own the strategies they continue to pursue, maintaining current momentum, so they can be held accountable for them by their stakeholders.

Next steps

- 16.11 As we take this White Paper forward, the government will continue to engage with the football leagues, the FA and civil society organisations to monitor transparency and progress in this space. We will set up roundtables with the industry over the coming months to maintain the focus in this area and drive forward progress on the initiatives across the game.

17: Agent Regulation

Summary

- The activity of football agents continues to be a significant contributor to the financial pressures on English football.
- The Review recommended that an international and game-wide solution would be preferable to any domestic regulatory attempt to resolve this issue.
- FIFA has now proposed reforms on the regulation of agents to its member associations.

The problem

- 17.1 English football is currently the world's biggest market for football agents. As noted in the Review, spending by football clubs on agents has continued to increase over the last ten years. Between 2011 and 2020, English football clubs spent \$919 million on intermediary fees⁸². This record amount shows how the activity of agents acts as an inflationary pressure on club finances.
- 17.2 The Review recognised that there have been real difficulties encountered by domestic and international governing bodies in trying to regulate agents. It recommended that an international, game-wide solution would be preferable to any attempt by the Regulator to regulate agents.

The solution

- 17.3 FIFA has recognised the need for better international regulation of agents and so has proposed a number of reforms to its member associations, which includes a cap on agent commissions. These reforms will bring greater transparency to transfers and reduce excesses that have sometimes seen agents being paid more for negotiating a deal than players received in wages.
- 17.4 FIFA's member associations will retain the ability to introduce stricter requirements on agents than those stipulated in FIFA's regulations. DCMS officials will work closely with the FA when this opportunity arises to ensure that any national agent regulations are fit for purpose. This may include a focus on the representation of youth and academy players.
- 17.5 The government will continue to work with the FA and FIFA to track the implementation of these regulatory reforms, which is due to begin in 2023.

⁸² FIFA, [Ten Years of International Transfers \(2011-20\)](#), May 2021.

18: Alcohol and Football

Summary

- The government acknowledges the case for pilots in the lower leagues made in the Review, and recognises the many viewpoints on this complex issue. We will continue speaking to stakeholders on a way forward.

The problem

- 18.1 The Review suggested that relaxing the current rules on the sale of alcohol in sight of the pitch for clubs in the National League and League Two might provide a regular and sustainable income stream for those clubs. Evidence to the Review from the EFL suggested a loss of approximately £184,000 per League Two club as a result of not being able to sell alcohol.⁸³
- 18.2 In the Government Response, the government accepted the recommendation to review the Sporting Events (Control of Alcohol etc.) Act 1985. Working with stakeholders from across football, including surveying fans, this review would allow the government to assess the interaction between alcohol and football in light of all the evidence. The Government Response also agreed to consider the case for pilots of the sale of alcohol in sight of the pitch, and whether they might be appropriate in the lower leagues as the review takes place.
- 18.3 Since the Government Response was published, the government has heard evidence and stakeholder testimony both for and against changes to the current arrangements, including evidence to the Casey Review, linking recent incidents of fan disorder to the consumption of alcohol. There is therefore a need to balance the potential commercial benefits of alcohol sales in the lower leagues with concerns around safety and disorder.

The next steps

- 18.4 The measures set out in this White Paper will improve the financial health of the football pyramid as a whole. This may provide a more reliable improvement to the finances of clubs than changing the current arrangements on the sale of alcohol. However, while the government acknowledges the case for pilots made in the Review and recognises the many viewpoints on this complex issue, we will continue speaking to stakeholders on the way forward - including the EFL, Football Supporters' Association, Home Office, UK Football Policing Unit, and the Sports Grounds Safety Authority.

⁸³ EFL submission to the Fan-Led Review, October 2021.

PART 6: CONCLUSION AND NEXT STEPS

19: Conclusion

- 19.1 Our 2019 manifesto commitment to a fan-led review of football was a critical milestone in the history of our national sport. In 2021, following the attempted European Super League breakaway, we took decisive action to kick start that process and last year, we accepted the Review's 10 strategic recommendations. This White Paper sets out the government's commitment to making that reform a reality, by establishing an independent Regulator when Parliamentary time allows.
- 19.2 When a club is managed poorly, gets into financial difficulty recklessly chasing unaffordable ambitions, or becomes the plaything of the rich and powerful, the impact can be felt right across our towns and villages. Recent events have demonstrated that the long-term sustainability of clubs cannot be taken for granted, and that it is fans that suffer most when the worst happens. That is why, by introducing the Regulator, the government's ambition is to deliver sustainable professional football clubs that are well run, resilient, and engaged with their fans.
- 19.3 The first ever independent Regulator of football will act to reduce the likelihood of club financial failure. On the rare occasion that problems do occur, it would be best placed to step in to minimise disruption to fans, and would aim to prevent any club from ever being lost entirely from its community.
- 19.4 While this ongoing sustainability is critical, the government is resolute that the 'on-field' product should also remain best in class. English football must remain the pinnacle of the game, continuing to attract the best talent, global audiences, sponsorship, broadcasting and investment opportunities, and unrivalled fan experience. English football is already a significant force for good in promoting the UK abroad; now we must make sure it continues to deliver for its fans and communities at home too.
- 19.5 Ultimately, the Regulator has been designed to deliver a shift in culture that puts fans back at the heart of the game. Football clubs are vital community assets that long outlive any owners, directors, players, or managers. As such, those clubs and the wider football pyramid should always function in the interests of their most important and longest-standing stakeholders - their fans and the local communities they are a part of.

- 19.6 While the Review addressed concerns relating to men’s professional football, the government is equally committed to identifying how best to support women’s football, and the unique challenges it faces. The independent review of the Future of Women’s Football was launched in September 2022, with its report expected in 2023. The government will respond afterwards.
- 19.7 Football is nothing without its fans. That is why we are intervening now, before it is too late, to set football back onto a sustainable footing and put fans back at the heart of the beautiful game. This next bold step in the evolution of English football will ensure, for the first time since the very first club was established 165 years ago, that the proper protections are in place around our national sport for generations to come.

20: Next Steps and Plans for Consultation

Engagement and Targeted Consultation

- 20.1 The Review offered a unique opportunity to understand the views and concerns of stakeholders across football and beyond. More than 20,000 fans responded to a survey and the panel heard over 100 hours of evidence. Since the Review, the government has continued to work closely with many of these stakeholders as we have developed the proposals in this White Paper. As we now move to deliver the proposed reforms, we remain committed to a cooperative approach as the best way to ensure a coherent and effective model of regulation that works for football.
- 20.2 We are clear that stakeholders should have a part in shaping the future of football, from fans and clubs to leagues and industry bodies. However, we are conscious of the need to balance this with moving at pace to deliver much-needed reform. This White Paper has clearly set out that football is on a dangerous trajectory, and action is needed sooner rather than later.
- 20.3 The government will now go through a process of targeted engagement and focused consultation with selected stakeholders on the key tenets of reform set out in this White Paper. This process will include:
- i. inviting comments and follow up discussions with select stakeholders, focusing on the model for regulation, including financial regulation and reformed tests for club owners;
 - ii. setting up panel discussions with key stakeholders on both the regulatory and broader reform proposals.
- 20.4 This targeted consultation will take place in early 2023, following the publication of this White Paper, and inform the development of our final proposals for legislation. Alongside this, we will continue to draw on advice from legal, regulatory and industry experts.

Future Legislation

- 20.5 The government will bring forward legislation when Parliamentary time allows, to put in statute the key principles of the regulatory system.

