

# Executive Summary

*“Football clubs should be classed as heritage. They are integral to many families and to cities and towns in a way that’s not replicated in other businesses. Clubs need to be protected from asset stripping and situations such as Bury...”*

*Contributor to Fan Led Review Online Survey*

## Background to the Review

1. The Fan Led Review of Football Governance ('the Review') was the result of three points of crisis in our national game. The first – mentioned by the contributor above – was the collapse of Bury. A club founded in 1885, which had existed through countless economic cycles, several wars and 26 different Prime Ministers ceased to exist in 2018-19 with a devastating impact on the local economy and leaving behind a devastated fan base and community. This led to the commitment in the 2019 Conservative Party manifesto to 'set up a fan-led review of football governance...'.  
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2. The next crisis was COVID-19. For the first time since the Second World War, club football was brought to a complete halt, threatening the continued existence of many professional football clubs. Fortunately, the clubs survived due to a combination of government support and commitment from many football stakeholders, including fans, club owners, and – eventually and after a delay of 6 months – the leagues and Football Association (FA). However, the pandemic and its effects laid bare the fragile nature of the finances of many clubs, as well as the structural challenges of the existing domestic football authorities.
3. The final crisis was the attempt to set up a European Super League (ESL) in April 2021. This new competition would have involved six English clubs as founding members, protected from relegation. It was a threat to the entire English football pyramid and led to an unprecedented outpouring of protests from fans, commentators, clubs and Government. As a result, the Secretary of State for Digital, Culture, Media and Sport (DCMS) announced to Parliament on 19 April 2021:

*“.. it’s clearer than ever that we need a proper examination of the long-term future of football. To many fans in this country, the game is now almost unrecognisable from a few decades ago. Season after season, year after year, football fans demonstrate unwavering loyalty and passion by sticking by their clubs. But their loyalty is being abused by a small number of individuals who wield an incredible amount of power and influence.*

*If the past year has taught us anything, it’s that football is nothing without its fans. These owners should remember that they are only temporary custodians of their clubs, and they forget fans at their peril.*

*That’s why over the past few months I have been meeting with fans and representative organisations to develop our proposals for a fan-led review. I had always been clear that I didn’t want to launch this until football had returned to normal following the pandemic.*

*Sadly, these clubs have made it clear that I have no choice. They have decided to put money before fans. So today I have been left with no choice but to formally trigger the launch of our fan-led review of football.”*

4. The terms of reference for the Review were issued on 22 April 2021. These charged the Review with the aim to ‘*explore ways of improving the governance, ownership and financial sustainability of clubs in English football, building on the strengths of the football pyramid.*’ The full terms of reference are included at Annex B.

## Review

5. The Review Panel met for the first time in late May 2021. After this, evidence was heard from a wide range of football stakeholders, including representatives of supporters of over 130 football clubs, the Football Supporters’ Association (FSA), Kick it Out, the Football Association (FA), the Premier League, English Football League (EFL), National League, League Managers’ Association and Professional Footballers’ Association (PFA). The Panel also heard from football club owners, including the so-called “Big Six” and others throughout the pyramid. A number of evidence sessions were also held with experts in finance and other relevant areas as well as interest groups including Our Beautiful Game, FA Equality Now, and Fair Game. In all, over 100 hours of evidence was heard by the Review Panel or Chair, and a list of those who contributed evidence is at Annex C.
6. In July 2021, the Review also conducted an online survey seeking views on the issues being considered. This received over 20,000 responses and the results are summarised at Annex D.

7. Following this initial phase, the preliminary findings of the Review were published on 22 July 2021. Since the publication of these preliminary findings the Review has continued to investigate the issues and is grateful for the contribution of the many experts who were willing to assist its work, including the supervision team at the Financial Conduct Authority (FCA) and others.
8. The Review was primarily set up to address the challenges encountered in men's professional football and the evidence that it received was overwhelmingly focused on these challenges. Unless otherwise stated, the findings of this Review and the recommendations set out in the report relate to men's professional football. However, the passion of those involved and their commitment to the development of women's football was incredible and the unique issues of women's football are specifically addressed in a dedicated chapter 10.

## The Findings of the Review

9. This report sets out the conclusions reached by the Review and its recommendations to ensure the future of English club football.
10. There is much to celebrate about English football. The Premier League is the leading football league in the world and one of the biggest leagues of any sport. The Championship is by far the biggest 'second division' in football. The strength and depth of the English football pyramid is admired across the globe, and the development of women's football in recent years has been remarkable. The work of clubs in their communities has always been incredible and a source of real assistance to many in need but was demonstrated more than ever during the height of the COVID-19 pandemic. Given all of the above, it is even more important that the future of football clubs is ensured by addressing the challenges faced by the game.
11. **Chapter 1** explores the structural challenges facing English club football that result in the need for reform. The key findings of chapter 1 are:
  - a. The incentives in the game are leading to many clubs with fragile finances which were further exposed by COVID-19.
  - b. Many clubs are poorly run, with reckless decision making chasing an illusion of success and a disconnect between the interests of fans and owners.
  - c. Regulation and oversight of the game at the domestic level is not up to the challenge of solving the structural challenges and specialist business regulation that will be needed.
12. **Chapter 2** considers options for addressing the structural challenges identified in chapter 1. To ensure that a long-term and healthy future is possible the Review has concluded that sophisticated business regulation tailored to the specifics of the football industry is needed. This is very different to traditional sports regulation. The Review considered several regulatory models and concluded that this regulation needs to be led by an independent regulator, created by an Act of Parliament. This regulator should be independent from football clubs and government, and have a clear statutory objective with strong investigatory and enforcement powers. The new Independent Regulator for English Football (IREF) would not operate in areas of traditional sports regulation which will be left to the existing authorities.

13. The Review also concluded that the new regime should be delivered through a new licensing system, administered by IREF which would apply to the professional game (i.e. the top division of the National League and above). This creates a mechanism for IREF to enforce its requirements on clubs. It also allows IREF flexibility to introduce requirements tailored to address the problems identified in the industry, adjusted for different sized clubs, as well as to adapt these over time as the landscape changes.
14. **Chapters 3 – 8** set out the Review’s recommendations for licence conditions to be introduced by IREF to address the problems identified by evidence received.
15. **Chapter 3** sets out a new approach to the financial sustainability of clubs based on regulatory models operated by regulators in other industries such as the Financial Conduct Authority. The Review considered that in the context of football, any financial regulation needs to consider five important factors:
  - a. ensuring long-term financial stability – clearly the single most important factor in the context of the challenges facing English football,
  - b. avoiding monopolisation of leagues,
  - c. international competitiveness,
  - d. minimising burdens on clubs or an expensive system and
  - e. ensuring compatibility with other rules (for example UEFA).
16. The Review looked at models of financial regulation operated in many sports around the world, including the existing approaches to financial regulation adopted by the Premier League and EFL. It concluded that none of these approaches balanced the factors outlined sufficiently to be an effective long-term solution.
17. The Review therefore concluded that a new system was required. The proposed system is based on capital and liquidity requirements used alongside the financial resilience supervision model operated by the FCA (similar rules are used by the Prudential Regulation Authority and are currently being considered in the energy supply industry in light of recent company failings in the market). At its core, this is a relatively simple system and would be adapted to the nuances of the football industry. Clubs would work with IREF to ensure they have adequate finances and processes in place. Firstly, clubs would be obliged to ensure they have enough cash coming into the business, control of costs and suitable processes and systems to ensure the sustainability of the business. Clubs would need buffers in place for shocks and unforeseen circumstances. IREF would look at clubs’ plans, conduct its own analysis and if a club plan is not credible, does not have enough liquidity, costs are too high or risk not accounted for properly, IREF would be able to demand an improvement in finances (e.g. inject some cash into the business or lower the wage bill).
18. Under the proposed new approach, a club would be able to invest in order to seek to improve its competitive position but this will no longer be to gamble with a club’s future. For a club to do this, the money would need to be in the club upfront and committed. Further, the Review has concluded that, on balance due to the fragile state of club finances, if the activity of one or a few profligate clubs driven by owner subsidies are objectively

assessed as being destabilising to the long-term sustainability of the wider league in which it competes, IREF should be able to block further owner injections on financial stability and proportionality grounds.

19. The Review has also concluded that the new financial system should involve real time financial monitoring, with an ability to intervene at an early stage if required. As a last resort, clubs would also be required to have a transition plan – an agreed series of actions to undertake triggered by certain financial markers to ensure stability of a club whilst a new owner is sought. This will mean that IREF would intervene well before financial collapse, which is not necessarily true of other possible approaches.
20. The system of financial regulation outlined above would be a significant change for the industry. In order to smooth the transition to the new system and allow it to operate as soon as possible after the relevant legislation is passed, it is recommended that IREF be set up in ‘*shadow form*’. This would involve IREF being set up and the recruitment of experienced regulators, particularly on prudential regulation, who would work with the industry before the related legislation receives Royal Assent.
21. **Chapter 4** considers who should be allowed to be the owner or directors of a football club. These are the parties whose actions can lead to the success and growth of a club or to disaster. An owner should be a suitable custodian of a community asset. A director should have the necessary skills and experience to run a football club.
22. Having considered the existing tests operated by the Premier League, EFL and FA, the Review has concluded that IREF should replace these tests with a single test for owners, and a different test for directors. In both tests, the applicant should be disqualified if they are subject to one or more disqualifying conditions, which shall initially be the same as those provided for in Section F of the Premier League handbook. Further, each test should contain an element of ongoing monitoring and, in the case of owners re-testing on three yearly intervals.
23. *Owners’ test* – The Owners’ test should apply to any party (or parties acting in concert) who hold voting rights of 25% or more of the club’s share capital as well as to the ultimate beneficial owner(s). In addition to not being subject to any disqualification criteria, prospective new owners should also be required to:
  - a. submit a business plan for assessment by IREF.
  - b. evidence of sufficient financial resources to cover three years.
  - c. be subject to enhanced due diligence checks on source of funds to be developed in accordance with the Home Office and National Crime Agency (NCA).
  - d. pass an Integrity Test.
24. *Directors’ test* – The directors’ test should apply to all directors, shadow directors and senior club executives (as well as any ‘advisers’ or ‘consultants’ who perform a similar function). In addition to not being subject to the disqualification criteria, a prospective director should be required to:
  - a. demonstrate that they have the necessary professional qualifications, and/or transferable skills, and/or relevant experience to run the club.

- b. pass an integrity test in the same manner as prospective owners.
- c. declare any conflicts of interest.
- d. declare any personal, professional or business links with the owner of the club in question, or any other club owner (past or present).

25. In both cases, the integrity tests would subject applicants to more scrutiny than has been applied to football in the past, but which is known in other industries. The Review has concluded that an approach based on that used in financial services, including the '*Joint Guidelines on the prudential assessment of acquisitions and increases of qualifying holdings in the financial sector*'<sup>1</sup> should be adopted. This would involve an assessment by IREF of whether the proposed owner or director is of good character such that they should be allowed to be the custodian of an important community asset. The proposed approach should be (but not limited to):
- a. A proposed owner be considered as of good character if there is no reliable evidence to consider otherwise and IREF has no reasonable grounds to doubt their good repute;
  - b. IREF would consider all relevant information in relation to the character of the proposed owner, such as:
    - i. criminal matters not sufficient to be disqualifying conditions.
    - ii. civil, administrative or professional sanctions against the proposed acquirer.
    - iii. any other relevant information from credible and reliable sources.
    - iv. the propriety of the proposed acquirer in past business dealings (including honesty in dealing with regulatory authorities, matters such as refusal of licences, reasons for dismissal from employment or fiduciary positions etc).
    - v. frequent 'minor' matters which cumulatively suggest that the proposed owner is not of good repute.
    - vi. consideration of the integrity and reputation of any close family member or business associate of the proposed owner.
26. **Chapter 5** considers corporate governance, noting that good corporate governance can help better decision making by subjecting the actions of a club to proper scrutiny and challenge, as well as skills based recruitment, and diversity of skills and experience. The chapter recommends that there should be a new, compulsory corporate governance code for football. This should be based on the UK Sport and Sport England Code for Sports Governance, including proportional requirements with greater demands on clubs in the PL as compared to National League clubs. This will include mandatory requirements for items such as independent non-executive directors, skills based recruitment of directors and an express recognition of the stewardship duty owed to a community asset such as a football club (i.e. that an owner/director should be required to operate to ensure the club should exist long after they have departed).
27. **Chapter 6** addresses equality, diversity and inclusion. Aside from a clear moral case, improving diversity is also a key aspect of driving better business decisions by football clubs. Diverse companies perform better with detailed long-term studies by McKinsey & Co

<sup>1</sup> [https://esas-joint-committee.europa.eu/Publications/Guidelines/JC\\_QH\\_GLs\\_EN.pdf](https://esas-joint-committee.europa.eu/Publications/Guidelines/JC_QH_GLs_EN.pdf)

reporting that *'the business case [for diversity] remains robust but also that the relationship between diversity on executive teams and the likelihood of financial outperformance has strengthened over time'*.<sup>2</sup>

28. In order to achieve this improved performance from diversity, the Review considers that each club should be required to have an Equality, Diversity & Inclusion (EDI) Action Plan, which would be assessed as part of the annual club licensing process. These plans would set out the club's objectives for EDI, and importantly, how the club is going to achieve them for the upcoming season. IREF would then scrutinise these documents for approval at the start of the season, ensuring they are robust and challenging. As part of the annual licensing process, IREF would also consider the performance of the club against its previous plan. If IREF deemed there to be insufficient progress made against the organisation's plans, it would be able to enforce financial or regulatory punishments.
29. The Review also concluded that the football authorities should work more closely to ensure consistent campaigns and where possible, pooling resources to increase the impact of these important initiatives. There should also be a new, single depository for reporting and collecting reports on discriminatory incidents.
30. **Chapter 7** considers ways to improve supporter engagement in the running of their clubs. As well as the importance of supporters having a voice in a significant cultural part of their lives, it makes business sense for clubs to liaise closely with their most important stakeholder and develop plans with their views at the forefront.
31. The Review investigated a variety of approaches for supporter engagement. The Review concluded that IREF's role is to set a minimum baseline of engagement across all licenced clubs. It therefore could not set multiple requirements as these would not be deliverable across all licenced clubs, though clubs should consider multiple engagement strategies, including town hall style fan forums, structured dialogue, fan elected directors, shadow boards and supporter shareholders.
32. Chapter 7 sets out the Review's conclusion that each club be required to have a 'Shadow Board' of elected supporter representatives which would be consulted by the club on all material off pitch matters. The mechanism for selecting the Shadow Board members should be independent of the club, and result in members from a cross section of the supporter base. In order to allow full discussion, the members of the Shadow Board should be subject to suitable confidentiality obligations though these obligations should allow members of the Shadow Board to discuss most matters, although not confidential items including financial matters, with the wider fan base.
33. **Chapter 8** provides for measures to protect club heritage. The loss of club heritage, most frequently stadiums, is often a consequence of badly run clubs. The Review also considered that in recognition of the cultural, civic and community role of clubs there should be additional protection for key items of club heritage, including preventing the club from joining new competitions not affiliated to FIFA, UEFA and the FA.

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<sup>2</sup> <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters>

34. The Review has therefore concluded that each club should be required to provide for a special share – a ‘*Golden Share*’ – in its articles of association. This share should be held by a democratically run Community Benefit Society formed under the Cooperative and Community Benefit Societies Act 2014 for the benefit of the club’s supporters. In most cases, this can be an existing Supporters’ Trust, provided that the constitution of such a Trust meets specified requirements. The Golden Share would require the consent of the shareholder to certain actions by the club – specifically selling the club stadium or permanently relocating it outside of its local area, joining a new competition not affiliated to FIFA, UEFA and the FA, or changing the club badge, the club name or first team home colours.
35. The Review is confident that this model can work and heard from several clubs that they would be comfortable with the proposal as well as from others who are already working on similar models with their own fan base. The Review notes the successful operation of this model by Brentford.
36. The Review also noted that the Golden Share approach has limitations, and accordingly it has also considered other ways that might provide protection for items such as club stadiums. This included investigation of items such as planning law, and the Review has concluded that the government should explore ways to clarify some aspects of planning law to provide additional protections.
37. **Chapter 9** considers financial distributions and specific reforms that might assist the revenue and sustainability of clubs at the lower levels of the pyramid.
38. The Review carefully investigated these issues, including the financial disparity between the leagues (particularly between the Premier League and Championship), measures taken to address these to date such as parachute payments (i.e. payments to relegated teams to soften the financial blow of relegation) and the impact this disparity has on the pyramid. It concluded that there is a strong case for some additional distributions from the Premier League to the rest of football. In simple terms, even modest additional funding allied with sensible cost controls could secure the long-term financial future of League One and League Two clubs as well as make a substantial contribution to the grassroots game.
39. The Review considered carefully whether the Review or IREF itself should directly intervene on the question of financial distributions. On balance, it considered that it would be preferable that this should be left to the football authorities to resolve. However, given the poor history of the industry reaching agreement, IREF should be given backstop powers that can be used if no solution is found.
40. The Review also carefully considered the question of so-called parachute payments. On balance, the Review concluded that although the intention of parachute payments is laudable the system should be reformed as part of wider reform of distributions. This reform needs to deliver an evidence based solution, with compromises on both sides and creative thinking to resolve the apparent impasse between the Premier League and EFL on this issue. The Review was made aware that the Leagues are in discussions on parachute payments, and it is hoped that they will reach a mutually beneficial conclusion. If football

cannot find a solution by the end of the year, the Review has concluded that the Premier League and the EFL should jointly commission external advice to develop a solution to parachute payments as well as wider distribution issues.

41. However, if football cannot find a solution ahead of the introduction of legislation to implement the reforms set out in this report then IREF should be given backstop powers to intervene and impose a solution. The formation of IREF is therefore a deadline for the football authorities to resolve this issue or face an imposed solution. External involvement in this process would be another example of football's failure to put aside self interest and protect the long-term interests of the game.
42. The Review also investigated the impact of salary costs, by far each club's biggest cost, in a relegation scenario. The Review concluded that a pragmatic solution would be for a new clause to be introduced to player contracts adjusting salaries by a fixed percentage on both promotion (upwards) and relegation (downwards). In this way, relegation risks can be mitigated but players can also be rewarded for success. Providing for a fixed percentage increase or decrease also avoids the amount of the uplift or decrease becoming part of a competitive recruitment scenario.
43. In addition to consideration of increasing distributions and reforming parachute payments, the Review has also considered other possible approaches to provide greater support throughout the football pyramid. Of these, the Review considered that the most progressive intervention is a new solidarity transfer levy paid by Premier League clubs on buying players from overseas or from other Premier League clubs. This would work in a similar way to stamp duty and distribute revenues across the pyramid and into grassroots.
44. If a 10% levy had been applied in the last 5 seasons, an estimated £160 million per year could have been raised for redistribution. This would be a relatively modest cost to Premier League clubs (particularly given the relative financial advantage of the Premier League over other European leagues because broadcast income will grow in years to come) but annually, could be game changing to the rest of the football pyramid. One year's payments illustratively could fund all of the below, which would benefit men's, women's, boys' and girls' football for the long term:
  - A grant to ensure that League One and League Two clubs broke even<sup>3</sup>
  - 80 adult 3G pitches
  - 100 adult grass pitches
  - 100 children's/small sided grass pitches
  - 30 two team changing rooms (including referee facilities).<sup>4</sup>
45. The final aspect of chapter 9 is consideration of ways that lower league clubs might generate additional revenue for themselves. In particular, it notes that there are two areas that clubs are being prevented from doing so by regulation and law – the use of synthetic pitches in League Two and sale of alcohol. Given the widespread acceptance of use of modern synthetic pitches at the highest levels of the game – including by UEFA in the

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<sup>3</sup> Deloitte (2021) Annual Review of Football finance. This is illustrative and any funding would not directly be paid to offset losses per se as this could encourage further loss making

<sup>4</sup> Sport England – 2nd quarter 2021 facility cost updates

Champions League – the Review concluded that clubs should be allowed a degree of flexibility in the use of pitches. This might involve a ‘grace period’ before they are required to change to a grass pitch.

46. In regard to alcohol sales, the Review concluded that in light of the potential benefits to club sustainability and doubts about the effectiveness of the current law, the possibility of amending the law should be explored via a small scale pilot scheme at League Two and National League level carefully designed in conjunction with police advice alongside a possible review of the legislation, which would be the first such review in nearly 40 years of its existence.
47. **Chapter 10** moves from considering issues in men’s football to considering ways to grow women’s football. Although the bulk of the evidence to the Review concerned men’s football it also heard from many involved in the women’s game. It is clear that women’s football has an exciting future. All those involved in this – including the FA – deserve great credit.
48. The Review also heard that despite this success and women’s football being, today, the top participation sport for women and girls in England<sup>5</sup>, it faces its own significant challenges which are very different to those faced by the men’s game. The Review concluded that there is a potential for women’s football to have a powerful future, but that it is clearly at a crucial point in development. There are a number of fundamental issues that require resolution in women’s football to allow it to move forward on a sustainable footing for the future. Crucial issues, such as establishing the value of women’s football, its financial structure, support from the Premier League, and league structure cannot be resolved in isolation. They require a holistic examination, research and evidence based resolution to enable the sport to move forward strongly.
49. The Review concluded that it is only right that exactly 100 years after the FA banned women’s football, the future of women’s football is the subject to its own separate review to fully consider the issues. The Review therefore recommends that women’s football should have a dedicated review to consider the issues in detail and provide tailored solutions.
50. **Chapter 11** addresses issues of player welfare. Although this was not directly included in the Review’s Terms of Reference, the Review was presented with some concerning evidence regarding the impact of involvement with professional football on young and retired players. The common theme linking those exiting the game at academy stage and post professional career is an apparent gap in provision of aftercare. The Review concluded that football needs to do better and be more joined up in its approach – including better sharing of best practice. This should involve as an urgent priority, football stakeholders working together to devise a holistic and comprehensive player welfare system to fully support players exiting the game, particularly at Academy level but including retiring players, including proactive mental health care and support.
51. The comments in the preceding paragraphs related to club academies, but there were also additional and greater concerns regarding private academies which are not affiliated to clubs or the FA. The Review therefore concluded that the FA should proactively encourage

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<sup>5</sup> <https://www.thefa.com/womens-girls-football>

private football academies to affiliate to the local County Football Associations to ensure appropriate standards of safeguarding and education for young players, including exploring ways to incentivise this affiliation, perhaps through operation of a 'kite mark' scheme or similar and prohibiting registered academies from playing friendly matches against unregistered private academies.

## Strategic Recommendations

- 52.** The Review makes a number of detailed recommendations, which each relate to an overall strategic recommendation. The full list of recommendations is summarised at Annex A, and the strategic recommendations are:
- (A)** To ensure the long-term sustainability of football, the Government should create a new independent regulator for English football (IREF)
  - (B)** To ensure financial sustainability of the professional game, IREF should oversee financial regulation in football.
  - (C)** New owners' and directors' tests for clubs should be established by IREF replacing the three existing tests and ensuring that only good custodians and qualified directors can run these vital assets.
  - (D)** Football needs a new approach to corporate governance to support a long-term sustainable future of the game.
  - (E)** Football needs to improve equality, diversity and inclusion in clubs with committed EDI Action Plans regularly assessed by IREF.
  - (F)** As a uniquely important stakeholder, supporters should be properly consulted by their clubs in taking key decisions by means of a Shadow Board.
  - (G)** Football clubs are a vital part of their local communities, in recognition of this there should be additional protection for key items of club heritage.
  - (H)** Fair distributions are vital to the long term health of football. The Premier League should guarantee its support to the pyramid and make additional, proportionate contributions to further support football.
  - (I)** Women's football should be treated with parity and given its own dedicated review.
  - (J)** As an urgent matter, the welfare of players exiting the game needs to be better protected – particularly at a young age.