

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

FOOTBALL GOVERNANCE BILL

First Sitting

Tuesday 14 May 2024

(Morning)

CONTENTS

Programme motion agreed to.
Written evidence (Reporting to the House) motion agreed to.
Motion to sit in private agreed to.
Examination of witnesses.
Adjourned till this day at Two o'clock.

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

not later than

Saturday 18 May 2024

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The Committee consisted of the following Members:

Chairs: SIR CHRISTOPHER CHOPE, † SIR MARK HENDRICK, CAROLINE NOKES, MR VIRENDRA SHARMA

† Andrew, Stuart (<i>Parliamentary Under-Secretary of State for Culture, Media and Sport</i>)	† Hopkins, Rachel (<i>Luton South</i>) (Lab)
† Bailey, Shaun (<i>West Bromwich West</i>) (Con)	† Millar, Robin (<i>Aberconwy</i>) (Con)
† Baynes, Simon (<i>Chwyd South</i>) (Con)	Mishra, Navendu (<i>Stockport</i>) (Lab)
† Betts, Mr Clive (<i>Sheffield South East</i>) (Lab)	† Peacock, Stephanie (<i>Barnsley East</i>) (Lab)
† Byrne, Ian (<i>Liverpool, West Derby</i>) (Lab)	† Rodda, Matt (<i>Reading East</i>) (Lab)
† Clarke-Smith, Brendan (<i>Bassetlaw</i>) (Con)	† Smith, Jeff (<i>Manchester, Withington</i>) (Lab)
† Collins, Damian (<i>Folkestone and Hythe</i>) (Con)	† Wood, Mike (<i>Lord Commissioner of His Majesty's Treasury</i>)
† Crouch, Dame Tracey (<i>Chatham and Aylesford</i>) (Con)	Kevin Maddison, Kevin Candy, Chris Watson, <i>Committee Clerks</i>
Firth, Anna (<i>Southend West</i>) (Con)	
† Green, Chris (<i>Bolton West</i>) (Con)	† attended the Committee

Witnesses

Kieran Maguire, Senior Lecturer in Football Finance, University of Liverpool

Dr Christina Philippou, Associate Professor in Accounting and Sport Finance, University of Portsmouth

Rick Parry, Chair, English Football League

Richard Masters, Chief Executive, Premier League

Mark Ives, General Manager, National League

Kevin Miles, Chief Executive, Football Supporters' Association

Public Bill Committee

Tuesday 14 May 2024

(Morning)

[SIR MARK HENDRICK *in the Chair*]

Football Governance Bill

9.25 am

The Chair: Before we begin, I have a few preliminary announcements. *Hansard* colleagues will be grateful if Members email their speaking notes to hansardnotes@parliament.uk. I also ask everybody present to switch any electronic devices they have to silent. Tea and coffee are not allowed during sittings, although, obviously, water is provided on the tables. Members who may wish to take off their jackets are free to do so, because it is getting a bit warmer nowadays.

We will first consider the programme motion on the amendment paper. We will then consider a motion to

enable the reporting of written evidence for publication and a motion to allow us to deliberate in private about our questions before oral evidence sessions. In view of the time available, I hope that we can take these matters formally and without debate. I first call the Minister to move the programme motion in his name, which was agreed yesterday by the Programming Sub-Committee for this Bill.

Ordered,

That—

(1) the Committee shall (in addition to its first meeting at 9.25 am on Tuesday 14 May) meet—

- (a) at 2.00 pm on Tuesday 14 May;
- (b) at 11.30 am and 2.00 pm on Thursday 16 May;
- (c) at 9.25 am and 2.00 pm on Tuesday 21 May;
- (d) at 11.30 am and 2.00 pm on Thursday 23 May;
- (e) at 9.25 am and 2.00 pm on Tuesday 4 June;
- (f) at 11.30 am and 2.00 pm on Thursday 6 June;

(2) the Committee shall hear oral evidence in accordance with the following Table:

TABLE

Date	Time	Witness
Tuesday 14 May	Until no later than 10.10 am	Mr Kieran Maguire, Senior Teacher in Accountancy, University of Liverpool; Dr Christina Philippou, Principal Lecturer in Accounting, Economics and Finance, University of Portsmouth
Tuesday 14 May	Until no later than 11.00 am	The English Football League; The Premier League; The National League
Tuesday 14 May	Until no later than 11.25 am	The Football Supporters' Association
Tuesday 14 May	Until no later than 2.30 pm	Solihull Moors F.C.; Dagenham & Redbridge F.C
Tuesday 14 May	Until no later than 3.00 pm	Cambridge United F.C.; Bolton Wanderers F.C
Tuesday 14 May	Until no later than 3.30 pm	Brighton & Hove Albion F.C.; Crystal Palace F.C.
Tuesday 14 May	Until no later than 3.50 pm	The Football Association
Tuesday 14 May	Until no later than 4.10 pm	Women in Football
Tuesday 14 May	Until no later than 4.40 pm	The Football Foundation; Fair Game
Thursday 16 May	Until no later than 11.50 am	The Professional Footballers' Association
Thursday 16 May	Until no later than 12.10 pm	Kick It Out
Thursday 16 May	Until no later than 12.40 pm	Action for Albion; Supporters Trust at Reading; STAR; Arsenal Supporters' Trust

(3) proceedings on consideration of the Bill in Committee shall be taken in the following order: Clauses 1 to 3; Schedule 1; Clauses 4 to 5; Schedule 2; Clauses 6 to 9; Schedule 3; Clauses 10 to 18; Schedule 4; Clauses 19 to 20; Schedule 5; Clauses 21 to 24; Schedule 6; Clauses 25 to 66; Schedule 7; Clause 67; Schedule 8; Clauses 68 to 74; Schedule 9; Clauses 75 to 80; Schedule 10; Clauses 81 to 92; Schedule 11; Clauses 93 to 95; Schedule 12; Clauses 96 to 98; new Clauses; new Schedules; remaining proceedings on the Bill; and

(4) the proceedings shall (so far as not previously concluded) be brought to a conclusion at 5.00 pm on Thursday 6 June.—(*Stuart Andrew.*)

Resolved,

That, subject to the discretion of the Chair, any written evidence received by the Committee shall be reported to the House for publication.—(*Stuart Andrew.*)

Resolved,

That, at this and any subsequent meeting at which oral evidence is to be heard, the Committee shall sit in private until the witnesses are admitted.—(*Stuart Andrew.*)

The Chair: Copies of written evidence that the Committee receives will be made available in the Committee Room, and will also be circulated to Members by email. We will now go into a private session to discuss the lines of questioning.

9.27 am

The Committee deliberated in private.

9.30 am

Examination of Witnesses

Kieran Maguire and Dr Christina Philippou gave evidence.

The Chair: We are now sitting in public and the proceedings are being broadcast. Before we start hearing from the witnesses, do any Members wish to make a declaration of interest in connection with this Bill?

Dame Tracey Crouch (Chatham and Aylesford) (Con): I want to declare that I was chair of the fan-led review that led to this Bill.

Ian Byrne (Liverpool, West Derby) (Lab): I sit on the management committee of the Spirit of Shankly football union for Liverpool football club.

Damian Collins (Folkestone and Hythe) (Con): I am a trustee of The Sports Trust in Folkestone, which has previously received funding from the Football Foundation.

Robin Millar (Aberconwy) (Con): I am chair of the all-party parliamentary football club group, and we too receive sponsorship.

Mr Clive Betts (Sheffield South East) (Lab): I am chair of the all-party parliamentary group on football. I do not think it necessary to declare, but at least it is there on the record in case anyone wants to know that.

The Chair: We will now hear oral evidence from Kieran Maguire, senior teacher in accountancy at the University of Liverpool, and Dr Christina Philippou, a principal lecturer in accounting, economics and finance at the University of Portsmouth. Before calling the first Member to ask a question, I should like to remind all Members that questions should be limited to matters within the scope of the Bill. We will stick quite strictly to the timings in the programme motion, which the Committee has agreed. For this panel, we therefore have until approximately 10.10 am. I will give warning before this session finishes. Would the witnesses like to introduce themselves and say a few words before fielding questions from the Committee?

Kieran Maguire: Hello, ladies and gentlemen. I am Kieran Maguire from the University of Liverpool. I have specialised in football finance there for the last 11 years. Along with Christina, we have been asked to submit two research papers to the Department for Culture, Media and Sport; first, in respect of the state of finances of the industry during covid, and subsequently coming out of covid. I think we last produced a paper around 12 months ago.

Dr Philippou: I am Christina Philippou from the University of Portsmouth. I do a lot of work around sport finance and sport governance. Prior to academia, I was a forensic accountant.

Q1 Stephanie Peacock (Barnsley East) (Lab): Good morning to you both, and thanks for joining us. By way of an opening question, the fan-led review of football governance concluded that the finances of many football clubs are fragile, which obviously puts them and their communities at risk. What do you believe are the sources of this financial difficulty?

Kieran Maguire: If we take a look at the history of both the Premier League and the English Football League, they have been successful in generating revenue. Since the Premier League was formed in 1992-93, its revenues have increased by 2,857%, whereas the Championship is at just over 1,000%. Given that prices have doubled, from a consumer price index perspective, that is absolutely fantastic. However, that has gone alongside an inability to control costs. The most significant costs in the industry are wages—while Premier League revenues are up by 2,800%, wages have increased by over 4,000%. Similarly, as far as the EFL Championship goes, if we take just one division, wages are up 1,400% compared with revenue of 1,000%. Profit is revenue less costs, and there has been a struggle to control costs.

As a consequence, if we look at the figures for 2022-23, which is a post-covid year—no ramifications—the 20 clubs in the Premier League lost a collective £836 million. In the Championship, on average the clubs were losing £20 million: League One, £4.1 million, League Two, £1.4 million; and in the National League, £970,000. All those clubs have been part of a spectacularly successful

industry, of which we should be proud. It has globalised the game of football as coming from the UK. There has been a collective inability to control costs.

Dr Philippou: That summarises it pretty well. There is a general issue in relation to that, apart from that of cost control. We have also seen lots of administration, which has impacted on local communities over the years. Roughly two in five of the clubs in the top four leagues have gone into administration in the last 30 years, which is not a great stat. If we look at the post-covid years, as Kieran said—even putting into perspective what is happening at the moment—average losses in the Premier League were about £42 million, compared with its own cost controls, which are roughly £35-million losses per year. If we look at the Championship, it is roughly £20-million losses, where its own cost control saved around £15 million per year. Even by their own standards, they are not doing particularly well.

Q2 Stephanie Peacock: The licensing system in the Bill focuses on the financial sustainability and governance of each individual club. Do you think that that will help to mitigate some of the more systemic weaknesses in the football pyramid that you have outlined, or do you feel that some of the issues will remain?

Kieran Maguire: As far as the potential changes are concerned, the ability to have a regulator which can do real-time monitoring in respect of finances, so that it can identify potential problems at an earlier stage, would be beneficial. That would diminish the chances of a club getting into a more long-term financial crisis, where the only solution would be administration. The ability to have a regulator with a set of financial rules and observations, where you can nudge people in the right direction—I do not think that the regulator should be telling clubs how they should behave, but should be able to help the club itself to identify problems—would be beneficial.

Dr Philippou: Absolutely. Another strength in the Bill is that you can request information. One of the issues we have seen, which some of the leagues also struggle with, is the ability of the clubs to provide information in ways that are accessible and usable. That is something in the Bill which should help.

Q3 Stephanie Peacock: How would you say football compares with other industries in terms of its funding model? Are they more reliant on owner funding, and if so what impact does that have on clubs?

Kieran Maguire: Owner funding is critical. We have ended up with the scenario where many clubs are what one could describe as trophy assets, where the ambition of the owner is not one of profitability but of soft power or kudos—the ability to say, “I own a football club”. Some of those owners are fantastic, as they want to repay the local community, which they have been brought through, and they have turned out to be successful. We tend to see commercial banks being reluctant to lend to the football industry because of the level of losses that we have previously described. From a lending position, a bank would always do a risk assessment in respect of any moneys that would be forwarded. My background, before going into academia, was as an insolvency specialist, and I did one or two investigations into football clubs where the bank’s response was: “We don’t want to be seen as the bad people in making this decision.”

Q4 Stephanie Peacock: Do you have any information, or any views, that you can share with the Committee on what percentage of revenue clubs should spend on wages in order to be sustainable versus the percentage that they actually spend? To elaborate on that, are there any trends on overspending, and does that vary across leagues and clubs?

Kieran Maguire: Since the inception of the Premier League, the original wage-to-revenue percentage was around 45%, but that has now increased to the mid-60s. If we take the EFL Championship, for 10 years out of the 11, wages have exceeded revenue. Before they invest in the transfer market, before they switch on the floodlights, and before they put petrol in the mower, clubs are already losing money. Unless there is owner funding, there is no logic in keeping those businesses running, but football is a unique industry. If I was running a nightclub, a garage or a laundrette, I would simply have closed the business down.

Dr Christina Philippou: More than half of the clubs in the top five leagues are technically insolvent, so if they were any other business, they would not be in existence. The fact that they are still standing is partly linked to how monopolistic the structure is. Obviously, fans find it quite hard to move from one club to another, and clubs tend to be a bit more resilient in keeping the fans than other businesses. However, that also has the knock-on effect of it being very community-based, and there are further knock-on impacts when those clubs go into administration.

The Chair: Stephanie, if you have any other questions, I will bring you in a bit later. There are a lot of Members who have indicated that they want to ask questions.

Q5 Damian Collins: I have a question on the redistribution of money, which is one of the Football League's principal concerns about the current model. From what you have said, is there not a danger that, despite redistributing more money into the Championship, those clubs will not necessarily get any better? They will probably just end up paying the players they have more than they do at the moment. Redistribution without some sort of control will just fuel inflation.

Kieran Maguire: When we had the introduction of solidarity payments from the Premier League to the EFL, which started to become index-linked to the growth in the Premier League broadcasting, exactly what you suggested tended to be the case. Any redistribution plan has to go hand in hand with a more nuanced and affirmative cost-control measure. Otherwise, you are simply transferring money from the wages of a footballer in the Premier League to the wages of a player in the Championship. I do not see how that benefits the game on a holistic basis.

Dr Christina Philippou: As we have seen, the cost-control issues are still there. The point is to try to fix that concern, rather than just to give more money to be spent poorly, which is not going to fix the problem. Fixing corporate governance and the cost controls will have a much better effect.

Q6 Damian Collins: Do you agree that one of the reasons why we need the regulator is that we need a body with statutory powers to investigate clubs and use real transparency of powers to see what is going on? A lot of clubs that have failed have been reckless, and

often they have been trading outside the rules of the leagues they are playing in anyway, but they have just been able to hide that fact until it is too late.

Kieran Maguire: Historically, the authorities, given the mandate that they currently have from the clubs themselves, have tended to be looking in the rear-view mirror. Therefore, they are playing catch-up. One of the advantages of having an independent regulator would be the ability to do real-time investigations and also potentially either to offer advice or, in extreme circumstances, to look at some form of regime change that allows the appointment of trustees and advisers to assist clubs in precarious financial positions.

Dr Christina Philippou: That is the whole point of something like an advocacy-first approach: you can work with the clubs before you get to the problem. Before you get to administration or those serious financial problems that we are seeing, if there is real-time monitoring, if you see the problems ahead of time, and if we have some proper budgeting and corporate governance in football clubs, that should mitigate the problem to a large degree.

Q7 Damian Collins: Briefly, I want to ask about club owners and the business plans of club owners. On your podcast, Kieran, you have recently been talking about Everton in particular. Would you look at a situation like that and say that if this is going to work and make a difference, it is scenarios like that that should be avoided? The checks on new owners' backgrounds and their proof of finance should be robust enough to stop clubs getting into that kind of mess.

Kieran Maguire: In an ideal world, yes. I do not think that the regulator can convert us into a zero-crisis environment. It is a case of turning down the dial. In the case of Everton, there was no doubt that money was spent in a similar way to what we saw with Roman Abramovich and Chelsea, and with Sheikh Mansour and Manchester City. There was an investment in talent and options in terms of infrastructure as well. The problem is that if you have any business that is living beyond its means, and is reliant on third-party or ownership funding, I think you have to very carefully monitor the ability of that funding to be maintained on a medium to long-term basis. We have seen, sadly in the case of Everton, that that does not appear to have been the case.

Dr Philippou: That is the importance of looking at the sources of funding, which is part of what is in the Bill, in relation to the owners and directors test.

Q8 Mr Betts: Do you think parachute payments, as they currently exist, cause problems or provide solutions?

Kieran Maguire: I think they do both. The intention of parachute payments when they were introduced, which was around 2006, was to address the possibility of clubs going into administration, because of the significant step-downs between the Premier League and the Championship. At the same time, it does mean that you have created a new benchmark in levels of spending that clubs in receipt of parachute payments can achieve, and therefore those clubs in the Championship that want to be competitive are incentivised to overspend, so I think we have a problem. Parachute payments are a clumsy solution to the bigger problem, which is the significant difference between the revenues of not just the Premier League and the Championship, but also between the Championship and League One.

Q9 Mr Betts: Using your own words then, do you think it is right that that clumsy solution should be written into the Bill as a no-go area, which cannot be looked at by the regulator as part of the financial backstop?

Kieran Maguire: If we are going to look for a 92-club solution or, if we are including the National League, an 116-club solution, then the regulator should be able to deal with parachute payments, otherwise you are not dealing with the whole issue. If you have a redistribution model that does not involve parachutes, the Premier League's position would be advantageous, and I do not think that would be in the best interests.

Dr Philippou: You need to have access over the whole of revenue, and that forms part of the revenues of Championship clubs. It would not make sense, in that sense.

Q10 Mr Betts: We are told that the regulator will still have some powers over parachute payments. Do you understand what they are and how they might work?

Kieran Maguire: One would imagine that you would look at parachute payments from two angles. First, the quantum—the actual sums involved. Secondly, the length of parachute payments. They have been reduced from four years to three years, in recent years. I think there is a third issue, in respect of those clubs that are in receipt of parachute payments and are then promoted back to the Premier League. The parachutes that are not received are kept by the Premier League and distributed between the 20 clubs. That does seem very harsh, given that clubs are losing more money in the Championship to begin with.

Mr Betts: Can I just ask about—

The Chair: Clive, I will come back to you, but a lot of people want to get in.

Mr Betts: This is about the backstop—

The Chair: Clive, I want to bring the Minister in.

Mr Betts: Fair enough.

Q11 The Parliamentary Under-Secretary of State for Culture, Media and Sport (Stuart Andrew): We have heard some accusations that the Bill is over-regulation for football. What is your view on that?

Dr Philippou: It is fairly light touch from a compliance background, if you look at the financial implications and what is being asked for. In summary, you are effectively asking for some budgeting, some basic risk assessment, and knowing the roles of your senior management. It is fairly light touch, if you are running the club properly. From my perspective, it does not look particularly over-regulated. Certainly, from a compliance perspective, I would expect that if you are running the club properly, a lot of that information should be there anyway, and should be easily reportable without adding much burden to clubs.

Q12 Stuart Andrew: You gave us quite a lot of information about the financial situation in both the Premier League and the EFL, but what about the National League?

Kieran Maguire: As far as the National League is concerned, I think the average losses were £970,000 a year. There are no cost-control measures as far as the national league is concerned, so that is why we have seen the recent arrival of owners who have transformed individual clubs, because they have been allowed to achieve effectively unlimited levels of loss. That potentially has implications when those clubs are promoted to League Two, although again they have tended to do very well.

The National League has been intriguing, and certainly issues arose with governance during covid, such as the grants that were given to support those clubs, which proved to be quite contentious. Like both the Premier League and the EFL, there appears to be some form of civil war taking place within—or between—clubs. We talk about the Premier League, the National League and the EFL, but I do not think there is a collective viewpoint within those institutions themselves from an individual club basis.

Dr Philippou: From a financial profile point of view, the National League shows very similar financial issues to League One and League Two. It is not as if National League clubs are free from problems, and the reason why they are in here is because they are pro clubs—it is professional football.

Q13 Ian Byrne: Is there anything in the Bill that imperils the financial sustainability and global success of the Premier League?

Kieran Maguire: The Premier League has been successful because it has gone out to an audience and it has sold its services. There is no reason why the Premier League will not be competitive on a European basis in recruiting players, in respect of these rules. On attracting investment into the Premier League, part of the reason for its success is that we have moved effectively from a duopoly, which is where we were in 2005, to a more competitive product. In my view, if I was an investor, I would like to be able to invest in an industry where the opportunity to break even becomes greater, and I think that is more likely with the regulator than not.

Dr Philippou: We are not seeing much investment from certain areas that you would expect in most businesses. Part of that is the loss-making and the difficulty in conducting due diligence around football clubs. What we see in the Bill should fix that, and therefore we would expect to see more of a certain type of investment. Yes, perhaps there will be less investment from those who would rather not be in a more regulated environment, but that is not the overall picture.

Q14 Ian Byrne: Touching on the global success, football fans play a huge part in that, and they are the unique selling point of the Premier League. The Bill talks about protecting heritage, and there are huge concerns at the moment about the pricing out of working-class people from football matches. How do ticket prices affect club revenue, compared with the broadcasting element? Is there a need for such price rises, as we have seen this year, for sustainability?

Kieran Maguire: If we look at the Premier League, when it was formed in 1992-93, 43% of revenues came from matchday tickets. If we move to 2022-23, we are now down to £1 in every £7 being generated from those.

That can be slightly higher for the bigger clubs, and we are not denying that. The success of the broadcasting deals has very much meant that the broadcasting revenues are now dominant, and they now constitute more than half of the total revenues. As far as prices are concerned, it is a sensitive subject. Clubs will say, “We’re still losing money, so therefore we need to target revenue streams. We’re not getting that from broadcast, because the broadcasting rights—”

Q15 Ian Byrne: Essentially, are they in danger of killing the golden goose that is laying the egg? If we look at what has happened in Italy, with the empty stadiums and the broadcasting rights there, the Premier League is on the crest of a wave. Surely the football fans are absolutely integral to the success of the Premier League.

Kieran Maguire: They are. During covid, we saw football matches with no fans and it was a sterile, glorified training exercise—there was no emotion. Having full stadiums is critical.

Q16 Ian Byrne: Should the regulator—

The Chair: Ian, we need to bring some more speakers in. Make this the last one.

Q17 Ian Byrne: Should the regulator have any ability to determine ticket prices to protect the unique heritage of football?

Kieran Maguire: As a football fan, I would say yes. Looking at it purely from a business perspective, if you are selling 100% of your tickets at the current price, economics would say that they should be allowed to charge what they want.

Q18 Dame Tracey Crouch: Given your collective expertise, how long would it take you to write an assessment of football—let us call it a state of game report? Given your insight over time into the finances of football, what would be a meaningful timeframe of review for that assessment?

Dr Philippou: That is a very good question. I mean, how long is a piece of string? It depends on what you are looking at. We know what the issues are, so it depends on how targeted what you are asking us to look at is. The issues are pretty well known, so it is about how deep a dive you require—you can tell I worked in forensic accounting, with my “It depends!” But it would take months. It is not something that can be done quickly. It would require proper review to get it right, because if you are basing something on the information in a report, one needs sufficient time and access to be able to provide that information.

Kieran Maguire: The information we have put out in the reports to date has been on the basis of the financial reports published at Companies House. Therefore, we are reliant on clubs producing them on a timely basis and with a level of detail that we can make meaningful conclusions about. I used to do investigations into companies, and it is always nice to have more inside information or management information about budgets and so on, because that allows you to look forwards as well as in the rear view mirror. I think it would be a time-consuming exercise, but it is not an insurmountable one.

Q19 Matt Rodda (Reading East) (Lab): You mentioned very serious issues with the behaviour of some owners. I wonder if you could say how big a challenge this is for the game and how far you feel the Bill will go in tackling these potential problematic behaviours.

Kieran Maguire: The issues with owners are that if an owner’s personal circumstances or intentions change and they have been subsidising or funding clubs, however you want to describe it, it means that under the current environment, things are very precarious. I do not think that the football authorities themselves have sufficient powers to go in and effectively do an Ofsted to the extent that they would perhaps like to at times. That is where the regulator could be broadly more of a benefit than a cost, because it would have regulatory powers and the ability to send in a forensic team to take a look and offer guidance to clubs that may not be willing to listen to it under other circumstances. There is also the stick as well as the carrot in terms of issues with licensing or ownership, which are very much a last resort. That would perhaps focus some minds where people have historically tended not to listen and take no advice.

Dr Philippou: A lot of the issues we have seen with ownership have been in relation to sources of income. I am from the University of Portsmouth, and Portsmouth has unfortunately had two of its former owners jailed for various things relating to fraud and money coming from sources that it perhaps should not have come from. That is quite difficult if you do not have deep access to do proper due diligence. What appears to be in the Bill is access to that information and the ability to request that information, which should hopefully mitigate against some of these issues.

Q20 Matt Rodda: Do you feel then that the Bill goes far enough in tackling these issues?

Kieran Maguire: As an investigator, you would always want more powers than less, so I think you have to be honest there. At the same time, in terms of protecting the game from over-regulation and being mindful that FIFA does not allow government interference in football, I think we have probably hit a reasonably good sweet spot with regard to the proposals to date.

Dr Philippou: I agree with that.

Q21 Robin Millar: Dr Philippou, you describe a industry that is reliant on patronage. If I could remind you, Mr Maguire, you said that a collective inability to control costs characterises the industry. How do you reconcile the two? Is it the inability of owners to control costs? Is it the structure that has the problems? Is it actually an inability, or is it an ignorance of costs or an unwillingness to address them?

Dr Philippou: I think it is a combination of various things. Ultimately, what you have is poor cost control and poor monitoring. Owners have to be mindful of that because, ultimately, at least half of them are putting money into football clubs every year to keep them running, so they are aware that there are cost problems there. You cannot be propping up a technically insolvent club and not know that you are propping it up, so there is that element there. You also have general cost controls—people are aware that they are losing money. It is not something where you can say there is a lack of awareness

there; it is a lack of a willingness to do something about it. We saw UEFA bring in financial regulations back in 2010-11. The Premier League brought them in around about 2014. But we are still seeing these problems, even with the financial regulations in place, which tells you that there is an ongoing issue.

Kieran Maguire: What we have in terms of the present model is one of self-regulation, and self-regulation is normally walking hand in hand with self-interest. As far as owners are concerned, and I can understand this from an owner's perspective, if I bought a football club as a trophy asset and I have unlimited funds, then why should I not spend as much money? What there has been is a trade-off between those owners willing to put in unlimited amounts, those owners wanting to put in limited amounts, and those owners wanting to put in nothing because they see the football industry as an extension of the entertainment industry, with a view to making it profitable on a longer-term basis. That is where we are at present.

The rules have effectively failed to address the loss-making in the business. Loss-making is sustainable until it is not sustainable—until those owners, either individually or collectively, decide to change the rules. Without any form of assistance from the regulator, that would mean that the industry is naturally precarious, because you only have to have, as we said earlier, a change in circumstances, as we saw with Chelsea. We have seen a club such as Bolton Wanderers have a very beneficial owner. His personal circumstances changed due to illness, and then you have a crisis for the club.

Q22 Robin Millar: I am curious, then, because the Bill itself is a regulatory Bill. It talks about a licence to operate owners and directors tests, but in some of your replies, you have suggested something much more interventionist—something that is much more warning people about things that will cause them a problem further down the line. Is what you are describing about a regulation of interests rather than simply a regulation of finance? If that is the case, does this Bill focused on finance actually manage to do that?

Kieran Maguire: I think it does deal with the financial issues. Effectively, if the regulator becomes the Martin Lewis of football in giving appropriate advice, that can benefit the industry. Many people enter the football industry with very good intentions. They have been successful in their own roles in their own businesses and think they can replicate that in football, and then they are seduced by the nature of football. For example, you run a club on a sustainable basis, and you are in seventh in the Championship in January. Your manager comes to you and says, “I've spotted this centre forward—costs £8 million, wants 30 grand a week, can get us into the play-offs. We can be in the Premier League in six months,” and all your common sense goes out of the window. That is part of the joy of football, but it is also one of the reasons why we have resulted in a loss-making industry. Provided the owner is aware of the consequences of their decisions, all you can do is give advisory assistance, rather than telling them what to do.

Dr Philippou: But there is an element of investment fatigue. We see all these great things, it is all going well and people are pumping money in, and then something happens in their other businesses or they lose interest, and that is when things start going wrong in the industry.

I guess that is why there is also the non-financial side of the Bill, which looks at the corporate governance and fixes that side of the game too.

Q23 Stuart Andrew: Do you worry about the competitiveness of the bottom of the Premier League, particularly after three weak clubs were promoted? That relates to some of the questions that were asked earlier. Do you have any thoughts about a reasonable timeframe for approving a takeover?

Kieran Maguire: In terms of the issues at the bottom of the Premier League, three clubs have just been promoted and have almost been relegated. The three clubs above them—excluding Everton, because if it had not had a points deduction, it would have been on 48 points—have been in the Premier League for two or three seasons, so there is an acclimatisation issue. There is also an issue at the top of the Championship. The clubs that have just been relegated have greater resources than their peer group, and that is going to have a yo-yo effect, which we appear to be locking in on a greater basis. That tends to be more of the case in the Championship and League One, where some clubs are moving. That is driven by the culture of the owners. The system at present encourages overspending. We have not seen that in respect of the three clubs that are being relegated, but we did see it to a greater degree with the clubs that were promoted in 2022.

Dr Philippou: Absolutely, there is that competitiveness issue, which we have seen diminish over time. That has a long-term impact on the commercial side and on broadcasting rights, because the less competitive a league becomes, the less likely people are to watch it and the less likely broadcasters are to put money in, so that can also have an impact.

Q24 Mr Betts: On the regulator's powers, is it unusual to have a regulator that cannot decide to intervene until you have gone through a process, and will step in and do anything only after the parties have failed to reach agreement?

Kieran Maguire: You would hope that the parties would be able to sort something out between themselves. If we did not have a regulator, we would be in a very similar position to the one we have at present. The Premier League has no incentive to be more beneficial, in terms of the distribution of money. It would have to be dragged to the table by the regulator, so that is why the backstop powers are important. The EFL is a fantastic league in its own right. The chances are that anybody who has supported a club in the Premier League have also supported it in the EFL.

When it comes to the regulator using last resort powers, it is effectively the same as the Bank of England. The Bank of England is the lender of last resort, but there are alternatives. Surely the same should be true in football. It is testament to the intransigence of the Premier League, in particular, which is unwilling to look at the broader football issues in the country.

Q25 Mr Betts: So it is not the case that the regulator should be able to come in earlier?

Dr Philippou: I think a lot of the parts of the Bill that look to fix issues relating to the financial sustainability of clubs and corporate governance should in the long term negate the need for intervention, because stuff will

be run in a much better way. The issue at present is that if there is no money forthcoming into the EFL, that creates a huge potential financial problem. That is why the backstop powers are there. It is one for the lawyers to debate, really.

The Chair: If there are no further questions from Members, I thank the witnesses for their evidence, and we will move on to the next panel. Thank you very much indeed.

Examination of Witnesses

Richard Masters, Rick Parry and Mark Ives gave evidence.

10.10 am

The Chair: Welcome to the new panel. We will now hear oral evidence from: Rick Parry, Chair of the English Football League; Richard Masters, Chief Executive of the Premier League; and Mark Ives, General Manager of the National League. For this session, we have until 11 am.

I call the first Member who wishes to ask questions, Stephanie Peacock.

Q26 Stephanie Peacock: Thank you all for joining us. The reason we are here is that self-regulation of football has not worked, particularly in relation to financial sustainability. Obviously, therefore, the Government have introduced this Bill, which we support. One of the key parts of the Bill is the owners and directors tests. Do you think that the current owners and directors tests are fit for purpose? Does the Bill improve them? Will you continue with your own owners and directors tests when the regulator is conducting their tests? Those questions are to each member of the panel.

Richard Masters: We obviously support very strong ownership tests; we believe we have one at the moment. With the Bill, in terms of the way it describes the owners test, I think there are a lot of questions that still need to be asked and we may ask them in our written submission to this Committee. Thank you very much for giving us the opportunity to speak to everyone today and to put our perspectives across.

We very much support a strong ownership test. The question about whether it has been successful—I believe it has been more successful over time. Obviously, an ownership test is relatively new in football. Football has been around for centuries; the ownership test is a relatively recent intervention. Football has responded to issues—regulatory issues—as all regulators do. Football is already a highly regulated industry. We—the Premier League—are already regulated by the FA, by UEFA and by FIFA, and we are a regulator ourselves. So, the Bill and the new independent regulator for football are going to be an additional regulatory layer.

In all of our discussions with the Department for Digital, Culture, Media and Sport, we have been quite clear that we would like to continue with our own test and obviously the closeness of those two tests is quite important, and the consistency of results that come out of them is quite important as well.

When you read the Bill, one of the things that you probably notice in comparison with the Premier League's current test, which is very similar to that of the EFL, is that it will probably capture a broader group of people

and it is more subjective. One of the things that we have been quite careful about over the years is to make sure that the test is as objective as possible, because that creates more certainty and less legal challenge. We would like the Committee to think about that as they observe the Bill and to give as much clarity as possible to competition organisers on the issue of ownership.

Rick Parry: Where the regulator can help is in bringing greater transparency. Football does not do transparency very well; it likes to live in the dark. Greater consistency across leagues and statutory powers will be extremely helpful in terms of capturing information. The threat of criminal sanctions for failing to comply is pretty potent and pretty powerful—something we cannot compete with.

We will certainly not be having a parallel test; we do not want duplication. We are very happy to throw our support behind the regulator and recognise that a better test is something that we will be very happy with.

Mark Ives: First of all, thank you for allowing us to be here today; I appreciate that.

From an owners and directors test point of view, we are—from the National League—in a slightly different position than our colleagues in the Premier League and the EFL, in that the National League is governed by the FA regulation for the owners and directors test. I have spoken before about the powers that this Bill will bring with the ODT and I welcome that. I think it will give us, or give you, greater ability to be able to get access to information that we do not have. Although the current test is being reviewed from the FA's position, it is primarily a self-assessment, which, of course, comes with many problems. I welcome the owners and directors test. I would urge Government to ensure that speed of operation is good, because the time it takes to get somebody approved is really important for takeovers and everything else.

The other challenge with the ODT relates not only to when owners come into a club, but to the question of when, during their lifetime within a club, their suitability changes. We need greater detail on how that will look. When does someone who is a good owner at the start of their tenure suddenly turn out to be a bad owner halfway through that tenure? Of course, it will be difficult, once somebody is in, to make a substantial change—not impossible, but it will be difficult. We need to think how we manage that from a National League perspective. We do not have a queue of people waiting to take over clubs, so we need to think about the consequences of the test on existing owners. Again, I would share the views that the leagues' action to sense-check that as we move forward and make sure that clubs are compliant is really important.

Q27 Stephanie Peacock: Communications from the Premier League have stopped short of outright rejecting the Bill, but have warned against unintended consequences. Could you outline what those unintended consequences might be?

Richard Masters: I will do my best—thank you for the opportunity to do so. In general, I think we are supportive of the objectives of the Bill, and we want to see those objectives work. We are obviously concerned that what is, to all intents and purposes, a very successful industry is not harmed. It is very important that the Premier League, at the top of it, is able to continue with its success and growth—not just for the sake of the

Premier League, but because that success and growth helps to fund the rest of the pyramid. We are happy to share our success, and we have a strong track record of doing so.

We would like this Committee to look at the unintended consequences of regulatory interventions that are unnecessary—proportionate regulatory interventions dealing with the issues that are arising. To use a motoring metaphor, we agree that if you are speeding, there should be regulatory tools to intervene, but we would not want to see the speed limit reduced from 70 mph to 50 mph to keep everybody safe. We think that would be a step too far.

As Mark alluded to, our core concerns are always about increasing the pool of investment that comes into football. The Premier League is successful because it has been able to create an atmosphere where people want to invest and buy football clubs and put their money behind the aspiration of moving up the pyramid. We see examples of that all the time, and we think that is really important. We need a strong and vibrant pyramid. To us, it is about long-term certainty and proportionate intervention. If those things are not correct, we might see some of the unintended consequences that I have explained.

Q28 Stephanie Peacock: Do the Premier League's own rules not specifically address the way money is invested into clubs? What is different, therefore, about the regulator monitoring this?

Richard Masters: The Premier League has a number of financial regulatory tools at the moment, such as our PSR regulations, which you will all be aware of. They are really about competitive balance, but also have an aspect of sustainability to them—essentially a limited loss situation. Where clubs are loss making, they have to provide two years of financial information to the league, and if they are loss making beyond a certain threshold, they have to stand behind the business plan of the club and provide a secure owner funding commitment to the league. The Premier League does have sustainability rules in place, as do the EFL and the National League. Perhaps it would be good for the Committee to hear about how all that works. There are measures in place, but they will be different.

What we are seeing in the Bill is prudential regulation, which is born out of the financial services industry—obviously there are not many parallels between banking and football. We are worried that prudential regulation could be too interventionist and could tie up or deter investment to the detriment of the whole football pyramid.

Stephanie Peacock: I have one more question for all three of the panel.

The Chair: I am going to move on to the Minister, as we are going to be short of time.

Q29 Stuart Andrew: The regulator will have a duty to work with the leagues when they are exercising their regulatory functions and have regard to the existing rules within your leagues. How do you see that working in practice, and how are you reforming your own structures to ensure that regulation works effectively? You talked about unintended consequences, Richard—can I just push you to give the Committee a specific example of what those might be?

Richard Masters: It is unclear—a lot of this depends not on the technical drafting of the Bill, but the personality of the regulator, who we are yet to meet. Now the appointments have been made, it depends upon how the regulator and its powers are going to be utilised. For example, if the regulator wishes to put financial controls on virtually all the 116 clubs that it wants to license, I believe that will stop investment into football squads and football in general, and will slow down the growth of English football. That is the principal unintended consequence I would be concerned about.

Mark Ives: On unintended consequences, there are a couple of things, particularly when you consider the size of the National League clubs and how they are staffed. The Bill is written in a way that sets out what it intends; it does not give how it is going to achieve those aims. As far as the clubs are concerned, there is massive uncertainty.

As we see it, one of the unintended consequences is the drain on the resources of those clubs because of the duplication of work and the over-bureaucracy that there may be. For example, we already have a licensing system. Our system includes our football finance regulations, which have been activated since 2013. It is worth noting that we are talking about improving the sustainability of our clubs—but the National League, which is the only division that I can talk about, has not had a club going into administration since 2013, since it brought in its financial regulations. That is not a bad record. Our concern is the duplication of that licensing scheme. As the Minister rightly says, there is a referral back to the league regulations. We had hoped that that would go further and put the onus on the league, on the competition, to be the first to react. If that does not work, then the regulator steps in—rather than create a lot of duplication of work for our clubs, as we see it.

The other issue is costs. The Bill is intended to ensure financial sustainability. Yet the concern of this is that, as with all regulators, the people who pick up that bill are those who are being regulated. I am not sure that the clubs fully understand that. When you are at the bottom level of what is being regulated, the fear is the quantum of those costs. If you have a challenge that goes to judicial review from one of the National League clubs, I suspect that the financial cost on that is not going to be too great. However, if one of the top clubs in the Premier League challenges the regulator, the costs on that are going to be really significant. Those costs get passed on to those being regulated, and they could run into millions of pounds, when the cost of those are being borne by clubs at the National League level. In our view the Bill is not strong enough in clarifying what proportionality means. We have been given assurances: we have had some good meetings with the Department for Culture, Media and Sport, with the Minister and the Secretary of State, where assurances are that it will be proportionate. However, we do not understand what “proportionate” is. So, one of the unintended consequences is the financial and human resource burden on our clubs.

Rick Parry: It is incumbent on us to work with the regulator to make sure that this works for the good of the game. We see big pluses in terms of the regulator bringing independence, transparency and consistency across leagues, which is a bit of a disaster area at the moment. We view it positively: everything we have found so far in terms of engagement with DCMS and in

terms of the shadow body that is the regulator is that all these concerns can be addressed. It is going to be a tougher environment, but football needs a tougher environment. We have had 30 years to get this right and we have failed.

Richard Masters: Just to answer your question about what plans the bodies are making to adjust to the regulatory world, we will all have to adjust to the new environment that is coming. I am very happy to do so. Like Rick, we are already meeting with the shadow regulatory team on a regular basis and have had good conversations about how it might work in practice. In reality, I think the performance of the regulator can be managed. We will meet that obligation head on and ensure that they get all the information they need, and we will respond at all times.

The issue that we are most concerned about is what impact that might have on the wider system—beyond the very positive objectives of the regulator to give fans a stronger voice—to improve the sustainability of the pyramid and individual clubs, and to avoid some of the issues we have had in the past. We agree with all that, but it is important to make sure it does not impact on the very good success story that we have at the moment.

Mark Ives: Can I echo that and clarify some points about where we stand on the regulator? From day one, and from when Tracey started the fan-led review, we met the review and we were asked whether we wanted to be part of the regulator. We said yes we did, on the understanding that it would not be too onerous for our clubs, and we would keep a mind on the costs. So we are mindful of that. We embraced the regulator. Our position was always that if there is a regulator, we thought it should be the FA, but for well-documented reasons, we know why that cannot happen. So we move on and embrace the regulator as it is.

Our challenges are not about having a regulator; they are about understanding and clarifying how the regulator will work. We embrace it and we will work with it. We have had some very productive meetings with DCMS and discussions all the way through. All we are trying to do is make sure that it is not too onerous and too costly for our clubs, because we have to protect the interests of those clubs, and they need clarity.

Q30 Damian Collins: Richard Masters, at the beginning you raised some concerns about the checks on new owners. You said you wanted a process that was governed by objectivity and certainty—I think those were the words you used. A lot of people would look at the live example of Everton and 777 Partners and say that that does not look like a situation that is being governed by objectivity and certainty, and that it is the kind of case where the regulator may well have taken a different view from the Premier League and may well have rejected the takeover. Given your concerns about the regulator in this regard, and given that, after eight months, 777 has still not met the criteria that the Premier League has set, I would be interested to know why the Premier League has not rejected it.

Richard Masters: Let me be clear about what the Premier League's role in this is. As regulator, it is to perform the test. It is not to decide who the current owner wants to sell this club to. That is his decision. At the moment, he wants to continue to have discussions with 777 about it. The Premier League has made very

clear the conditions that have to be met by 777 if it wishes to become the owner of Everton. At the moment, obviously, because the takeover has not been confirmed, I will leave it to the Committee to make its own conclusions about where we are with that.

Rick and Mark have talked about some of the benefits of the regulatory ownership test, in the sense that they will get access to more information that we can have, because we are not a statutory body. So we can only get the information that we are provided with and we have strong investigatory powers.

The other thing that Mark talked about was speed. I accept that takeovers that carry on for a very long time are not good for fan certainty. That is why we have a very big team of people who do nothing else in this. All I would say is that over time, particularly in the Premier League, takeovers are becoming increasingly complex. It is not a small undertaking on the part of the regulator to take this burden on. That is why we want to remain involved with it as well. This is very complicated, and we need to make sure that all those decisions are correct, even if that means taking a little more time to make sure that a decision is correct.

Q31 Damian Collins: It would seem that there is a real role for the regulator here, because the regulator could make this a lot simpler by saying, "You demonstrate the proof of funds and where you're raising those funds from, and until you can do that, the answer is going to be no. You can come to us when you're ready."

Richard Masters: It may be that they could come to conclusions quicker. I would imagine that that is possibly correct in that circumstance, but obviously, I cannot imagine what the situation would be like if we had a regulator in the current example that you raise. Obviously, I know a bit more about the background to it all. I cannot say too much about it, but I do think there are some benefits to the regulator working in tandem with leagues on this particular topic. That is true.

Q32 Damian Collins: How would you respond if you were overruled? What would be the effect if the regulator took a different view from you?

Richard Masters: Maybe a bit like "The X Factor", you need two green ticks to get in. That is it, and in terms of the Premier League operating its own test, in the unlikely event that the regulator said yes and we said no, that person could not take over that club, and vice versa.

Q33 Matt Rodda: This question is for Rick Parry. Where a potential owner has a track record of being associated with clubs overseas that have got into difficulties, do you believe the Bill has enough powers to prevent that in future?

Rick Parry: I think so. I do not think there is any reason to be doubtful at this moment, and within football we have been refining the tests that we apply over time. A decade ago, I think the tests were probably inadequate and overly simplistic. We have definitely refined them. We take a closer look at people's track records, and I am not fearful that the regulator will be unable to do the same.

Q34 Brendan Clarke-Smith (Bassetlaw) (Con): Gentlemen, one thing that has been raised is international investment and creating a level playing field with other

leagues. Do you still have any particular concerns there? One of the previous witnesses we interviewed suggested that, at the moment, what we are doing is very light touch. Do you think that is still the case? Richard, perhaps I could ask you that first.

Richard Masters: As you know, professional football exists in a global marketplace, and the Premier League is, by most available metrics, currently the most popular in the world. We want that to continue, but it is a competitive marketplace. You could not say that 20 years ago, but it is true today, and we would like it to be true in 20 years' time. We have been able to do that by collective effort, and the clubs continue to invest in creating a really exciting football competition.

I think the key difference between the Premier League and its other European competitors is the competitive nature of it. We can talk about full stadiums, home and away fans, fantastic brands, and the history and tradition of the English game—all those things are incredibly important, but the key difference between us and the Germans, the French, the Spanish and the Italians is that you have jeopardy from top to bottom. That goes to the funding of football and the financial mechanics behind it, and the key ingredients that go towards that competitive nature and the jeopardy in English football. We do not want to damage that jeopardy at all.

In order to be able to better fund the pyramid, we have to be successful, and to be successful, we have to be able to continue to find football-led solutions to the problems we have. The regulator has a specific role, which is to step in when individual clubs have problems and to oversee certain aspects of the game, but I still believe that football needs to be football-led. The three bodies—or four, if you include the FA—can do a good job of that in the future, in the same way that they have done a good job of it so far.

Q35 Brendan Clarke-Smith: Thank you. Rick, is that also the case for the EFL?

Rick Parry: We think that in a better regulated environment, where there is more clarity and certainty, we will get better-quality owners—there is no reason to believe that we would not. There has been a lot of talk about investment, which is a curious word in football. To me, “investment” means sensible investment in assets that generate returns in football, but it tends to mean excessive spending and then owners moving on. What we are trying to do, in making clubs sustainable, is reduce the dependence on owner funding—as we have heard previously, owner funding is fabulous, until it is not. We have seen it with Mel Morris, we have seen it with Bolton, we have seen it with Reading: owners come in with high ambitions, but either get fed up, run out of money or become ill, and then the clubs fall off a cliff. If we have a better system of redistribution, making club solvent, then we are not dependent on that ownership culture.

Q36 Brendan Clarke-Smith: Thank you. Mark, at the moment, the regulator covers only the top five tiers—obviously, it is going to cover the National League, but not National League North or South, or below that. Do you think that is the right way forward? Do you think it should be wider, or do you think it should be narrower?

Mark Ives: I think that, from a National League perspective, we are in a fortunate position. We run a licensing programme, and part of our ethos anyway,

without the regulator, is to properly prepare our clubs to go into the EFL, whether they come from step two, National League North or South, into step one, the national division. If you look at the history of our clubs that have been promoted into the EFL, the vast majority of them have succeeded and continue to do so—this year you have only got to look at Wrexham's story and everything else. That touches on your issue about foreign investments. Our challenge is to make sure that clubs that come up from step two are suitably prepared, through our licensing programme, to step into being regulated.

Equally, when somebody who is being regulated falls out of step one, sometimes because they have challenges, the issue for us is to ensure that they continue to get the support that the regulator may have given. As they go into step two, it is incumbent on us—it is still our competition—to ensure that they get the same checks and balances, to try to turn around whatever issues are there and give them a chance to grow again.

Q37 Ian Byrne: I first put on the record that we thank you, Richard, for your support on tragedy chanting. You have been fantastic. I also put on the record my thanks to you, Rick, for accepting the 13,000 signatures we gave you in 2001, I think, to stop Liverpool moving from Anfield to Speke, which would have been a disaster for our heritage. That was without the Independent Football Regulator, so well done.

My question is about financial sustainability, the profit and sustainability rules, and the lack of authority within the scope of the Independent Football Regulator. All supporters want a predictable, transparent, principled, proportionate, fair and timely system. Richard, from a Premier League perspective, I think that if you speak to the supporters of the clubs—Everton or Forest—they do not feel as though they have had that. There has been lots of confusion about the whole process and how punishment has been meted out. Then there is what happened with Manchester City—115 charges, but nothing as yet. Why would we not want to protect the integrity of the process—and the Premier League and, when it comes to that, the EFL? Why would we not want to give to the Independent Football Regulator the ability to mete out punishment in a fair and transparent manner?

The Chair: Order. While cases are pending, I ask Members to be careful about naming individual clubs in matters that may be sub judice.

Ian Byrne: Noted, Sir Mark.

Richard Masters: Thankfully, the cases you referenced have concluded now, before the end of the season, which at least gives some certainty. It has been a difficult period. This season has been the first time that the PSR rules have been activated—if we may call it that—in the Premier League. It has been a difficult experience, although Rick has more experience of it, and it is a difficult situation for fans of those clubs to live with, but if we have financial rules, we have to enforce them. I think that most people accept that, if they take a step back.

The question is: does the system work? Is the system transparent? No. The question you are asking is: should the regulator not look after all that? I think that the decision that the Government have taken, which is the

correct one, is that this is for football bodies to look after. They are essentially getting involved in the running of the sport and the sporting competitive issues that exist within the game. I would not support, Ian, the regulator looking after those rules. The regulator has a clear remit to look at the sustainability of football clubs.

Q38 Ian Byrne: You feel that a good job has been done by the Premier League this season with regards to those clubs.

Richard Masters: It is a different topic. I am very happy to have a longer conversation with you about it.

Q39 Ian Byrne: On the scope of the regulator, Rick, would you concur with Richard's opinion?

Rick Parry: I would actually, yes.

Ian Byrne: You think it is down to the leagues.

Rick Parry: It is the boundary of where football authorities deal with the rules that govern the competition. As Richard said earlier, part of the role of the PSR rules is competitive balance, rather than the sustainability of individual clubs. There is an element of crossover, but I do think that PSR squad cost control rules, or whatever replaces PSR, should fall firmly with the leagues to operate. We agree on that.

Mark Ives: May I add to that? I think it is important. We have our own financial regulation. If there are gaps in the financial regulation, then challenge the league—tell us where you think those gaps are for us to change. I would argue, as I said earlier, that the history of the clubs at our level is that our financial regulation works. As Richard said, it is only as good as ensuring that those regulations are applied, and we have applied them.

Two things about applying the regulations are that it is not just about sanctions, but about helping the clubs to make sure that they do not fall off the edge. In a few high-profile cases in the National League, we have actually been able to save some of those clubs and ensure that they do not go to the wall—I will not name them, but you know who they are. We have been able to assist those clubs to make sure that they survive. To come back to what the Minister said earlier about passing some of the issues over to the leagues, this is one example where we should have total autonomy to do our thing, and for the regulator to step in if we are not doing it.

Ian Byrne: It is about making sure this is transparent, and there has to be confidence in the integrity of the process.

The Chair: Ian, we are going to have to move on.

Q40 Robin Millar: The difference between the three leagues is quite striking, in terms of the levels of investment, the scale and the nature of the operations that individual clubs run, and the way that they fail. In the last session, we heard about two quite contrasting pictures of the regulator. Dr Philippou talked about the Bill providing for a very light-touch regulator, but Mr Maguire seemed to talk about something much more interventionist that monitors things and intervenes when problems might

be about to occur or develop. I am curious about how each of you sees that balance playing out, and how important it is for your league. Perhaps I can start with you, Mr Masters.

Richard Masters: I am probably going to start repeating myself. I think that light-touch, proportionate regulation can work, and when the Committee is scrutinising the Bill, it should try to ensure that that is the case—that the regulator has the powers to intervene at the right moment. One of the things that we have argued for—

Robin Millar: Sorry, just to be explicit, my question is whether you think that the regulator is there to control bad actors or whether the regulator is there to intervene when it sees that somebody is about to make a mistake.

Richard Masters: I think they are both the same thing. I do not think that we should put in place broad protective measures to ensure that nobody can ever hurt themselves. What I do think is that the regulator intends to be preventive, and we will be supportive of preventive regulation to stop bad things happening, and of the regulator having the power when bad things are happening. I think those three things are subtly different and quite nuanced, and I hope that the Bill can reflect that.

It comes back to the personality of the regulator itself, which has not been formed yet; key appointments have not been made. If the Bill is structured in a particular way, and the personality of the regulator is such that it enforces on a proportionate and light-touch basis, I think that it can be made to work and will help football.

Robin Millar: Mr Parry?

Rick Parry: I would like to broaden the conversation and touch on the regulator's systemic responsibilities, which we think are really important. The purpose of the EFL, which we defined four years ago, is to make clubs sustainable. As I said earlier, that means reducing the dependence on owner funding. To do that, you need redistribution to make them solvent and better regulation to make sure they are not profligate; the two must go hand in hand.

We think that the Bill goes a very long way towards addressing the regulatory aspects properly. What it does not do is address redistribution properly. It has ducked the key issues on that. The danger is that, if it is completely effective on regulation but ineffective on redistribution, it will just be failing to license clubs, and we will have many EFL clubs not being licensed and going out of business. That cannot possibly be the objective of the regulator.

Robin Millar: Thank you. Mr Ives?

Mark Ives: It is an interesting question. As you say, the differences between the three competitions are striking. If I understood you correctly, the question was about there being failings in all three. If we are talking about financial sustainability, I am at a loss to see where that failing has been from a National League perspective, for the reasons that I outlined before. That is one of the reasons why I support a lighter-touch position from the regulator, but we need to ensure that there is a safety net there for the sport, so that you to step in when that is needed. As I say, from a National League perspective, the record has been quite strong. When the fan-led

review first kicked off, there was a misunderstanding as to what the financial regulations in the National League are, and it was not until, I think, the second meeting that we had with the fan-led review, when that was explained, that people understood and realised what steps are being taken by the National League. That is the background as to why we think there is a lighter touch.

Q41 Mr Betts: I want particularly to look at clause 55(2)(b), which you are probably all very familiar with. Could I ask for your view on that provision—the removal from the regulator’s backstop powers of the ability to look at parachute payments? Did you lobby Ministers to include it?

Richard Masters: We do not think that parachutes should be part of the backstop power.

Mr Betts: So you lobbied to have that included.

Richard Masters: Well, when asked for our opinion, did we express it? Yes, we did, and I am very happy to repeat it here, Clive. The backstop power is a very novel power, and it should remain so. It should incentivise football-led solutions, which I believe it intends to do. It drives mediation and negotiation. At the very end, if the people at this table cannot come to an agreement, it is able to impose a solution in one specific area, which is solidarity—the funding of the rest of the pyramid, normally from the Premier League down. Any party has the ability to trigger that mechanism once every five years. All of that has been discussed with all of the people at this top table along the way, and it is right that it was, and right that everybody had their opportunity to express their views. Solidarity, parachute payments, is part of the football pyramid and has been for over 30 years. This is not just between the Premier League and the EFL, but intra-EFL and from the EFL into the national league as well, where there is a generous parachute system for clubs coming in and out of the national league and into league two of the EFL.

Solidarity is relatively new. It came around in 2007 when Lord Mawhinney, once of this parish, agreed a small deal with Richard Scudamore, the then chief executive to the Premier League. Over the past many years we have agreed a number of different arrangements. The current arrangement—which is still in existence; there is no cliff-edge—was agreed in 2019. At the moment, the amount of solidarity that comes out of the Premier League to the EFL is around about £130 million a year. This is the part that we think should be adjudicated on if there is to be a backstop power, not parachutes. Why not parachutes? Because they are a competitive balance tool. They obviously have an impact on sustainability as well, as all financial regulations do. Without parachute payments, the Premier League would not be competitive at the bottom end. You will hear from clubs this afternoon that will be able to talk about parachutes from their own perspectives. One is Brighton, which came up without a parachute.

If a club wants to be competitive within the Premier League, which is a brutal meritocracy and that is why people love it, then you have to be financially supported. That is the principal purpose of it. If you want the Premier League to be competitive and to be the economic powerhouse that it is, and to continue to redistribute its

success, then we have to have parachute payments and I do not believe they should form part of this regulatory regime.

Q42 Mr Betts: I expect the EFL has a different view?

Rick Parry: Yes. First of all, we think that the way the clause is drafted is intellectually incoherent because it says that parachutes cannot be included in the definition of revenue—they are not revenue, they are distribution. To take Richard’s point that they should be used separately from solidarity, it is interesting that solidarity payments to championship clubs are literally pegged to parachute payments. They are defined as being 11% of a parachute payment, so they are intertwined.

In terms of the practical effect of what the clause says, if we look at the 2021 figures, five parachute clubs received £233 million between them and 19 championship clubs received £79 million in solidarity. So what we are saying is that we can apply the backstop and all its might to the £79 million, but we cannot touch the £233 million. That seems to be the ultimate definition of fiddling while Rome burns. Why you can view one without the other, I do not even begin to understand.

In terms of the effect of parachutes, just in case people are not across it, if we go back to 2010-11—which is not that long ago—they totalled £30 million. They represented 7% of the aggregate turnover of all championship clubs. By 2020-21, they had risen to £233 million and 39% of the aggregate turnover of the championship clubs. They have become the cuckoo in the championship nest. They are enormous. So if you exclude them from the backstop, you might as well not bother with a backstop, frankly.

Q43 Mr Betts: We had a very detailed submission from the EFL, explaining your understanding of the current distribution of media money within the EFL and the Premier League and what the challenges were. I do not think we have had anything similar from the Premier League, have we? You have not given us your understanding of the current position and what you would like to see it changed to, if you want to see any change?

Richard Masters: Sorry, Clive—

Mr Betts: The EFL have given us their understanding of the current distribution of funding within the Premier League and the EFL, particularly around media funding, and what sort of changes they would like to see. I do not think we have had a submission from the Premier League identifying what your understanding of the position is and what changes, if any, you would like to see.

Richard Masters: We have our current agreement and it was agreed in 2019.

Q44 Mr Clive Betts (Sheffield South East) (Lab): So that is it? So you do not want to see any changes?

Richard Masters: It is a perfectly legitimate debate to be had—is the funding of football correct? That should be reviewed on a periodic basis. We have an agreement that stretches out way into the future and either party can terminate it after three years. The current agreement is about to become five years old, so once the state of the game report is done, the regulator will turn its mind

to other issues. We are very happy to express our views on the distributions within football; we are not shy of doing that.

The Chair: We must move on, Clive.

Q45 Dame Tracey Crouch: The panel will appreciate that the UK has nuclear weapons and there is coding for what happens in the event of a catastrophic diplomatic failure. All that coding is well thought through but the outcome is never 100% certain, and he who pulls the trigger is not always going to be the winner. Do you appreciate that part 6 of the Bill is the nuclear equivalent for football? Do you also appreciate that, really, part 6 should never be triggered, and the only way it will be triggered is if there continues to be a catastrophic failure, between the parties on the panel, to come to a deal? Do you appreciate that part 6 has been written into the Bill because, frankly, you guys have not come to a deal?

Mark Ives: We are talking about the backstop?

Dame Tracey Crouch: That is part 6, yes.

Mark Ives: Yes, I am aware.

Q46 Dame Tracey Crouch: Mark, I will come to you for your views but—with no disrespect—I would like to hear what Richard and Rick say.

Richard Masters: I had not likened it to nuclear armageddon but it is an important issue. We have made attempts to come to a new deal but it has not worked yet. As I have said repeatedly, football solutions are the right way forward and the best solutions. I do not wish to be in a situation where the backstop power is being activated by any party, so I agree with you in that respect.

Rick Parry: We take a rather different view inasmuch as we do not see it as being armageddon or catastrophic. Football has manifestly failed and it will because the market forces are such that it is not an equal negotiation. We have very little negotiating power. We cannot threaten to leave and attach ourselves to the Bundesliga or La Liga, so we are basically stuck.

We think that if the regulator has clearly defined objectives, in terms of systemic sustainability, then as the fan-led review said, as the “One Year On” report said, as the White Paper said, and as the Government response said, it is the regulator that should have targeted powers of intervention. Intervention implies doing something positive. At the moment, the regulator is not actually allowed to do anything at all because it is reliant on the two leagues—the bodies that it is regulating—to step in. We believe the regulator should have those powers. The fan-led review is an enormously important and extremely helpful piece of work—an independent, objective, transparent study that has never been done before. The review will have a view on parachute payments and we are not, by the way, saying there should be no parachutes; we are discussing their level and the ability to fix them independently. We believe that, to make the Bill work, in the event that the fan-led review highlights problems, the regulator should be able to institute the process. We do not think it is armageddon. We do not think it is nuclear. We think it is logical.

Q47 Dame Tracey Crouch: Do you think it is a game of Russian roulette, though, Rick?

Rick Parry: No, we do not see it that way because so much hinges on the fan-led review—on the objective study. If the EFL were to trigger the backstop—and we hope we would not need to, or we never would—we would actually see that the EFL position would be something very similar to the fan-led review. It is the fan-led review that will inform the regulator as to whether it is able to meet its strategic objectives. It is not for the leagues to decide whether the regulator can meet its objectives; it is for the regulator to decide. If we were pushing forward a solution, I think the likelihood is it would be extremely close to what the fan-led review recommended. Why would it not be? It is not Russian roulette at all.

Richard Masters: Mark should definitely speak, but the only thing I would say is that you can observe the difference in incentives that now exists because of the regulatory power—the backstop power. It is the third person in this discussion. One of the issues that I would like to highlight to the Committee is that the backstop power creates different incentives because there is a third person who will adjudicate in the end. Since 2007, we have been able to come to agreements bilaterally, away from the gaze of the public eye, and do increasingly generous deals and share our success. We are happy to continue in that vein. I would like to point that out.

Mark Ives: There is an additional dimension for me, as far as the backstop is concerned. The backstop is really important to our clubs. We are at the base of the system, as I said earlier. We only get money from the Premier League. The solidarity payments we get from the Premier League are extremely helpful. However, there is a gap between our clubs and the EFL clubs. We could come to an agreement with the Premier League over our next round of solidarity payments. It is extremely helpful and, as it looks on the surface, it is very good. We could accept that. However, then there could be a deal between the Premier League and the EFL that has an impact of widening that gap, and that is not good for the game because the gap is already very wide.

I urge you to look at the difference in the solidarity payments across the game, including ours, and where that difference is. It would seem to be difficult, then, for us to be able to activate the backstop. We hope we never need to do it. However, it is an important aspect of the game to enable us to make sure that that gap does not get wider.

We know where we are; we know where we sit in the pyramid, and we are proud to sit there. However, we cannot afford for that gap to get wider. I would urge the wording of—

The Chair: The last question is to Rachel, because I think you are repeating yourself.

Q48 Rachel Hopkins (Luton South) (Lab): I will summarise my question, so each of you can reply about the state of the game report. How important is it? Are there any specific topics you think it should cover? Should it be initially within a certain timeframe, and subsequently, at what sort of intervals?

Richard Masters: It is critically important and we look forward to playing our part in it. The key issue we have is in relation to its regularity. It should come as quickly as it can, and be done properly and efficiently. However,

after that, we believe it should not be at three-year intervals, which would lead to almost perpetual discussion about the state of football. There should be a longer period of time. We are suggesting that five years is the appropriate time for the regularity of those reports.

Football has had a lot of uncertainty—through covid, and through the regulatory interventions that we are now talking about. I believe that football does better when it has certainty. Our commercial deals are becoming longer, so we are doing four-year commercial agreements. I think the EFL's are five years. Most of our international revenue is tied up over six-year agreements. If you look at other industries, Ofcom's review is every five years. I think the telecoms industry review is every 10 years. Three years is incredibly short. It would be like painting the Forth bridge—once you have finished one report, you will have to start another. It is great for the economists and the consultants; it is bad for the competition organisers and the clubs.

Q49 The Chair: I will give the last minute to Rick and then Mark.

Rick Parry: I echo what Richard said in terms of the report being incredibly important. It is important that it is comprehensive and able to address every issue facing the game, including parachute payments. The big point we would like to make is that we think the three-year interval for the first report to be completed is much too long. We think that should be a maximum of a year. We see no reason why it cannot be completed within a year. We actually think three years is fine, inasmuch as eight of the last Premier League TV deals have been on a three-year cycle; the champions league TV deal is on a three-year cycle; parachute payments operate on a three-year cycle. Football operates on a three-year cycle. However, the big report is the first one, and we think that the subsequent ones would be fine-tuning; they are not going to be a complete reinvention.

Mark Ives: I will be quick. I echo the importance of the report and it will address things that the regulator does not cover. It will address things that are important to our game and that the fan-led review spoke about, things that are outside the scope of the regulator—and I understand why they are outside its scope—such as three up, three down, protection of players, and all of that sort of stuff. It is really important that the emphasis on those things is not lost, and we have the ability to deal with that. The report is there to highlight the wider issues within the game.

The Chair: Order.

Examination of Witness

Kevin Miles gave evidence.

11 am

The Chair: We will now hear oral evidence from Kevin Miles, Chief Executive of the Football Supporters' Association. Could the witness please introduce themselves for the record.

Kevin Miles: I am indeed Kevin Miles, Chief Executive of the Football Supporters' Association. I am very pleased to have been involved in the fan-led review process up to this point.

Q50 Stephanie Peacock (Barnsley East) (Lab): Good morning, and welcome. The FSA has been lobbying for significant reform to football governance for years; do you think this Bill meets the challenge, and do you think it lives up to the fan-led review? As you have just referenced, you have had significant input into that.

Kevin Miles: The succinct answer is, generally, yes. We are very supportive of the Bill and the reforms it sets out to achieve. We sadly drew the conclusion a few years ago that football has proved incapable of regulating itself, and it is interesting to hear Rick Parry drawing exactly the same conclusion.

We very much support the establishment of the independent regulator and the three primary objectives of sustainability, resilience, and heritage. There is a lot to like in the proposals—the enhanced owners and directors test; the club licensing system, which we think is proportional and puts advocacy first, which is a positive approach; the oversight of financial distribution; and the backstop powers which, indeed, I think are very important. Clearly, as the national fans' organisation, we are also particularly pleased to see the provisions requiring clubs to meet the fan engagement threshold. We do have some concerns about the strengths of those requirements, and we think perhaps the Bill is not perfect, but that is part of the process, and is why we are here.

I would like to say that we have been involved in discussions with DCMS officials and ministers in preparation for this, and I would like to take the opportunity to pay tribute to their work, particularly the officials. Ministers are wonderful as well, but the team at DCMS have been excellent in their rigorous examination of all the points that we put forward. Their response has been—where necessary—challenging and combative, but it has been thorough and very well-applied, so thanks to them.

Q51 Stephanie Peacock: I am sure that your thanks will be much appreciated, and is echoed of course by the Committee. On the point about fans, I have some questions on that, about whether you think the measures are adequate enough. Do you think the Bill carves out enough space for the existing supporters trusts, and could you share a little about the value of those trusts with the Committee?

Kevin Miles: I do think it is important that supporters trusts, their role and their position are recognised in this process. We are not expecting exclusivity for supporters trusts as the vehicle for fan engagement, but we do think that those trusts—based as they are on one-member, one-vote, and themselves regulated through the Financial Conduct Authority—are effectively reflective of fan engagement when it has not always been welcomed by clubs but been deemed necessary by fans. This is self-organisation by fans on a democratic and constructive basis.

Those organisations have earned their spurs; that was not a football team reference, by the way. They have done the preparatory work, and made large contributions to the process of the fan-led review as well, and it is important that the existing supporters trusts do have that recognised, and are taken seriously. It is important that the fan engagement process, as it is developed under the oversight of the regulator, is not used by clubs

as a means of sidelining supporters trusts and the work that they have done. They need to be included and involved in that process.

Q52 Stephanie Peacock: Are there any particular topics that you would expect fans to be consulted on but that the Bill does not require?

Kevin Miles: We have had a long discussion with officials about exactly what the scope of engagement with fans should be. We think the fan engagement regime needs to be robust, it needs to be appropriate to the circumstances of all the regulated clubs and it needs to be based on democratic principles, with the composition of the fan representatives being determined independently of the clubs themselves. We have had some conversations about what the particular terms of the content of fan engagement should be and we have been talking to officials and Ministers about that. The list includes strategic direction and objectives of the club, the club's business priorities, operational matchday issues, the club's heritage and the club's plans relating to additional fan engagement. That is as it currently stands.

When we have asked officials about specific examples of that, they have come back, for instance, on ticket pricing, saying "We expect those to be included in business priorities and operational and matchday issues." However, there is currently a set-up in the Premier League of fan advisory boards that are required, under the Premier League's rules, to engage with clubs. It seems to officials in the DCMS, as a matter of common sense, that ticket pricing would be one of the things that fans would discuss with their clubs. It seems to me a matter of common sense that ticket pricing is one of the things that fans would discuss with their clubs.

Yet, in the Premier League system, our members tell us that at Newcastle United, the fan advisory board was given three days' notice of the ticket price increases without any consultation. At Fulham, there is no fan advisory board, but the supporters' clubs there got four hours' notice with an embargo before the announcement of ticket price increases. Nottingham Forest announced its prices without any discussion with its fan advisory board or the trust. Similar representations have been made to us about similar experiences at Bournemouth, Tottenham, Arsenal and Liverpool. That is happening already, and that is why we think that perhaps it would be useful to have in the Bill the additional words "including ticket prices", just to make it explicitly clear.

The general point is that there is a lot in the Bill that depends on the view the regulator takes about what is included and the guidance that is given to the regulator. We would appreciate really strong statements from Ministers in the course of this process. That might help us to avoid the necessity of amending the Bill, but a strong direction from Ministers about what should be in scope and what is required of fan engagement to fill some of those gaps would be really useful.

Q53 Stuart Andrew: First of all, thank you, Kevin, for what you said about the officials. You are absolutely right; they have been superb throughout this whole process. Thank you, too, for your engagement.

I remember when I was first appointed, the first meeting I had was with you and with other fans. It was clear from that meeting that some clubs do engagement

extremely well and, as you have just alluded to, there are others that do it differently. Given that fan engagement is part of the licensing regime, do you think that that is going to be sufficient to bring about a significant impact on the quality of fan engagement that we are currently seeing across the board? That is, are we levelling up, to coin a phrase?

Kevin Miles: I very much hope so, and I am optimistic in that regard. It is the first time that we will have had a requirement from clubs to engage with the fans and, to use the Prime Minister's words, to put the fans' voice "front and centre" of all those discussions. I do think, though, that there are a lot of details still to be worked out about how that actually looks.

There are some clubs, as you say, that are very good, but one of the illustrations of the limitations of self-regulation has been that when the leagues have been trying to put together their own requirements on fan engagement, because it has to be voted on by their members and agreed by their rulebook, the lowest common denominator tends to be put into the rulebook. We know that there are clubs that will resist the idea. There are owners who think they have nothing to benefit from in listening to the fanbase—their customer base, if you like. We know from experience that there are some who will do everything that they can to get around this. We will need to have an underpinning of that in the regulatory system, and some monitoring of it through the club licensing system. We recognise that this is challenging, because it cannot simply be a look at what structures are put in place. The regulator will have to do more than just monitor that there is a fan advisory board notionally in place. There will have to be some evaluation and examination of the content and spirit of the fan engagement. We are not expecting a fan veto on club decisions, but we are expecting that the fan voice is not just heard but listened to and given due consideration.

Evaluating that is a more complex process. Somebody referred earlier—I think in the first witness panel—to the possibility of Ofsted-type investigations. Maybe in some cases it will require the regulator to be able to consult the fan groups to see how they think it has been done, and to make its own evaluation about whether the spirit of what is intended here is actually being carried forward. That will need to be underpinned by requirements in the licensing condition.

Q54 Ian Byrne: Kevin, on the regulatory principles, I have tabled an amendment saying that supporters and supporter organisations should be added to clause 8(b). Does the organisation you represent agree with that?

Kevin Miles: Absolutely. If you look at that clause, you see that it is about the principles of the regulator. It currently reads that the regulator should,

"so far as reasonably practicable, co-operate, and proactively and constructively engage, with

- (i) clubs,
- (ii) owners, senior managers and other officers of clubs, and
- (iii) competition organisers".

We think that it is in the spirit of the rest of the Bill if a further provision is included that says "supporters and supporter organisations". If the Bill really is about giving fans a voice at the heart of the game, the regulator should have that as part of those regulatory principles.

I cannot help thinking that this is an oversight rather than a conspiracy. Actually, the spirit of all the engagement we have had with the Department and with Ministers has been precisely that the supporters' input into the regulation of the game would be an important component. But I think there's a requirement for it to go on the face of the Bill in that clause.

Q55 Ian Byrne: I am happy to get that on the record. I welcome what you said about the ticket prices potentially being included in one of the clauses. I do not think we mentioned kick-off times, which can be changed at the drop of a hat, meaning that hotel bookings have to be cancelled and travel expenses cannot be returned. That is a hugely important element in lots of anger from football supporters. How do we ensure that this is included in the regulatory oversight?

Kevin Miles: Again, what I do not want to do is put a whole shopping list of items into the Bill, because I think that is problematic. We would support some clear direction in the guidance notes about what should be required from clubs. You have identified another important issue. It is a complicated issue, and it is not likely to be solved on a club-by-club basis. However, the idea that we could face a situation where a club declines to discuss with its fan advisory board as part of its fan engagement process an issue as important and impactful as supporters being able to turn up to the games and support their team—which is so important to so many people—seems to me to be absurd. It is common sense that those issues should be part of the discussion, and it is sad to think that there are clubs that do not approach it with common sense and want to discuss it. I think it should be required.

Q56 Damian Collins: Clubs have to produce a corporate governance report annually as part of their licensing agreement. Do you think there is scope there for the clubs to be required by the regulator to set out in that report what their policies for fan engagement are, and then the regulator would have the right to audit them on that?

Kevin Miles: Yes. One of the ideas that we are quite keen on is that, as part of the corporate governance code, there could be a requirement of clubs to have independent directors. In many other aspects of corporate governance codes, there is a particular responsibility on independent directors. Independent non-executive directors do have consideration for the views of other stakeholders in the work of a company. The idea that an INED in a football club could be required by a governance code to have particular responsibility for making sure that fans' views are taken into consideration would be a very useful addition.

Q57 Damian Collins: I have one other question. One of the biggest concerns for fans is when a club leaves its ground. That can be an extreme case, as in years ago with MK Dons and Wimbledon, which is probably something that could not happen again now. We have seen cases where you have a dispute between the ground owner—a third-party private company—and the club. We saw that problem with Coventry City a few years ago. That was a clear example of where the club says, "We can't afford to pay the rent that the landlord wants to charge us. We think it's extortionate", and they have no option other than to move on. Under the Bill as

drafted, if the club made a compelling case to say that sustainability required moving away from the ground, the regulator would sanction it even if the fans were against. Do we need a better mechanism in place to try to resolve these issues and get a fair settlement on rents for clubs to play in grounds, with a view to avoiding their having to move and enabling them to carry on and play where they are?

Kevin Miles: Yes, I think that that is one of the few gaps in the Bill. On the heritage items around playing name, shirt colours, club badge and that sort of thing, there are clear FA rules, and it was clear that the fan voice on those issues will be very important. The FA's heritage rules do not cover grounds. They have found that difficult to tackle from the point of view of their rules. But the idea that the fan view on some of these issues should not be taken into consideration is an omission. We appreciate that there are other issues involved in staging a relocation. There are big economic issues et cetera. We are not necessarily saying that fans should have a veto over a business decision, but certainly they should have a level of consultation and input into that process.

As an aside, I think we should clearly define the UK-based supporters. It is entirely possible that with some of the clubs these days, given their international fanbase, you could find a huge majority of the football club's supporter base in Shanghai quite ambivalent about whether the stadium moves 40 miles down the road. There would be a very different feeling among the people who have an extra 40 miles to travel to their home game. So I think it should be the UK supporter base that is consulted in those cases. That consultation should be enshrined.

The Chair: We move from the fans' views to the person who started all this with the fan-led review—Tracey.

Q58 Dame Tracey Crouch: Kevin, you have given a very eloquent and passionate explanation about why you would like to see the Bill improved for fans and the general supporter base. You have also made representations about your wider concerns, so I thought you might like the opportunity to explain some of those to the Committee.

Kevin Miles: Clearly, I have been sat listening with a great deal of interest to what has gone before. The organisation has a view on the issue of parachute payments. We think they need to be in scope for consideration. We are also convinced of the need, in extremis if required, for the regulator to be able to trigger their own backstop powers. That is important. I am sure this will come up in discussion later, but I understand that you, Tracey, have tabled an amendment to adjust the wording about taking cognisance of Government foreign policy, and changing that from something that the regulator "must" do to something that the regulator "may" do. That is important because it would underline the independence of the regulator, which I think will be an important issue.

I could talk all day—I know you will not allow me to do so. The Bill is not perfect. There are areas that we would love to see strengthened, but if this Bill goes through entirely unamended, it is a huge step forward from the point of view of football. This is an important process for us. On a lot of what we have been seeking to

get football to do itself, which it has failed to do, this Bill provides a solution. It fills a space and provides a regulatory function that has been lacking. Clearly, there are elements that we will continue to engage with Ministers and officials on, particularly the fan engagement stuff.

A lot of what we are talking about here is clarifying and nailing down. I am going to speak bluntly to people who understand this. At the moment, in a parliamentary process, we are aware that we have a little bit of leverage here. I would like to pin down as much of this as we can in the process of drawing this together, rather than just hoping for the best later. I think a lot of Members will share our concerns about the fan engagement. We want to make it meaningful; it must have a lasting impact. We do not want to be coming back to this and looking at the limitations—let's get it right now. It is in that spirit that we are raising all these issues around fan engagement.

Q59 Robin Millar: It has been wonderful to hear the fans' voice in what you have said and contributed previously to this whole process in bringing us to where we are. In the previous sessions, it has been quite interesting to hear how the English Football League and the National League, for example, were clearly feeling that it was, in what I think were Rick Parry's words, an "unequal negotiation". This Bill strikes me as trying to level the playing field, if you will pardon the pun, between different interest groups. Do you think the Bill gives you, as fans, the leverage to exert more control? I ask that because the Bill focuses heavily on finance. It includes other things such as heritage, but there is more to being a football fan than just the heritage. Do you think it gives you that leverage on those non-financial aspects as well?

Kevin Miles: It takes us a long way in the right direction. I think that if fans have a meaningful voice in every club, and the clubs are the ones who cast the votes in the leagues and their decision-making processes, the fan view should start to filter its way through. Clearly, we are never going to be completely satisfied.

I would also like to say that I am sitting here as the fans' voice. I speak not just as an individual, but on the basis of the input that we have had from fans' groups up and down the country. I need to thank my team from the FSA for the work they have done in getting this far. They work in a vary variegated landscape. There are some clubs that are really good at engaging with their fanbase and the local communities, and they deserve the credit for that. There are others where, sadly, it will need some sort of intervention to make sure that they are dragged up to at least the minimum standard. I hope we are in a process now where we can achieve that.

Q60 Brendan Clarke-Smith: What would you say is the biggest concern of those who do not necessarily want to see greater fan engagement? Do you think those are reasonable concerns or are they overstated?

Kevin Miles: To be honest, I think anyone running a club who does not want to engage with their fanbase is making a misjudgment. Even from a business point of view, I cannot imagine any other sector of the economy where a business has a customer base who are this incredibly brand-loyal. They are not going to wander off somewhere else. They want to see the business thrive and succeed, and will volunteer expertise and experience of opinion in how that business could be improved and taken forward. It is a customer base that is aware of the importance of clubs to communities and local areas. In any other sector of the economy, people would bite your hand off for the opportunity to have that sort of ingrained and free-of-charge input from a customer base. I find it partly incredible the idea that football clubs would have any different approach to it.

It is absolutely true that football fans can be fickle, extremely vocal, and very passionate about some of these issues. We must find the mechanisms for constructive engagement to harness that, but I would honestly say to anybody who thinks this will be a problem that they are misjudging their own fanbase. One of the things that came across in the fan-led review was the quality of the input and understanding from supporters' organisations. They do not have a particular financial vested interest, but they are hugely invested not only in their own clubs, but in the pyramid of the game as a whole. That is a huge asset to the game.

Brendan Clarke-Smith: I think it is the same with politicians.

The Chair: That brings us to the end of the time allotted for the Committee to ask questions in this morning's sitting. On behalf of the Committee, I would like to thank all our witnesses for their evidence. The Committee will meet again at 2 pm this afternoon in the Boothroyd Room to continue taking oral evidence. I ask Members to turn up five to 10 minutes early, just to sort out the lines of questioning.

Ordered, That further consideration be now adjourned.
—(Mike Wood.)

11.25 am

Adjourned till this day at Two o'clock.