

RECOGNISING VALUE:
Developing a Structured
Relationship between
Supporters' Trusts and Clubs

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Background

The principle of increased engagement between a supporters' trust and its club has generally been accepted as a positive step by the game's key stakeholders, with the football authorities stating that "club's interests are best served through having working relationships with its supporters". Consequently there are hopes that supporter engagement is expected to be a regulatory requirement included in the Leagues' competition licence via the establishment of a structured relationship.

The principle of a structured relationship has been accepted by the football authorities in their response to the CMS Select Committee Football Governance Inquiry: "Clubs will be required under league regulation to set out in a structured format the ways in which they will consult and engage with different supporter interests and groups. Clubs will have to report on how that consultation and engagement has been carried out". To date, this regulation is yet to be implemented.

The purpose of the paper is to develop the thinking on what actually comprises a structured relationship and to ensure a strong case is made for supporters' trusts being central to relationships between supporters and their clubs; with particular emphasis on encouraging increased sustainability and transparency of clubs.

As per SD's Key Principles for Club Licensing in England, the longer term objective would be to develop the relationship further with increased democratic involvement of supporters in their club's governance. A structured relationship would be an excellent stepping stone towards this objective.

Structured Relationship: Terms of Reference Principles

The relationship should have defined terms to ensure there are no grey areas or disputes as to the focus of any engagement and resulting dialogue.

Ideally, uniform terms of reference should be agreed as part of the competition's licence, rather than on an individual club-supporter basis. This would provide clarity and consistency to both parties in the following areas:

- The issues to be discussed;
- Information to be shared/disclosed;
- The officers/directors to meet;
- Frequency of meetings;
- Clarification on any issues to remain confidential.

Possible areas to be discussed

It is effectively an opportunity for two way communication but with a structure that allows issues to be followed up and developed further – rather than just raising issues (for example at fans forums) and hoping the club acts upon them without further encouragement.

- In the most general terms the engagement should be focused on the sustainability of the club to ensure it is being run for the benefit of current and future generations.
- For the purpose of supporters, issues of sustainability would predominantly be social and financial.
- The engagement should be both retrospective and forward looking, with discussions encompassing historic performance and future plans.
- If the principle of greater transparency is accepted there must be an opportunity to discuss the club's financial condition in similar fashion to the club/company AGM.
- Any proposals that can affect the future condition of the club would be pertinent, such as:
 - Selling land assets;
 - Incurring a significant level of debt in relation to the club's turnover and assets;
 - Selling a significant shareholding.
- It should also include 'softer' issues such as change of club colours and crests
- Partnership Opportunities: It can also be used to identify and discuss possible joint projects that can harness the collective strength of a club, its supporters' trust and the wider fan base.

Possible Methods of Engagement

The objective would be to place a supporters' trust as a custodian of the club's heritage, along with its current and future condition, to ensure it is sustained and/or improved. The terms of reference should reflect these areas of engagement.

The engagement should allow the supporters' trust to act as a constructive conduit between a club and its fans plus the wider communities it affects.

AGM Analogous Engagement

Following a club's AGM a meeting should be held with the supporters' trust board with a similar agenda to the AGM. In addition to financial, shareholding and director's disclosure the club should discuss relevant plans for the forthcoming season.

Following the meeting, ideally, the same club personnel should attend a member's meeting of the supporters' trust with the content similar to the club AGM but agreed by the trust and club board.

Half yearly meetings – to discuss matters arising from the AGM analogous meeting, ensuring for example they are not left unaddressed.

Operational Meetings

- The supporters' trust should have the opportunity to call meetings with various departments during the year with an appropriate senior officer and/or board member present to discuss any arising issues during the season;
- Frequency should be between one-three per season.

Supporters Steering Group

We would also recommend the establishment of regular supporter steering groups by clubs that can involve all supporter groups.

Why a Supporters' Trust?

The justification for the suggested terms of reference is that supporters are stakeholders with a legitimate interest in the state of the club, in particular the social and economic condition (sustainability). Therefore a director of a football club must acknowledge these interests (mirroring the requirements for legitimate interests in Section 172 of the Companies Act, which provides for interested parties of a company to be supplied with information relevant to them).

The legal model of a supporters' trust makes it an appropriate entity to engage with the club on issues relating to sustainability:

- As a Community Benefit Society associated with their club it can justify legitimate interest to engage on social and economic issues;
- The objects in its governing document (Model Rules) reflect this general interest in the social and economic well-being of the club.

We are not suggesting other supporter groups should not have a structured relationship with their club. However there are clear justifications as to why a supporters' trust would have a particular and legitimate interest in issues of finance and sustainability at their clubs, as well as other issues their members deem important. We would recommend supporters' trust therefore take a lead on these issues if they are deemed to have met certain key criteria (more information below).

As the umbrella organisation for supporters' trusts, SD can play a key role in ensuring they meet the required standard to engage on club matters that may have commercially sensitive tenets. A training programme would be established by SD to help our members reach this standard, if required.

Supporters' Trust Model Rules Objectives

- Being the democratic and representative voice of the supporters of the Club and strengthening the bonds between the Club and the communities which it serves;
- Achieving the greatest possible supporter and community influence in the running and ownership of the Club;
- Promoting responsible and constructive community engagement by present and future members of the communities served by the Club and encouraging the Club to do the same;
- Operating democratically, fairly, sustainably, transparently and with financial responsibility and encouraging the Club to do the same;

- Being a positive, inclusive and representative organisation, open and accessible to all supporters of the Club regardless of their age, income, ethnicity, gender, disability, sexuality or religious or moral belief.

The registration of supporters' trusts with these objects reflects the legally recognised community or public interest in the way football clubs are run, which is the proper basis for intervention in private property rights.

Supporters' Trusts Key Criteria

The aim of the SD 'Key Principles of Club Licensing' proposal suggests a progressive pathway for increased supporter rights and responsibilities. (See appendix for Club Licensing Summary Sheet).

The framework should function as to incrementally improve the level of engagement between supporters' trusts who have met certain key criteria and their clubs. Assessment of whether a trust has met these criteria, and are thus able to be given the responsibility to act as custodians of the supporter's legitimate interest could be done independently, in cooperation with SD..

The criteria would need to be developed collaboratively, but the points below serve as a preliminary indicator of possible requirements:

- Properly constituted and have an effective democratic operation
- Meet agreed standards of good governance practice
- Actively attempting to increase membership of club's supporters
- Engaging the wider community and delivering social value
- Engaged in SD training programme, where necessary

Case Study: Arsenal Supporters' Trust (AST)

AST has developed its links with the club over the years as an organisation that represents the views of supporters on ownership and business strategy issues. The AST seeks to act as a critical friend to the club, scrutinising operations and commenting on key issues in a constructive manner. On occasions they have been able to offer remedies to issues faced by the club and their independent view is often welcomed. The relationship is best demonstrated by the creation of Arsenal Fanshare where the club and the AST worked closely together.

Essentially, AST has demonstrated its relevance and offered input to the club, although it should be acknowledged that Arsenal FC are perceived as one of the country's more progressive clubs and thus more amenable to the development these relationships.

The engagement of most relevance to the paper is their regular dialogue with the club, which includes:

- There are currently two to four general catch ups a year with the club CEO with all areas of the club's operations on the agenda
- AST has specific briefings on financial developments at which the clubs report and accounts are discussed and explained
- Arsenal FC holds an end of season open meeting Q&A with AST members and shareholders/other supporters
- AST has occasional meetings with presentations from senior members of Arsenal's executive team such as marketing, medical and communications

Case Study: Bradford City Supporter's Board

Bradford City Fc has recently set up a Supporters Board to provide a mechanism for developing a structured relationship with their supporter groups, including their supporters' trust.

The new board will provide a regular channel of communication and consultation in both directions between the Club and its fan/community base. It is designed to be inclusive and to represent the full demographic range of the Club's support base, to whom it is accountable. The Supporters' Board may discuss the actions of the Bradford City Board of Directors, challenging them where necessary. The Supporters Board is chaired by David Baldwin, City's Director of Operations.

The Supporters Board (SB) has 21 members, drawn from supporters groups and individuals selected by the Club after a process of public application. The Board will discuss a broad range of financial and marketing initiatives, kit selection and supporters events. It includes discussions about the club's financial and operational performance.

It will provide a primary link between the Club and supporters on issues relating to the match-day experience, and a communications link for match arrangements and other topical news. A special group within the Supporters Board will concentrate on the development of the Club's links with the community in Bradford and with local organizations.

Baldwin explained: "The idea behind the supporter's board is to allow the club to disclose information about things that will be going on behind the scenes and also for supporters to give us their thoughts on areas within the club they feel need alteration or improvement."

Whilst the board is larger than perhaps an ideal structure, and club control over appointments is not considered best practice, the key is the transparency enabling the club to be accountable to its key stakeholders; representative supporter groups. It is an example we hope many clubs would follow.

Football Governance – SD Proposal A

Club Licensing Summary Sheet

This paper sets out proposals from Supporters Direct (SD), for a licensing system to be established in response to the recommendations in the Culture, Media and Sport Select Committee inquiry and report on Football Governance. The licensing framework should be aimed at securing:

- The sustainable development of English football and its clubs;
- Supporter and community engagement in the running of football clubs.

The framework should be established by the Football Association (FA) but should be run independently and have appropriate governance to ensure impartiality and transparency. Compliance with the requirements of the licence should be a condition of FA membership. Compliance with the framework, with a sliding scale of requirements, should be a condition of participation in all league and cup competitions. The framework for sustainable development should accord with the following principles:

- Promotion of financial and social responsibility, and balancing of the sporting, commercial and social objectives of clubs;
- To ensure that clubs and their assets are protected for current and future generations/ The framework for supporter and community engagement should provide rights for supporters on behalf of the community, subject to conditions. It should accord with the following principles:
 - Rights would be granted to Supporters' Trust that meet specific criteria for engagement with their club.
 - The level of engagement would increase according to the degree of development of the trust, including:
 - o All Supporters' Trusts deemed to have met specific criteria would have basic rights to information, and meetings with club executives;
 - o The agreement of these Supporters' Trusts would be required for fundamental changes such as the sale of a club's ground;
 - o Supporters' Trusts which met more onerous criteria would have further rights, including the right to nominate a supporter director, and pre-emption rights on sales of shares.

Supporters' Trusts will be assessed by the regulatory authority as properly constituted and representative of supporters and the wider community by reference to criteria agreed with SD.

The licensing framework would have an appropriate scale of sanctions for clubs that do not comply, with the ultimate sanction being withdrawal of registration.

Supporter Engagement Rights and Responsibilities for Supporters' Trusts

Level	Requirements of Supporters' Trust	Engagement Rights
1: Preliminary	<ul style="list-style-type: none"> • Properly constituted as a community benefit society; • Open membership; • Compliance with Good Governance criteria; • Initial development plan including targets for increasing membership. 	<ul style="list-style-type: none"> • Information provided by the club including detailed annual accounts and directorships (as supplied to regulator); • Regular (at least twice-yearly) meetings with senior club executives;
2: Intermediate	<ul style="list-style-type: none"> • Demonstrable increase in membership and representativeness; • Structured engagement with all supporters' groups; • Compliance with Good Governance criteria including demonstrable, properly operating democratic structures; • Full development plan. 	<ul style="list-style-type: none"> • Information on club finances, business plans and governance drawn from information provided to regulator; • Regular meetings with senior executives; • Requirements for supporter agreement for: <ul style="list-style-type: none"> ➤➤ Sale of ground; ➤➤ Debt beyond specified limits; ➤➤ Relocation; ➤➤ Change of name. These requirements could be met by the club issuing a 'golden share' in a form approved by the regulator.
3: Higher	<ul style="list-style-type: none"> • Achievement of membership targets; • Delivery of full engagement plan; • Engagement with community organisations evidenced through, for example, stakeholder surveys and a social audit; • In the context of any exercise of pre-emption rights or a right to bid, demonstrable fund raising ability and a Fit and Proper Business Plan. 	<ul style="list-style-type: none"> • Right to nominate a supporter director to the club board, with full fiduciary duties; • Pre-emption rights on any sale of shares or insolvency; • Right to bid or acquire all or some shares in the club and receive a reasoned response subject to review by the regulator.