Consultation on Supporter Involvement in Scottish Football Clubs

September 2015
Ministerial Foreword

The Scottish Government is committed to ensuring that Scottish football supporters have the opportunity to be involved in the decision making and running of their football club wherever possible. It is for that reason we believe it is important to bring forward legislation that protects the rights of football fans whilst also enhancing and strengthening the sustainability of Scottish football clubs. I recognise that there are already some clubs that engage well with their fan base, but I believe we could do better and I welcome this opportunity to start a discussion about how fans’ rights can be better protected.

The Community Empowerment (Scotland) Bill was passed by the Scottish Parliament at Stage 3 on 17 June 2015, and the final legislation, the Community Empowerment (Scotland) Act 2015 includes a provision that Scottish Ministers must consult on a range of different options to enhance supporter involvement in Scottish football clubs. The views of those responding to the consultation will inform the nature and scope of subsequent regulations to be introduced under these powers by Scottish Ministers.

This consultation seeks to establish the support for each of the main options – a right to influence, a right to govern, a right to bid, and a right to buy. As and when a preferred option emerges as a result of this consultation, we will undertake further, more detailed and technical consideration to ensure whichever option is pursued is workable and doesn’t result in any unintended consequences.

To ensure that the views of supporters, supporters’ organisations, football clubs, leagues, players and anyone else with an interest in football are heard, I am pleased to publish this consultation and would encourage you to take part. I look forward to considering the responses.

JAMIE HEPBURN MSP
Minister for Sport, Health Improvement and Mental Health
Section 1. Why Are We Consulting?

The Community Empowerment (Scotland) Bill, was introduced in the Scottish Parliament on 11 June 2014, and reached Stage 3 on 17 June 2015. When the bill was debated, the amendments relating to supporter involvement in football were unanimously passed, creating a Part 7 of the now ‘Act’ on this area. This provides a framework to develop legislation to enhance the rights of football supporters.

Scottish Ministers recognise that there are different views on what this legislation should look like, and, therefore committed to consulting on the options available to ensure all views were captured before bringing legislation before parliament.

This approach is now written in to the Community Empowerment (Scotland) Act 2015 and states

“…before making regulations……Scottish Ministers must consult such body or bodies as appears to them to be representative of the interests of football clubs, the leagues in which they play, their players and supporters and; such other persons as they consider appropriate”.

This consultation paper is intended to provide the basis for the conversation on how best to enhance the rights of Scottish football supporters.

Scottish Ministers are keen that as many as possible contribute to and engage in this so that any future regulations address the interests and concerns of fans whilst also ensuring that, so far as possible, there are no unintended consequences from the regulations brought forward.

Section 2. Background and Overview

Football is often described as Scotland’s national sport and the passion for the sport recognised internationally through its travelling fan base which includes the ‘Tartan Army’. Beyond the Scottish Professional Football League (SPFL) itself, Scotland also has a strong network of community and social clubs, ranging from school teams to clubs in the Highland and Lowland Leagues.

It is widely accepted that football in this country, as an industry, has changed considerably over recent times. Supporter attendance remains an important element of the match day experience and sponsorship now plays an increasingly significant role – with matches streamed live on a variety of platforms – a fact which is now reflected in business management decisions.

Domestic or European success that results in a club gaining a competition qualification or promotion can bring financial rewards, with investment levels more pronounced than in the past. Conversely, relegation or an earlier than anticipated elimination from a competition has the potential to place a heavy financial burden on a club with the loss of potential income. These dynamics may influence decision-making at the board level of football clubs and, at times, so-called ‘quick-fixes’ may be sought in the short-term.
This exposure to volatile market forces has increased awareness amongst supporters about the relative financial stability of their clubs. There is increasing appetite from supporters to be involved in the decisions affecting their club and a hope that greater involvement can promote long-term sustainable success. Recent examples of supporter involvement include Dunfermline Athletic, Heart of Midlothian and Rangers Football Clubs.

The Scottish Government recognises the importance of football supporters having the opportunity to be involved in the decision making or the running of their clubs.

Supporter involvement will not resolve all issues facing Scottish football. However, decision-making at clubs could be assisted by ensuring the voice and views of supporters are represented appropriately.

The Working Group for Supporter Involvement in Football Clubs was established by the Scottish Government in April 2014 to identify, consider and recommend ways to increase and improve supporter involvement in Scottish football clubs. The group was chaired by Stephen Morrow, Senior Lecturer in Sport Finance at the University of Stirling and included representatives from the Scottish Football Association (SFA), Scottish Professional Football League (SPFL), Supporters Direct Scotland and sportscotland.

A full copy of the report can be found at:

http://www.gov.scot/Topics/ArtsCultureSport/Sport/football/WorkingGroupSupporterInvolvement/UsefulDocs

Once implemented, the Scottish Government believes that these recommendations will go a long way towards improved supporter involvement, strengthening the relationship between clubs and the communities they represent.

The Working Group Report suggested that a mixed ownership model was preferable for Scottish football, and that efforts should focus on increasing involvement regardless of ownership structures.

Is there a problem?

Although it’s probable that the vast majority of fans do not want to be directly involved in the day-to-day decision making of their football club, the Scottish Government recognises that there is an appetite from some supporters and supporter groups to go even further than these recommendations.

While what happens on the pitch is the most important issue to the majority of fans and keeps them and their families committed to their club, there are many fans who are concerned that both the short and the long-term viability of the club isn’t always at the forefront of the decisions taken by those who manage clubs and they want clubs to respect the views of the fans with them in an open, honest and transparent manner.
There have been a number of examples when decisions and activities undertaken by owners and Directors have led to a dramatic and unexpected change of a club’s fortune with fans often being unaware that there was a substantial issue until they learned from a media report about these or a club is put up for sale.

That is why The Scottish Government is committed to further understanding how we could use a legislative framework to enshrine the rights of fans. We have identified a range of options for what shape supporters’ involvement could take, and wish to seek views on these.

**Who is a Football Supporter?**

There is much debate about how to define a football supporter. At one end of the spectrum it could be someone who has an interest in a club and keeps an eye on the results. At the other, it could be someone who invests a great deal of time and resources in their club, for example purchasing a season ticket and merchandise and attending matches across Scotland or Europe.

Although there may have been times when investors could expect reasonable return on investment in Scottish football, many now become involved in clubs at considerable financial cost. It may therefore be reasonable to assume they do so as committed supporters, with the development and advancement of the football club taking priority over any short term financial gain.

**What is a Football Club?**

This is an issue that has challenged many when considering ownership of clubs. The majority of the SPFL clubs are companies limited by guarantee, and a football club can comprise a number of constituent parts. This can include:

- Stadium
- Training Ground
- Merchandise
- Brand
- Community activity / trust
- Season Tickets / hospitality
- Players and/or staff

Each football club will be constituted in such a way as to meet their own needs, but the administration process of a number of football clubs has highlighted the often complex inter-relationship of these with many being undertaken by separate companies established in their own right. Therefore defining what is a football club in relation to the specific assets and liabilities – which is essential if a single business entity is being sold (or is entering administration) can be challenging. Often the most recognisable component of a club is the stadium, but football supporters will have their own view on the relative importance of what it is to them that defines their club.
Section 3. Options for Legislation

The Scottish Government is seeking views on four broad options, for developing legislation (through regulation) to improve supporter involvement in their clubs. The options which have been identified are:

- **A Right to Influence** – to enshrine the rights of supporters to influence their football club.
- **A Right to Govern** – to give supporters a right to govern their football club.
- **A Right to Bid** - to give supporters the right to bid for their football club in the case of its sale.
- **A Right to Buy** - to give supporters the right to buy their football club.

**A Right to Influence**

The Working Group Report for Supporter Involvement in Football Clubs evidenced that supporters want to become more involved in the governance and management of their clubs, and to hold their clubs to account. In order to do this, it is important to know what is going on at a club to provide support and this can be a natural extension for many community-based clubs that engage constructively and proactively with their fan base.

From the point of view of a club, involvement not only helps demonstrate wider corporate social responsibility, it could be the catalyst to increase financial, human and social returns to help achieve its aims. Strengthening relationships with key stakeholders is of the upmost importance to any organisation, and is intrinsically linked to performance.

Supporter involvement comes in many guises, for example supporter engagement in clubs’ community and social activities, supporter communications, supporter involvement in governance and approaches to accountability.

The Working Group Report for Supporter involvement in Football Clubs recommended:

- That initiatives, facilitated by the football authorities but led by independent experts, be provided for football club directors, owners and staff, these focusing on enhancing clubs’ understanding of potential benefits arising from enhanced supporter involvement. Future SFA Conventions would provide an appropriate forum for such initiatives. One example would be engaging with Volunteer Scotland to discuss best practice in involving supporters as volunteers.

The Working Group Report recognised the central role of supporters to the social and financial vibrancy of any football club and proposed an approach based on identifying, encouraging and rewarding best practice through a ‘Supporter Involvement Award’. Criteria identified as being appropriate to assess the performance of clubs involving supporters included: supporter:
• communication including financial communication
• accountability including financial accountability
• involvement in governance
• representation
• involvement in decisions pertinent to their community
• involvement in clubs’ social and community engagement activities

The Working Group Report considered that such an award would be beneficial to supporters, clubs, leagues and public agencies, but Scottish Ministers are open to considering if a legislative framework on this would be helpful.

Since 2012, all SPFL Premiership clubs have been required under UEFA’s Club Licensing Regulations to appoint a Supporter Liaison Officer (SLO). A SLO should facilitate the sharing of knowledge and best practice, and to improve the relationships between various stakeholders, in particular, the relationship between supporters and club directors and/or owners. The UEFA Supporter Liaison Handbook (2011) identifies the benefits as including:

• Improved Relations
• Direct Communication Channels
• Greater Transparency
• Financial Rewards

The Working Group Report recommended:

• That all clubs make available on their websites and directly to recognised supporter groups:
  o Details of their SLO, including role outline, responsibilities and activities associated with the post
  o That an annual review of the effectiveness of the SLO role and of the achievements therefrom is undertaken by individual clubs and that information is shared with both the SFA’s SLO manager and with clubs’ recognised supporter groupings

The Board of Directors plays a critical role in the governance of a football club. At the core of a successful Board are competent leaders with the correct skillset and experience, and perhaps just as importantly, adequate time to perform their duties. While a number of clubs already demonstrate good practice in regards to transparency of appointment, others could better demonstrate the processes behind the appointment process to demonstrate that the successful board members have the appropriate skills and relevant experience to fulfill the role.

The Working Group Report recommended:

• For all Board positions, clubs should provide: the names of directors; their involvement with the club; and the reasoning for their appointment. This information should be made available on the club’s website and communicated directly to its recognised supporter groupings.
Clubs should provide information annually on the number of board meetings held and on the number of directors attending.

As explained previously, the majority of Scottish professional football clubs are limited companies with shareholders. There are presently two clubs with this structure which are supporter owned: Stirling Albion, where a trust has the majority shareholding, and East Stirlingshire, where a Trust has a controlling shareholding.

Recently, a small number of clubs have taken on alternative structures, for example, Clyde and Stenhousemuir are Community Interest Companies (CIC). Dunfermline Athletic Football Club (DAFC) has a hybrid approach in which 94% of shares in DAFC are owned by Pars United CIC, with its single largest shareholder being the Pars Supporters Trust. Such hybrid structures exist elsewhere in Scotland, with Ayr United Football Academy incorporated as a not for profit company limited by guarantee, and is a registered Scottish charity. Members include the club, in addition to community organisations such as Ayr United Community Initiative (The Honest Men’s Trust).

Although ownership of most Scottish clubs is known, there are occasions where identification of owners has been challenging. A lack of transparency of ownership may serve to undermine the trust between supporters and their club.

The Working Group Report recommended:

- To participate in the Scottish Professional Football League, a club must declare to the SPFL and to the SFA, and publish, the identity of the ultimate beneficial owner of the club. Should that owner be a trust, the club must disclose the ultimate beneficiaries of the trust and the names of the trustees.

Q1. What are your views on making a law to give supporters the right to influence their club?
A Right to Govern

Governance arrangements in Scottish football have been criticised, including The McLeish Report on Scottish Football in 2010, around a failure of clubs to involve supporters and/or supporter groups in their governance structures. The very nature of football clubs, being grounded in economics yet being socially grounded in its wider outcomes, should encourage inclusive models of governance where the rights and responsibilities of stakeholders are considered in decision-making processes. Such inclusive governance models if put in place could help strengthen relationships to the overall benefit of a club’s performance.

There has been a great deal of debate around how best to involve supporters in governance of football clubs. Although clubs may consider all its directors to be supporters, some suggest supporters should be represented on the Board of Directors in their own right. A number of issues have been identified around this, including the requirements of directors to act in the best interests of the company, rather than a stakeholder group, in this case supporters. In this context, a ‘supporter director’ may come under pressure in terms of accountability and disclosure of commercially-related (or otherwise confidential) information to the supporter community.

In addition to formal representation at Board level, a number of alternative mechanisms exist, including:

- **Dual Board Structure or Supporter Advisory Board Models** – while the club’s board performs an operational role, a separate ‘supporters’ board provides either an advisory or supervisory function.
- **Fan’s Parliament Model** – clubs seek nominations from across supporter groups, with regular meetings to discuss issues such as annual reports and accounts
- **Other Tailored Models**, such as a Supporter Involvement Forum

Regardless of the particular model, we believe there are common principles around supporter involvement: supporters must be **representative** of the wider group and have accountability to them; the process of appointment or involvement must be **transparent**; and there must be an alignment between requirements of the position and the competencies brought by the individuals involved, i.e. **appropriate skillset**.

The Working Group Report recommended:

- **All clubs should give consideration as to the most appropriate structures and other informal mechanisms through which to ensure supporter involvement in their governance.** (It is anticipated that governance mechanisms and their effectiveness will be assessed under the proposed Supporter Involvement Award)
- **Training and guidance should be made available to supporter representatives to ensure that individuals understand the nature of any governance role they are taking on, and are adequately equipped to fulfill the requirements of that role.**
Q2. **What are your views on making a law to give supporters the right to govern their club?**

**A Right to Bid**

Whilst the previous two options provide a safeguard throughout the ongoing decision-making of a football club, an alternative would be to focus in on an option that provides an ultimate safeguard when a club is sold.

A right to bid could ensure that football supporters are firstly treated as a priority and given the full opportunity to bid for their football club should the owner(s) decide to sell it. Notwithstanding the issues identified on defining both supporters (and establishing which groups have legitimacy) and what is for sale that defines the club, there are a number of ways this could operate in practice. For example, the Working Group for Supporter Involvement in Football Clubs considered the benefits of extending relevant sections of the Localism Act 2011 to Scotland and, in particular, the opportunity for individuals to request that a particular community facility or amenity (in this context, a stadium) be listed as an ‘Asset of Community Value’ (ACV).

Within the Localism Act 2011, Community assets can be nominated by relevant groups with a connection with the community, for example a supporters trust. If the nomination is accepted, local groups will be given time to come up with a bid for the asset when it is sold. It provides the community group with a six week period in which to express an interest in bidding for the asset should it be put up for sale. In addition there is a further period after a community group’s initial expression of bidding has been made to allow a community interest group to put a bid together.

The Working Group Report recommended:

- That further consideration is given as to how best to protect supporters and communities, in circumstances where an owner may be seeking to exploit the value of a club’s assets for personal gain.

Although this approach could only be limited to a physical asset (such as a stadium) it might provide an element of safeguard. The first instance of a football stadium
being successfully registered as an asset of community value was the Oxford United Supporters Trust (the Kassam Stadium) in May 2013 but more recently an application made to Trafford Council by the Manchester United Supporters Trust was accepted, with Old Trafford, one of the most prestigious stadia in England, now listed as an Asset of Community Value.

Another alternative approach may be to place a duty on the Board of Directors of football clubs to fully consult with supporters of the club in the event of a sale (or transfer) of the football club, which may have the benefit of ensuring that fans have access to all of the necessary information to make an informed judgment on any bid. Although of course neither of these options would require the current owner to sell the club (or assets) to the supporter groups expressing (or registering) an interest.

Q3. **What are your views on making a law to give supporters the right to bid for their club?**

**A Right to Buy**

A Right to Buy option attracted attention and debate during the development and passage of the Community Empowerment (Scotland) Act and initially was limited to a ‘Right to Buy’ football clubs by supporters’ trust’s for an agreed price, or an independent valuation.

Whilst Scottish Ministers accept there may be demand for this, there was recognition there are a number of ways in which a ‘Right to Buy’ could be developed beyond the one debated during the passage of the Act.

During the development of the Act, some supporters’ groups indicated that their position is that a ‘right to buy’ is an important safeguard in order to protect the interest of football supporters. Notwithstanding the difficulties identified in defining what is a football club (and therefore eligible for protection) or defining which supporter group has greater legitimacy, this is an area where some groups believe any legislation brought forward should be focused.
However, during the development of the Act there were also a number of community owned football clubs, who raised concern over a ‘Right to Buy’ model highlighting risks and potential consequences.

Q4. What are your views on making a law to give supporters the right to buy their club?

Any ‘Right to Buy’ or ‘Right to Bid’ option would likely need to provide a period of time to allow an interested supporters’ group to raise the necessary funds or put in place the governance arrangements necessary to take over ownership or lodge a bid.

It is not known how the market value of a club and/or its assets would be impacted by a period of uncertainty until such time as the supporters group exercised its right. Consideration would need to be given as to whether there are risks, such as players, coaches and other key assets choosing to exit the club, in turn devaluing it. Also in order to be effective, throughout this period others would be locked out of bidding and there may, therefore, be an increased risk of liquidation or a reduction in the value of the club as well as implications in the ability to secure future investment.

Most SPFL clubs, particularly at Premiership and Championship level, require substantial and continual investment to survive. Buying a club usually means the purchaser agreeing to inject large amounts of capital into the club. The Working Group identified fund-raising as a key challenge to ownership along with the absence of ‘bridging capital’. It recognised that in order to raise the finance necessary, there is a need to provide a period of time for any supporters group to seek out the sources of funding and mobilise the wider supporter base.

One suggestion put forward during the passage of the Act was that Scottish Ministers should provide funding to supporters groups to allow them to make an offer to buy a football club, or provide loans and/or underwriting a purchase.

The Working Group on Supporter Involvement in Football Clubs reported that it was not the role of Scottish Government to provide financial support to groups wishing to take over football clubs. Instead, it suggested a role for an arms-length advisory agency. The Working Group Report recommended:
• The establishment of a Business, Community and Football Enterprise Unit to provide expert legal and financial supporter (including provision of bridging acquisition capital) to football club supporters and owners seeking to restructure a football club to one focused in form and substance on social and community impact and/or to provide advice and financial supporter to clubs, however structured, which seek to align their social and community activities with national policy initiatives

• Widening the investment criteria and role of social investment institutions to allow them to act as vehicles which could support football supporter collectives

Q5. What are your views on raising the necessary funds, including the amount of time allowed for supporters to do so, to give supporters a right to buy their football club?

Other Considerations

This section seeks your views on further considerations which are relevant to the complexities of the options outlined.

Defining Assets

As previously discussed, whilst the majority of clubs within the SPFL are companies limited by guarantee, the structure is complex and it cannot be assumed one entity owns all the assets. For example, a club may not own its stadium or training facilities. This is something which the Working Group Report on Supporter Involvement in Football Clubs identified, i.e. a "lack of transparency over the ultimate ownership of a club".

Each football club will be constituted in such a way as to meet their own needs, but the administration process of a number of football clubs has highlighted the often complex inter-relationship of these with many being undertaken by separate companies established in their own right. Therefore, defining what is a football club
in relation to the specific assets and liabilities – which is clearly important if a single business entity is being sold is sometimes challenging.

Q6. **What are your views on defining assets, in the context of making a law to give supporters rights in the decision making or ownership of their football club?**

**Defining a Supporter**

As explained earlier, there is much debate about how to define a football supporter. At one end of the spectrum it could be someone who has an interest in a club and keeps an eye on the results, or a season ticket holder or those who are financial investors in a club. Given the wide range of supporters’ groups, it could be a challenge to know which one has the greater legitimacy in the context of rights.

Q7. **What are your views on how to define what is a football supporter and defining supporter groups, in the context of making a law to give supporters rights in the decision making or ownership of their football club?**
Right of Appeal

To protect the rights of both trusts and owner(s)/operator(s) of a club, it might be argued to be important that there is an appeals process put in place.

Q8. What are your views on rights of appeal, in the context of making a law to give supporters rights in the decision making or ownership of their football club?

Q9. Do you wish to make any other comments about supporter involvement in football?
Other information

Business and Regulatory Impact Assessment (BRIA)

The Scottish Government is committed to consulting with all parties potentially affected by proposals for new regulation, or where any regulation is being changed significantly. Through consultation and engagement with business, the costs and benefits of the proposed legislation can be analysed. It also ensures that any impact on business, particularly small enterprises, is fully considered before regulations are made. A BRIA will be carried out once a preferred option has been identified on which regulations are to be prepared.

Alternative formats or translations of this document can be made available on request by e-mail to footballconsultation@gov.scot
RESPONDING TO THIS CONSULTATION PAPER

We are inviting responses to this consultation paper by 15 January 2016.

You can reply online to this consultation at https://consult.scotland.gov.uk/active-scotland/supporter-involvement-in-scottish-football-clubs

Alternatively you can e-mail your response and the completed Respondent Information Form, which is also available separately on the Scottish Government website (see "Handling your Response" below) to:

footballconsultation@gov.scot

Or paper copies of the questionnaire and Respondent Information Form can be sent to:

Football Consultation
Active Scotland Division
Area 2-E South
Victoria Quay
Edinburgh
EH6 6QQ

This consultation, and all other Scottish Government consultation exercises, can be viewed online on the consultation web pages of the Scottish Government website at http://www.scotland.gov.uk/consultations.

The Scottish Government has an email alert system for consultations, http://register.scotland.gov.uk. This system allows stakeholder individuals and organisations to register and receive a weekly email containing details of all new consultations (including web links). It complements, but in no way replaces SG distribution lists, and is designed to allow stakeholders to keep up to date with all SG consultation activity, and therefore be alerted at the earliest opportunity to those of most interest. We would encourage you to register.

Handling your response

We need to know how you wish your response to be handled and, in particular, whether you are happy for your response to be made public. Please complete and return the Respondent Information Form which forms part of the consultation questionnaire. If you ask for your response not to be published we will regard it as confidential, and we will treat it accordingly.

All respondents should be aware that the Scottish Government is subject to the provisions of the Freedom of Information (Scotland) Act 2002 and would therefore have to consider any request made to it under the Act for information relating to responses made to this consultation exercise.
Next steps in the process

Where respondents have given permission for their response to be made public and after we have checked that they contain no potentially defamatory material, responses will be made available to the public in the Scottish Government Library. You can make arrangements to view responses by contacting the SG Library on 0131 244 4552. Responses can be copied and sent to you, but a charge may be made for this service.

What happens next?

Following the closing date, all responses will be analysed and considered along with any other available evidence. We aim to issue a report on this consultation process by Spring 2016.

Comments and complaints

If you have any comments about how this consultation exercise has been conducted, please send them to:

Active Scotland Division
Area 2-E South
Victoria Quay
Edinburgh
EH6 6QQ

or

e-mail: footballconsultation@gov.scot
Football Consultation

RESPONDENT INFORMATION FORM

Please Note this form must be returned with your response to ensure that we handle your response appropriately

1. Name/Organisation
Organisation Name

Title Mr □ Ms □ Mrs □ Miss □ Dr □ Please tick as appropriate

Surname
Forename

2. Postal Address

Postcode       Phone       Email

3. Permissions - I am responding as...

 Individual / Group/Organisation

(a) Do you agree to your response being made available to the public (in Scottish Government library and/or on the Scottish Government web site)?

Please tick as appropriate □ Yes □ No

(c) The name and address of your organisation will be made available to the public (in the Scottish Government library and/or on the Scottish Government web site).
Where confidentiality is not requested, we will make your responses available to the public on the following basis.

Please tick ONE of the following boxes:

- Yes, make my response, name and address all available
- Yes, make my response available, but not my name and address
- Yes, make my response and name available, but not my address

Are you content for your response to be made available?

Please tick as appropriate:

☐ Yes  ☐ No

We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

Please tick as appropriate:

☐ Yes