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**Sport in Our Communities:**

***What can be done to secure the future of sport in our communities?***

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**1.0 Executive Summary:**

This short report was prepared in response to the Department for Culture, Media and Sport (DCMS) ‘Sport in our communities’ call for evidence. We address the broad question *‘what can be done to secure the future of sport in our communities?’* which we are able to evidence in the relation to association football (soccer) clubs, teams and venues.

We explain that football clubs can fulfil an important role for the communities in which they are embedded, and that government authorities have reason and ability to assist them both financially as well as in other ways ‘off balance sheet’.

We then discuss the role of football’s own governing bodies, mega-events, and the limitations of relying solely on them to finance clubs/teams outside of the highest echelons of football’s hierarchy. We outline revenue streams and then consider in more detail the role and importance of football clubs and their land assets and facilities to local communities, why they are attractive to local authorities, and how they have helped historically.

Finally, this short report succinctly summarises three conclusions/recommendations, addressing the following sub-questions:

* *Why should football clubs be helped?*
* *How could they be helped? At what levels of the sport should public money be spent?*
* *What key measures could the Government introduce to increase the resilience of sports clubs and venues?*

The authors have an established track record of historically informed longitudinal research on the topics of sport, finance, and public management. We are active members of British Academy of Management and are both employed full-time by University of York, part of the Russell Group of research intensive UK universities.

**2.0 Football Clubs and Communities**

Football clubs can be flagship place-marketing brands for their geographies. More tangibly, these clubs and their real estate including grounds and training facilities can be a vital asset for sport, leisure and well-being provision for physical and mental health / well-being at the heart of local communities. This is often particularly the case in deprived areas in the North and Midlands.

Amongst professional sport, association football provides an interesting context because there have been many instances of clubs facing financial difficulty, and local authorities have often responded to assist.

Whilst there is a good case to be made for football’s governing bodies to offer support during times of crises, the reality is that this would be difficult or not reach some of the most deserving cases from the perspective of community provision. Thus, we make the case for national and/or local government intervention.

The extent to which local authority intervention can or should occur is debatable and little is known about how such partnerships manifest and operate.

Our research shows however that professional sports clubs are driven by a different logic to state organizations, and highlights practices involving informal ‘shadow’ partnership between state and sport (Gillett and Tennent, 2018). These practices enable the organizations to work in an informal but functional partnership when attempts to establish a formal partnership are unsuccessful.

Government, local authorities and leisure providers can be an important stakeholder for football clubs. Our research provides insight regarding the pitfalls of involvement with sports clubs, considerations for business and marketing planning when proposing multi-use and community-focussed leisure facilities, as well as showing some of the things that local authorities can do “off balance-sheet” to successfully assist their local sports clubs and communities, within the constraints to which they must adhere.

Examples can be seen in North American sport and in higher-profile global sporting mega-events such as the Olympic Games, e.g. the London 2012 Olympic Stadium, which post-2012 faced difficulties finding a subsequent use.

Various published research points to the role of community trusts as a key strategy in galvanizing the relationship between football clubs and local authorities, identifying this as important because local authorities have a gatekeeper role in planning and safety regulation.

Such relationships involving organizations from different sectors require careful consideration because of the different priorities of each organization stemming from its primary function.

**3.0 Football Governing Bodies & Mega Events**

The sport of association football (or *soccer*) is the most supported sport in the world and its consumer base is still growing, observed Boudway (2018). The scope of the soccer industry is demonstrated by the fact that soccer’s global governing body FIFA has more members than the UN (De Bruijn & Leijten, 2007).

Arguably the highest profile football events are the mega-events including international tournaments at club-level (e.g. the European Champions League) and national level (e.g. FIFA World Cup).

It would be easy to extrapolate from these events that there is much wealth within the sport and opportunities for commercial and television broadcasting revenues. This may make the hosting of football mega-events attractive to governments.

However, such mega-events tend to include only the highest-ranking clubs and players, and the main financial beneficiaries appear to be the sports governing bodies:

* FIFA (a non-profit organization which describes itself as an international governing body of association football, fútsal and beach soccer) and;
* UEFA (The Union of European Football Associations is the administrative body for association football, futsal and beach soccer in Europe, although several member states are primarily or entirely located in Asia).

Both FIFA and UEFA are Swiss domiciled and derive their revenues principally from the ownership of global and European tournaments respectively. They do this by extracting a levy on ticket revenue together with retaining broadcasting and global sponsorship rights. This is protected to the extent that the bodies will indemnify themselves against the financial risk of hosting a tournament, expecting it to be taken on by the government and football association of the host nation.

Even when the World Cup was held in England in 1966 the Football Association signed a contract with FIFA which indemnified the world governing body against financial losses (Tennent and Gillett, 2017). FIFA ultimately derived over £300,000 in rights while the Wilson government provided almost £500,000 worth of public money to support hosting the tournament. While England won the tournament on the pitch, there is little evidence of economic benefit to the UK, with benefits to tourism and exports being limited and the Foriegn Office reporting negative diplomatic impacts in Latin America where there were concerns that referees had favoured the English team (Tennent and Gillett, 2019).

Whilst there is a good case to be made for these governing bodies to offer support during times of crises to their member organizations (such as the UK’s four national Football Associations to then allocate to their own members) the reality is that any such aid would:

a) Be mostly targeted at the ‘full members’ at the elite end of the game to maintain and further football as a commercial phenomenon, and;

b) Face delays in ‘trickle down’ below the upper tiers to the levels of ‘Associate Membership’, and perhaps not reach some clubs at all – i.e. community, non-league or so called ‘grass roots’ clubs which are not even members of their national football associations.

**4.0 Football Clubs and Revenue Streams**

A simple way to categorize football clubs’ revenues is into three broad streams:

1. match-day (i.e. gate receipts and other sales in the stadium)
2. broadcasting (i.e. television rights)
3. commercial activity (including sponsorship, advertising, and merchandising)

(Deloitte Sports Business Group, 2020)

Whilst the majority of supporters attend EPL (English Premier League) games, clubs throughout the UK outside of the EPL cumulatively account for the majority of footballing activity but typically have less supporters (and thus ‘gate receipt’ revenue) and are also unable to bargain for the same significant revenues from broadcasting.

Furthermore, a lack of global television coverage limits other streams of commercial income for lower-league clubs in comparison to EPL clubs; because with less brand exposure it is more difficult to raise awareness. This disparity in the values of the leagues has widened over the years and even when compared to other leading European elite leagues in Spain, Germany, France or Italy, or the ‘Premier Leagues’ of Scotland, Wales or Northern Ireland, the EPL looks different. Clubs outside of the EPL clubs are operating on much tighter budgets and with far less cash in reserve (Pick and Gillett, .

**5.0 Local Authorities and Football Clubs: Collaboration and Intervention**

Broadly, communities have come to see football clubs as representative institutions, even though this conflicts to some extent with their now normal governance arrangements as privately owned limited companies.

The history of club insolvency demonstrates that while clubs as constituted as limited companies may relatively frequently experience bankruptcy, support for a football club in the host locality usually continues and the club restarted with a new limited company.

There are many historic incidences of this, perhaps best understood by looking back before the introduction of Administration for insolvent companies in 1986 (Insolvency Act, 1986). Therefore, in the early 1980s, failing clubs had to find some other way to survive closure.

For example, in early 1982, Bristol City Football Club was on the verge of appointing a trustee to liquidate. An offer was made by a group of local businessmen to take over the club – and a “phoenixing” plan emerged, involving the creation of BCFC (1982) plc, which bought the club’s stadium, some of the players’ contracts and share in the Football League from the old company, financed by the sale of shares to fans. The eight most expensive players, with long contracts still to run (known as the “Ashton Gate Eight”) were forced to accept redundancy (Woods, 1994). Between 1982-1984 a series of other professional clubs “phoenixed” or went through a similar process by threatening creditors with it to gain a moratorium. These clubs survived at the expense of their creditors, including players, banks and the taxman (Szymanski, 2010).

Demonstrating the relevance of clubs to communities, other clubs sought intervention from the public sector. Although Walters and Hamil (2013) assert that the political economy of the 1980s was typified by increasingly free-market rather than interventionist principles, in reality ***it was not uncommon for local authorities to assist their teams. In fact, a memo distributed by the Association of District Councils (ADCs) evidences they were encouraged to do so.***

In 1984, the FA met with the ADC to discuss how authorities might help Clubs facing financial problems because of the economic climate, in view of the Councils’ “responsibility for planning control, economic development and related matters within their areas” (Association of District Councils, 1984).

For example, District and Borough Councils in Ashford, Portsmouth, Gillingham and Hull had all aided through both formal and informal channels in the form of useful advice and, where feasible, financial support that would enable Clubs to remain viable. Such support often centred on stadia and land assets, e.g. by zoning sites for residential development to enhance value, allowing retail developments and contributing to the cost of developing facilities[7].

Cited within the academic literature is Bradford City FC, who transferred their assets to an off-the-shelf company, Meshweb Ltd., renamed to Bradford City AFC (1983) Ltd.; Bradford Council were to loan the club £100,000, equivalent to around a quarter of the new companies’ start-up finance [Bradford City AFC (1983) Ltd., 1983; Arnold, 2016][8].

We studied directly the case of Middlesbrough AFC, who were wound up and restarted as a company in 1986 (Gillett and Tennent, 2018). Middlesbrough AFC fell into financial difficulties since the early 1980s following relegation from the top division, and attempted to branch out into the leisure industry by constructing a sports hall for public use. The business plan for this was found to be unrealistic and the club approached the County and the Borough Councils, initially to negotiate a joint user agreement for the sports hall. Central Middlesbrough was short of sport and leisure provision at this time, although multi-sport facilities existed in outlying areas (BBC Domesday Reloaded A, 1986a, 1986b).

Local authority archives show that the councils were receptive although cautious, initially believing the Sports Hall would require additional remedial work estimated at between £40,000 and £70,000 to comply with Building and Fire Regulations (MBC, 1983a), a figure later revised to £175,000 (MBC, 1984b). In 1983, efforts by the County and Borough to secure funding to make the centre accessible by community groups were turned down by the Department of Environment (DoE), which suggested that MBC should instead consider deferring payments to other schemes if it wished to assist the football club (MBC, 1983b).

When the club was liquidated in 1986, the Borough council was found to be beyond its powers to bail it out financially, but support in kind was given by providing planning expertise, meeting space, running the club’s payroll and allowing the team to train in the town’s public park (Gillett and Tennent, 2018).

Middlesbrough was the last English football club to be dealt with under the old regime of liquidation. It seems likely that the club’s liquidators delayed knowing that the administration procedure was on the cusp of introduction. From the late 1990s, this financial device came into its own for football clubs that had run out of money – Buraimo et al. (2006) identified 20 clubs who had spells in administration between 2001 and 2005, mainly from the north and midlands.

Even the introduction by the Football League of a points deduction for clubs in administration did not act as a sufficient deterrent – Beech et al. (2010) show that six clubs entered administration in 2007.

By 2014, the House of Lords noted the high number of administrations in a debate on the role of football supporters in club governance, running concurrent with Coalition government policy to encourage the ownership of football clubs by supporters, itself consistent with that government’s “Big Society” agenda, pursuit of “social value” and the introduction of community interest companies (Conservative Party, 2010; *Localism Act*, 2011; Hansard, 2014; Gillett, 2015, 2016). National and local government had come to accept that football clubs could provide an important focal point for communities.

Football clubs therefore mix familial loyalty with corporate legitimacy in the sense that an organization driven by communal identity wraps itself in a framework intended for the profit-making corporation. This means that football clubs superficially take on the identity of the limited company with a Board of Directors giving the club authority over its supporters (although it should be noted that some Directors might themselves be supporters, and some clubs have support collectives represented on the board, although the role of director requires a different dynamic to that of the supporter on the terrace).

Since the late Victorian era football clubs have derived their sense of identity from the local community, reinforcing a sense of place and local identity, sometimes reinforced by ties to local churches or employers, amongst the supporter base (Bale, 2000; Hindley and Williamson, 2013).

This sense of place and local identity was evidenced within the Middlesbrough case – the local authority and also local businesses assisting, sponsoring and investing in the club. Since our case, English soccer has increasingly globalized and there is an apparent increase in investment and sponsorship from abroad however the importance of the local economy and government remains, particularly in lower tiers of the professional league (Partridge, 2017). According to the business consultancy Deloitte and Touche (2004, p. 55), “a strong relationship between club and community is [. . .] good for business.”

Gillett (2015) demonstrates that local authorities may better achieve their societal objectives by working relationally with service providers. Football clubs may be considered service providers in that they provide representation for local areas and networking opportunities for local businesses but their ability to provide more formal services such as recreation and leisure to the public is more constrained.

**6.0 Conclusion**

This report has provided evidence in response to the broad question *‘what can be done to secure the future of sport in our communities?’.*

*Why should football clubs be helped?*

1. Football clubs can be flagship place-marketing brands for their geographies. More tangibly, these clubs and their real estate including grounds and training facilities can be a vital asset for sport, leisure and well-being provision for physical and mental health / well-being at the heart of local communities.

*How could they be helped? At what levels of the sport should public money be spent?*

1. Finance is needed - the majority of clubs outside of the Premier League cannot rely on sport governing bodies FIFA, UEFA, FA alone due to timing and also difficulty of ‘trickledown’ to where the money is needed most urgently, to clubs outside of the Premier League - i.e. to Football League and non-league clubs and community facing sports facilities.

*What key measures could the Government introduce to increase the resilience of sports clubs and venues?*

1. We suggest that government, local and national, may be better able to influence the governance of these important local institutions by working relationally with them outside of formal partnership structures, rather than through formal partnerships or governance models which are difficult to justify within the institutional expectation of government.

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