



Governance: A Guide for Clubs in the National League System & Large Community Clubs

- 1 VALUES
- 2 LEADERSHIP, DIRECTION AND SUPERVISION
- 3 POLICIES AND PROCEDURES

This Guide is intended to help those concerned with the governance of football clubs in the National League System and large community clubs, not only to understand and apply common principles of good governance, but also to benchmark their current governance arrangements and improve them.

It complements the Club Leaders programme that provides online learning opportunities to support clubs in becoming sustainable businesses. Further information can be found at www.sportengland.org/clubleaders

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For further information or assistance in implementing the Guide please email clubleaders@sportengland.org

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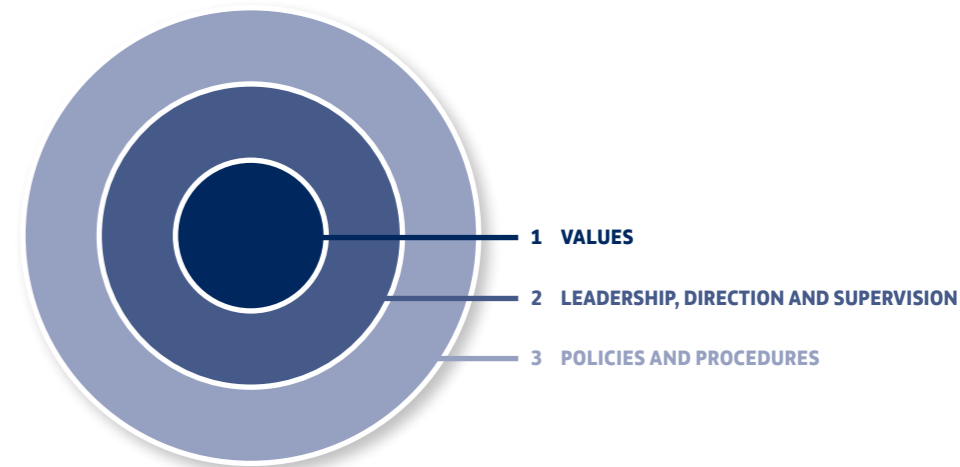
Using the Guide

Introduction

Good governance is essential for a football club to be managed effectively and to demonstrate accountability and transparency. Values are at the core of good governance, but it is brought to life by leadership, direction and supervision, by the people who have the right skills and experience for their role. Additionally, good governance needs to be formalised in robust and thorough policies and procedures, and they must be continually reviewed. This guide will outline the principles associated with each of the stages of good governance, and follows the format of the Good Governance Model shown.

By adopting the principles of good governance contained in this Guide, it will benefit football clubs in terms of engaging the trust of all stakeholders. It is in the interest of all clubs and the game that clubs adopt and can demonstrate good governance. Good governance will not in itself ensure success, but it should improve a club's management, support its reputation, and most importantly, help secure a club's future and its sustainability.

A Module of good governance



The purpose of the Guide

This Guide is intended to help those concerned with the governance of football clubs in the National League System¹ not only to understand and apply common principles of good governance, but also to benchmark their current governance arrangements and improve them.

The Guide has been designed as a tool to assist those responsible for the stewardship of football clubs to do a difficult job better, and for individuals and organisations that have an interest in examining the effectiveness of governance in football clubs.

Scope of the Guide

This Guide is intended for use by football clubs in the National League System and large Community clubs. Compliance with the provisions of this Guide is not mandatory, but it does seek to create a culture based on a conscious decision by clubs to take governance seriously because it is good for the club and the game, rather than being required by rules or formal codes of best practice.

Applying the Guide to different governance structures and sizes of club

All clubs are encouraged to adopt the principles of good governance. The principles should be applied in a way that reflects the structure and size of each club. Not all parts of this Guide may be directly applicable to all types and size of club. There are several types of club to which the Guide may apply including limited companies, mutual societies and unincorporated associations (members' clubs)². Clubs will have different governance structures and vary enormously in size and complexity. Clubs will find that different parts of the Guide are more relevant and easier to apply to its circumstances than others.

The Guide has not sought to prescribe a governance structure for a football club or to set out criteria that are appropriate at each level of the National League System. It is a matter for each club to consider this Guide and apply or adapt the principles to suit their size and type of club.

The Guide should be applied using common sense paying due regard to each club's individual

circumstances and complexity as well as the nature of the risks and challenges it faces.

Putting the Guide into practice

The Guide comprises 3 general principles of good governance to be applied by a club's board or executive committee ("the Executive Body"). Each principle is supported by examples of practical application. It is a matter for each club to consider its circumstances in the practical application of the criteria, including the cost of implementation.

References are also included to sources of information that clubs can access that may assist in the practical application of the Guide.

Whilst the Guide is not mandatory, clubs are strongly encouraged to report publicly on the extent to which they have adopted these principles of good governance in order to be able to demonstrate accountability and transparency to stakeholders. For example, a club may wish to include a section in its annual report or on its website to set out its governance policy.

The principles – a summary

An effective Executive Body will provide good governance and leadership through:

1 VALUES

Embracing their values and behaving with integrity by:

- safeguarding and promoting the reputation of the club and the game
- acting in accordance with the best interests of the club and the game
- identifying, understanding and managing conflicts of interests that may arise
- setting the culture and ethos of the club and how it operates
- maintaining high ethical standards and ensure conflicts of interest are properly disclosed and dealt with
- ensuring that the club upholds the principles of equality and diversity

2 LEADERSHIP, DIRECTION AND SUPERVISION

Understanding their role and responsibilities in relation to:

- being aware of the skills and experience required for carrying out this role

- applying the law and football's rules and regulations that apply to the club
 - safeguarding the assets of the club
 - ensuring that the club is sustainable
- Being open and accountable by:
- open communication that informs people about the club and its objectives
 - consulting with stakeholders on significant club issues
 - listening and responding to the views of stakeholders
 - providing clear direction to the members, and effectively delegating tasks

3 POLICIES AND PROCEDURES

Formalising policies and procedures, and exercising effective control by:

- the club understanding and complying with legal, regulatory and football requirements
- the club operating good internal financial and management controls
- regularly identifying and reviewing the risks that the club faces and applying measures to mitigate those risks

- Setting and delivering the objectives of the Club by:
- establishing objectives that are relevant
 - developing strategies to achieve the objectives
 - approving operational plans to deliver the objectives
 - monitoring progress against the plan
 - evaluating the results
 - amending the plan as required

¹ For details of the National League System see: <http://www.thefa.com/GetIntoFootball/parentsandvolunteers/RunningaLeague/LeaguesStep1-7.aspx>

² For details see <http://www.thefa.com/GetIntoFootball/parentsandvolunteers/Runningaclub/Settingupaclub/ClubStructures>

Values:



1 VALUES

An Executive Body will provide good governance by behaving with integrity and consider the interest of the club as a first priority through:

- safeguarding and promoting the reputation of the club and the game
- acting in accordance with the best interests of the club and the game
- identifying, understanding and managing conflicts of interests that may arise
- setting the culture and ethos of the club and how it operates
- maintaining high ethical standards and ensure conflicts are interest are properly disclosed and dealt with
- ensuring that the club upholds the principles of equality and diversity

Application:

- having in place and following club rules or articles, policies and procedures for identifying, declaring and managing conflicts of interest. Where Executive Body members have a material conflict of interest, managing this may include:
 - not voting on, or participating in, discussion of a matter
 - not being counted towards the quorum
 - withdrawing from that part of the meeting at which a matter is discussed
 - the Executive Body obtaining quotations for comparison
 - having a clear code of conduct policy outlining the proper practices of the members
- if the club is a company, ensuring that it complies with company law on the management of conflicts of interest. The Companies Act 2006 sets out duties of directors including to avoid conflicts of interest, not to accept benefits from third parties and to declare an interest in a proposed transaction or arrangement. Where a club is a company then it should consider taking

professional advice where there is a potential conflict of interest.

- always taking decisions in the best interests of the club ensuring that:
 - the decision is within the Executive Body's powers, and they take accountability for their decisions
 - the Executive Body is acting in accordance with 'Duty of Prudence', acting reasonably and honestly to make sure the club is and will remain financially solvent
 - the Executive Body has adequately informed itself and is basing its decision on a range of data and information that provides sound understanding of all relevant factors
 - the Executive Body is not allowing itself to be swayed by irrelevant factors
 - the decision is within the range of reasonable options open to the Executive Body and can be justified as such to stakeholders and regulators

Case Studies

FC United of Manchester

The club will remain a not for profit organisation.



Northern Premier League

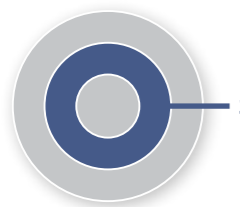
FC United of Manchester is formed as a member-owned, democratic, and not for profit entity incorporated as an Industrial and Provident Society.

Above all the club want to be seen as a good example of how a club can be run in the interests of its members and be of benefit to its local communities. Seven core principles of how the club will operate are set out below and will be protected by all elected Board members:

- The Board will be democratically elected by its members.
- Decisions taken by the membership will be decided on a one member, one vote basis.
- The club will develop strong links with the local community and strive to be accessible to all, discriminating against none.
- The club will endeavour to make admission prices as affordable as possible, to as wide a constituency as possible.
- The club will encourage young, local participation - playing and supporting - whenever possible.
- The Board will strive wherever possible to avoid outright commercialism.
- The club will remain a not for profit organisation.



Leadership, direction and supervision (1):



2 LEADERSHIP, DIRECTION AND SUPERVISION

An Executive Body will provide good governance by understanding their role and responsibilities in relation to:

- being aware of the skills and experience required for carrying out this role
- applying the law and football's rules and regulations that apply to the club
- safeguarding the assets of the club
- ensuring that the club is sustainable

Application:

- on accepting appointment a member of the Executive Body must accept responsibility for the success of the club;
- the Executive Body should contain the people with identified skills, knowledge and experience

to achieve the Club's aims and seek advice from professional advisors as required. This could be achieved by completing a skills matrix.

- a member of the Executive Body should be appointed in accordance with the Rules or articles of the club. A club may develop a recruitment policy that includes equal opportunities, safeguarding considerations, application procedures, examination of CVs, obtaining references, interview procedures, application of The FA's Owners and Directors Test³;
 - appointments to specific roles (eg chairman) should be made in accordance with the club's rules or articles and hold appropriate experience and qualifications;
 - members of the Executive Body should be aware of the legal and regulatory responsibilities. New members should be provided with a copy of the club's rules or articles and appropriate induction training including football's rules and regulations applicable to the club including FA guidance on betting in football⁴;
 - the Executive Body should review their own performance over the season to see if they have met individual and collective targets;
- the Executive Body will have overall responsibility for establishing and reviewing the objectives of the club and that these are effectively communicated to those involved in the management of the club and other stakeholders;
 - as a member of the Executive Body each person should be provided with a generic job description with further descriptions for specific roles (eg chairman, treasurer etc);
 - members of the Executive Body should ensure that they are provided with key information in relation to the operation and financial position of the club;
 - by ensuring that procedures are implemented to safeguard the assets of the club and that the assets are used only to further the agreed objectives of the club.

³ The Test applies to clubs Steps 1 to 4. See <http://www.thefa.com/football-rules-governance/more/financial-regulation>

⁴ For details see http://www.thefa.com/TheFA/-/media/Files/PDF/TheFA/Rules_Regs/2011/5848%20FA%20Betting%20Booklet.ashx/5848%20FA%20Betting%20Booklet.pdf

Case Studies

Tadcaster Albion FC

Whilst the initial motivation for incorporation was to secure inward investment it was also recognised that it would be better for the members to have limited liability and their land securely held in trust outside of the new company.

North East Counties Premier Division

After seeking legal advice in 2009/10 club officials at Tadcaster Albion FC agreed that it would be in the best interests of the club to incorporate as a company limited by guarantee. In addition they felt that the land they own would be best protected if it was held in trust outside the new company to ring fence it from any possible future developments.

Whilst the initial motivation for incorporation was to secure inward investment it was also recognised that it would be better for the members to have limited liability and their land securely held in trust outside of the new company.

A short peppercorn rent lease agreement between the trustees and the new company was drafted and agreed providing the new company with the right to occupy the site and enjoy the income generated on the site.



Leadership, direction and supervision (2):

An Executive Body will provide good governance by being open and accountable by:

- open communication that informs people about the club and its objectives
- consulting with stakeholders on significant club issues
- listening and responding to the views of stakeholders
- providing clear direction to the members, and effectively delegating tasks

Application:

- The club's annual general meeting should be held in accordance with the club's rules or articles and should include procedures for:
 - Notice and agenda sent to all members, typically at least 21 days before the meeting

- Annual report to be circulated with the notice or made available for inspection
- Minutes of the last meeting to be circulated or made available for inspection
- Names of the members of the Executive Body to be circulated including those seeking confirmation of appointment or re-election
- Separate resolutions for approval of the annual accounts and the election/re-election of members of the Executive Body
- Any member resolutions and supporting documents
- Members of the Executive Body to be available to answer questions
- The Executive Body should develop a policy for communicating with stakeholders in the club

including supporter groups, supporter trusts and the local community providing as much information as possible about the running of the club subject to confidentiality. This can be achieved by:

- Regular forums and meetings
- Supporter representation on the Executive Body
- Newsletters and updates in the club programme and on the club website
- The club website to include details of the legal name, form and ownership of the club; club strategy; the names of officers and Executive Body Members; eligibility criteria for membership of the club; eligibility criteria for election to the Executive Body; procedure for the reporting and handling of complaints

Case Studies

Lewes Football Club

When the club transformed into a community-owned entity in July 2010, the new Board created a strategy for a three-year transition into financial self-sustainability.

Isthmian Premier League

Lewes Football Club is determined to be as transparent as possible, though allowing for the fact that information relating to individuals' salaries etc should always remain confidential.

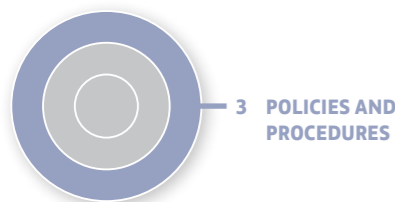
The club brought together the available financial information from the past seven seasons to give a good overall picture of the ups and downs, triumphs and failures that have marked the club's progress over that time.

When the club transformed into a community-owned entity in July 2010, the new Board created a strategy for a three-year transition into financial self-sustainability. Now, a little over halfway through that period, they published a review to act as a window for owners and fans to view the financial guts of the football club.

This is published on the club's official website.



Policies and Procedures (1)



3 POLICIES AND PROCEDURES

An Executive Body will provide good governance by exercising effective control by:

- the club understanding and complying with legal, regulatory and football requirements
- the club operating good internal financial and management controls
- regularly identifying and reviewing the risks that the club faces and applying measures to mitigate those risks

Application:

- The executive body should devise a written policy for player trading and contract negotiations consistent with FA and League Rules and that includes the parameters for:

- Transfer negotiations
- Player contract negotiations and renegotiations (including % reductions on relegation of the club)
- monitoring the progression of negotiations
- Executive Body approval for all major transfers and contract agreements.
- The Executive Body should implement key controls to safeguard the assets of the club including:
 - staff payroll evidenced as approved by an authorised signatory before payment
 - full reconciliation of all income
 - regular inventories of stock
 - authorised club signatories to be agreed by the Executive Body and regularly reviewed
 - full monthly bank reconciliations
 - bank mandate and electronic payment authorities to be reviewed annually to ensure they are current and require more than one signatory
- the Executive Body should implement policies and procedures throughout the club including those for:
 - expenditure that requires executive body approval including items requiring two (or more) signatures
 - all loans to the club to be documented in accordance with FA Rule 11 (g)
 - any employees to have up to date contracts of employment
 - Equal opportunities
 - Staff welfare
 - Safeguarding children⁵
 - Betting⁶
 - Respect⁷
 - Whistle blowing
- The Executive Body ensuring that the club complies with its rules or articles and legal and regulatory requirements in:
 - the production and filing of annual accounts⁸
 - the holding of annual general meetings
 - maintaining and providing access to the register of members

- League Rules require a club at Steps 1 to 6 of the National League System to publish on its website and or within its matchday programme its legal name, form (e.g. unincorporated association, company limited by shares or guarantee etc) and any identifier (e.g. company number).
- In addition for those Clubs that are owned, then the Club shall also publish the identities of the ultimate owner (i.e. the name of an individual) of each Significant Interest (ie 10% or more) in the Club.
- The club's annual accounts provide an opportunity for the Executive Body or its chairman to address key issues in relation to the club including:
 - The names of the members of the Executive body and their roles
 - The role of the Executive Body and their responsibilities
- Statement that in the opinion of the Executive Body the club is a going concern
- The financial performance for the year highlighting trends
- The current financial position of the club
- Significant events and transactions during the year
- Club objectives and strategy
- Significant future risks and influences
- Communications with stakeholders including supporters, supporter trusts, the community and commercial partners
- At least annually before the start of each accounting year, the Executive Body should consider the main threats to the performance of the club and its ability to achieve its financial, operational and compliance objectives. Appropriate arrangements should be made to manage the impact and likelihood in the event that the threat materialises. Set out below are examples:

⁵ For details see <http://www.thefa.com/GetIntoFootball/parentsandvolunteers/Runningaclub/Runningaclub/Safeguarding>

⁶ For details see http://www.thefa.com/TheFA/~/_media/Files/PDF/TheFA/Rules_Regs/2011/5848%20FA%20Betting%20Booklet.ashx/5848%20FA%20Betting%20Booklet.pdf

⁷ For details see <http://www.thefa.com/my-football/more/respect>

⁸ See FA Rule 11 (c), (d) and (e) for the requirements in relation to the content of a club's annual accounts

Policies and Procedures (1) continued

Threat / Risk	Mitigated by	Monitoring
Relegation	Policy for clauses for % reduction in player wages	Annual review of policy and financial impact of relegation.
Loss of key player at contract end	Policy to enter into early contract renegotiations	Monitor player performance and contract terms and length
Non availability of key player	Performance related pay in contract. Identify replacements	Monitor player performance, illness, injury and contract terms and length
Loss of key source of finance (eg benefactor, sponsor)	Assess financial strength of provider Investigate alternative sources of investment Link length of player contracts to length of key contracted income	Regular review of financial performance and plans of the club and their sensitivity to loss of income streams.
Compliance with PAYE regulations	Application of PAYE to payments to players and/ or maintaining adequate records of payment of expenses to players. ⁹	Regular review of procedures in paying players and others.

Each threat should be assessed for the risk it poses to the club in terms of both the impact and the likelihood of occurrence. The level of risk may be assessed simply in terms of high, medium or low impact and likelihood.

The above list is not exhaustive. Other areas of the club that may be subject to a risk assessment include health and safety, safeguarding children, ground issues, loss of data and business interruption. The executive body may wish to seek professional advice when undertaking a risk assessment, as circumstances will vary between clubs.



⁹ Guidance in relation to payments to players can be found on the Governance Section of TheFA.com under Financial Regulation

Policies and Procedures (2):

An Executive Body will provide good governance by setting and delivering the objectives of the Club whilst carrying out a process of development and review by:

- establishing objectives that are relevant
- developing strategies to achieve the objectives
- approving operational plans to deliver the objectives
- monitoring progress against the plan
- evaluating the results
- amending the plan as required

Application:

- the Executive Body should be clear that it is responsible for the establishment and delivery of the objectives of the club liaising and communicating with stakeholders where necessary;
- the Executive Body should undertake a budgetary process (tailored to the size and circumstances of the club) in advance of the start of each financial year to include:

- preparation of a detailed budget and cash flow for approval
- if the budget demonstrates a funding gap/loss for the season, then the Executive Body should clearly minute how this will be addressed.
- based on the overall budget, an annual expenditure budget for players' wages and expenses should be agreed by the Executive Body
- Executive Body should review the budget, at least quarterly, and revise where necessary.

- the Executive Body should agree and minute any responsibilities delegated to senior officials of the club. This may be achieved by preparing an organisation chart that documents responsibilities for each key position (eg Football Secretary, finance officer/treasurer, commercial, stadium and safety, welfare officer¹⁰);
- the Executive Body should undertake an annual review of its performance and also separately that of the club. Areas under review should

include football activities, finances, commercial, communications with stakeholders and work in the community. The review should include:

- appraise performance against key objectives
 - review the appropriateness of the objectives
 - revise the objectives, if required
- Regular minuted meetings should be held sufficient to discharge the Executive Body's duties effectively. Meetings should consider the performance of the club at which current financial information should be presented, considered and acted on.

Case Studies

Winterton Rangers FC

The Club now know exactly how much it costs to open their facilities and host a fixture so they can measure the amount of income required to break even and make a profit.

North East Counties League, Premier Division

Over the last 18 months the Executive Body of Winterton Rangers FC has acquired the services of a business consultant to support the club in becoming more business focused and sustainable. This has led to significant changes in the club including:

- The implementation of SAGE accountancy tool to monitor financial transactions throughout the different functions of the club
- Introduced employee contracts, policies and timesheets
- Introduced stock and waste management systems that has led to an 80% reduction of waste

The Club now know exactly how much it costs to open their facilities and host a fixture so they can measure the amount of income required to break even and make a profit.

The club have also incorporated as a company limited by guarantee reducing the personal liability of volunteers within the club and registered as a Community Interest Company (CIC), so the ground and property of the club is protected under an asset lock, a feature of a CIC.



¹⁰ For further details see <http://www.thefa.com/GetIntoFootball/parentsandvolunteers/Runningaclub/Runningaclub/Safeguarding>



Whilst the Guide is not mandatory, clubs are strongly encouraged to report publicly on the extent to which they have adopted these principles of good governance in order to be able to demonstrate accountability and transparency to stakeholders.

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