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Lord Hayward
House of Lords
London
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Dear Lord Hayward,

During the 2nd December Committee debate on the Football Governance Bill, you requested clarification on the cost of the Independent Football Regulator ('Regulator') with a particular focus on how these costs would be proportionate to smaller clubs. Delivering value for money, and ensuring smaller businesses are not subject to unnecessary burdens, are priorities for this Government. I am writing to provide clarification on this issue.

Exact cost of the Regulator

We cannot know the exact costs of the Regulator until legislation has been passed and the organisational design has been independently finalised by the incoming Chair and Board. The Impact Assessment provides a reasonable estimate of these costs. As per His Majesty's Treasury's Green Book guidance, this gives an economic estimate of the operating costs over a 10-year period.

Ultimately, the funding it requires to deliver its statutory objectives is an operational decision for the Regulator. However, while the Regulator will be responsible for setting the charge of the levy, there are multiple measures in place to ensure value for money.

Safeguards on the Regulator's levy and cost to businesses

There are several measures in the Bill to ensure value for money and proportionality. These are not "broad general observations", as you suggested, but specific clauses and safeguards designed to address the concerns raised on cost during the debate.

The Regulator will calculate its annual funding requirement from a closed list of possible costs outlined in clause 53 subsection 3. This will prevent the Regulator from burdening clubs with costs outside those necessary for regulatory activity within its narrow scope of financial sustainability and heritage protection.



As a public body, the Regulator will be subject to Managing Public Money principles and the Pay Remit which sets limits on salaries. This will ensure financial best practices and prevent unnecessary costs. In addition, the Regulator has a specific regulatory principle in clause 8(a) to use its resources in the most efficient, expedient and economic way.

The Regulator will be held accountable for its costs, ensuring that clubs are only charged what is necessary for effective regulation. DCMS as the sponsor department will agree a 'framework document' with the Regulator. This will set out the governance framework that the Regulator will be required to operate within including the responsibilities of the Accounting Officer.

The Regulator is also required in legislation to consult with the Secretary of State, the Treasury and all regulated clubs as well others the Regulator deems appropriate when making, amending and replacing levy rules. This will ensure the government and the industry will not have to accept a levy charge without having their views heard. Clubs will be able to speak to the effect the levy's cost could have on them and the Regulator would take this into account.

These measures, as well as other requirements such as annual auditing by the National Audit Office and the laying of Annual Reports before Parliament, will ensure appropriate scrutiny over the Regulator's levy methodology and practices.

Proportionality of the levy

Per clause 53 subsection 9, when setting the levy charge for a club, the Regulator will be required to have regard to both that club's individual financial resources and the league in which that club operates. This clause is a direct measure to ensure affordability. This will ensure the Regulator considers the individual circumstances of smaller clubs, like those in the National League, and the impact costs would have on them when determining how the levy charge should be distributed across clubs.

While this is an operational decision for the Regulator, given the requirement in 53(9) we expect that the levy will be charged progressively such that wealthier Premier League clubs should shoulder the majority of the cost. Ultimately, no club, big or small, will be asked to pay more than what is fair and affordable.

Proportionality of the regime

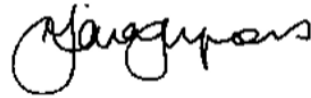
Beyond the levy itself, as I outlined in the debate, the entire regime has been designed to be proportionate. This is instilled in the regulatory principle in clause 8(c). The Explanatory Notes to that clause, sets out that this means:

"The IFR should consider the circumstances and potential impacts of an action, choose the least restrictive option that still delivers the intended outcome, and be able to justify why any restriction imposed by that option (e.g. on a club or individual) is reasonable. Broadly, this means the marginal benefit of an action should outweigh the marginal cost."

I also referenced the tailored, bespoke nature of the licensing system. Rather than 'one size fits all' requirements that take no account of a club's specific means, or needlessly put obligations on clubs, the licence conditions placed on clubs by the Regulator will vary depending on their unique circumstances. Where clubs are smaller, or lower risk, the regulator's requirements will reflect this. This means the Regulator will not be imposing unnecessary burdens on smaller, or already well-run, clubs.

I hope this provides you with helpful clarification and reassures you that this regulator will not impose undue burdens on smaller football clubs, be that through the levy or its regulatory requirements. I also hope you will understand that I cannot at this stage provide any exact figures on costs, although I recommend that you continue to engage with the Shadow Regulator on this point.

With best wishes,

A handwritten signature in black ink, appearing to read 'Baroness Twycross', written in a cursive style.

Baroness Twycross
Minister for Gambling