



13/06/2019 – 5:30pm
James Herriot Suite

SAFC: Charlie Methven (**CM**), Chris Waters (**CW**), Louise Wanless (**LW**), James Wallace (**JW**)

Groups: Branch Liaison Council, Disabled Branch, Red & White Army, Senior Supporters Association, Sunderland Supporters Liaison Group

Present: Andrew Hird **AH** (RAWA), David Rose **DR** (RAWA); Michael McAllister **MM** (RAWA), Ian Blenkinsop **IB** (RAWA), Cath Reid **CR** (BLC), Joanne Youngson **JY** (BLC) Peter Oliver **PO** (BLC), Tom Corkhill **TC** (BLC), Peter Shippey **PS** (SLG), Kevin Charlton **KC** (SLG), Jeff Smith **JS** (SLG) and Mike Hillam **MH** (SLG)

Apologies: Malcolm Bramley (Senior Supporters)

Minutes

1. . **Apologies and review of action points from previous meeting.**

CW – Action points from last meeting, action point re. airshow, discussions with Council looking at a Club presence at the airshow and tying in with a home friendly fixture.

2. . **Club Finance and Governance** a. **2018/19 Finance Review – Did it meet expectations?**

CM: Noted that it has been a successful year for the club financially.

Questions are taken from the floor:

IB: queried that there has been no real picture since year end, ploughing through 2017/18 accounts. IB questioned that there has been a perceived problem with accounts which have set hares running amongst supporters.

CM noted that the perceived problems with the accounts have come down to two different parts. One unavoidable, one avoidable.

CM stated that the SPA that was put together when buying the club was done in less than two weeks, undertaken by an element of accountants and lawyers. It was noted that the problems have come about as Ellis Short should have paid off £55m of SBC debt and left £25m debt in the club. The money would then have gone from the Club to SBC to pay off the debt.

CM went on to say that what happened was that Ellis Short was going to take all of the debts off Sunderland AFC's books. So therefore the club had got itself into a situation where monies previously guaranteed to SBC by the club were now owed to SBC by Ellis, but the club was committed to pay £25 million to SBC to assist Ellis in paying off that whole debt.



CM referenced the parachute payment. It was noted that you get a couple of big clumps of money in July and August and then the rest throughout the year. £34m was second parachute payment, £25m in June / July with the rest from August through to May. The parachute money has to go into the club before it goes anywhere else. As such – because of the way the SPA was drafted - the money flow goes from SAFC to Madrox to SBC, and once SBC was finally satisfied then Ellis' charges on the club were released. Madrox itself received no money – indeed, throughout the whole process Madrox didn't have a bank account.

IB Concerns amongst supporters – When is money coming back into the Club. Is there an agreed timescale?

CM noted that the parachute payment money was always intended to pay off SBC bank debt, and that was precisely the “money coming back into the club” – indeed, it is precisely what parachute payments are intended to do. The fact that a paper debt has been run up is practically irrelevant, as that money was never going to be spent on players; it was always going to pay down debt, whether Ellis Short, Madrox or anyone else owned the club in June 2018. So, no, the club does not get lucky enough both to pay off its debt and then receive the same money again to spend on new players! Nor will it make any difference if a majority stake in the club were to be sold, as if the owed amount of cash were to be placed in the club it would simply increase the purchase price by that sum.

As previously stated, CM suggested that the avoidable situation was that the SPA should have left 25m debt to SBC outstanding, to be paid off over the following weeks.

That not having been done, CM noted that the unavoidable situation was where the Club obviously had to abide by Premier League rules and indeed accounting rules. CM urged the Collective to focus on the big picture: the day before club got taken over, the total amount of debt was around £180m, owed to Drumaville and to SBC, the latter interest bearing. A year later there is no debt. Indeed, because of the paper debt from Madrox to SAFC, even the substantial sums that Madrox have put in over the last 12 months have not come in as new debt, but as a re-paying of that paper debt. The whole matter is cause for real celebration.

CM went on to discuss the PR handling of the situation. CM wrote in the programme notes at the start of the season explaining the situation. The deal was worth £40m to Ellis as he received £15 million and then didn't have to pay £25m.

IB: The data is all there, but it can be quite hard to interpret.

IB: Ellis Short had charges over the club and these were paid off in April – no charges over Madrox or SAFC.

CM: In accounting terms, the club is now “owed” around £20 million – so in the event that any new owner came in, there will an adjustment in purchase price. If Madrox stays in charge then the debt remains and gradually gets paid down. As per the above, not leaving £25 million of debt to SBC in the SPA is a big ‘win’ for the club.

CM (asked to explain owner debt) explained: Up and down the country, club owners – when they inject money they do so as debt. It is known as soft debt as its not interest bearing and the holder of the debt is highly unlikely to call it in. But in Sunderland's case there was not only a mountain of soft debt to Ellis Short, but a large amount of hard debt. SBC interest payments were approaching £8m per year – pretty much all of the fans' ticket money was paid straight away to paying off SBC interest. Furthermore, the total money owed to SBC was more than the value of the club. So the club itself was insolvent, and only existing on the goodwill of its owner.

IB: So, in short, the parachute payments from last summer were spent on SBC debt, incurring a debt from Madrox to SAFC, and that debt is being paid off over time.

CM: In answer to your first question: yes. In answer to your second question: that is the current situation, yes, subject, in future, to what I have already said.

18/19 Financial Review



CM: Our business plan was to achieve £18.5m in revenue and get costs down to around £30m and on a downward trajectory (Inherited revenues were £15.5 million and inherited costbase was £46m). On cost, I believe that we have more or less reached our target. In revenue terms (non-parachute operational) they will come in at about £20m. Long and short of it is that we've hit our numbers. Loss for the year pre-parachute payment indicates that situation will be slightly better than planned.

CM: As you cut costs through the year you end up at an annualised cost base through the year. If you take the latest month's costs and multiply by 12, it provides an up-to-date projection of your new overall costbase. So, going into 2019/2020, hopefully it'll be down to £30 million or less, with a revenue base of around £19m (the trips to Wembley were cream on the cake and cannot be counted on to re-occur).

Asked about the new charges from Close Brothers (reported in the Daily Mail), CM explained: all that has happened is that we pulled forward the parachute payments for April, May and June and a bit of July to clear up various black holes that had to be sorted out by the end of May / June. It's a very common financial device in football - a straightforward securitization, by which the Club receives that money upfront and then pays it back over the following months, as that money comes in. Once that is all sorted, around £10m of Sunderland's final parachute payments will come into the Club to fill the gap between current revenues and current costs. If you take £19m of revenue and add £10m or so parachute payment to it, you get a total revenue of £29 million – which is not far off what the club's total costs are. That is a strong position for the club to be in: debt free, and expecting to break even over the next year.

Asked about the future beyond the end of the parachute payments, CM answered: Of course, the challenge is that cost and revenue need to be aligned by the time the parachute payments finish in June 2020. A lot of work has gone into increasing revenues and that will continue. It's no secret, either, that the business is still bearing the costs of a small number of very high earners, but won't be paying those salaries for ever. Then you have the business rates which are £1.5 million too high, but will be re-set in 18 months' time to the right level. So these factors will make a big difference in getting the costbase under control.

We're getting to an operating level break even in League 1. If and when the club does get promoted to the Championship then revenue should go up by around £9m, this includes a £6.5 million uplift in tv money, increased sponsorship and ticketing revenue. £30m of operating revenue I believe would be the second highest in the Championship, just behind Leeds. On those numbers, the club should be able to break even with a upper mid-table playing wages budget.

CM: So, in conclusion the Club is financially headed towards a good place. Off the pitch you don't often hit the business plan, but we've hit quite an aggressive business plan. Questions have been asked re. failure to meet promotion but in terms of sales of replica shirts, these are ahead of last season, season ticket sales are 21,600 (at the time of writing) which is also ahead of last year. We believe that the business is being run in a more commercial and fan-focussed way, which in turn should lead to a bit less of a correlation between league position and commercial success. Ultimately, you want to make yourself as strong and sustainable as you can.

Question – have costs been bottomed out?

CM: There is a bit of work to be done, but there is probably not much fat left. We have a dedicated team of staff that are working hard. Costs at the academy have been reduced (training ground as a whole). Following the takeover at the Club middle management was stripped back, and others have had to step up to the plate.

CM not anticipating a ramping up of off the field cost base. When we came into the club the numbers of staff were double that of Newcastle. There is some necessary investment going into the academy, and as always there will probably be some cap ex required for the infrastructure. Huge chunk of first 6-7 months (of 18/19 season) was spent on a lot of legal and contractual situations, management time was heavily focused on this for a lot of time.

CM: Financially, clubs don't want to hang around in the championship too long as it is a very tough league. Big topic at the EFL Conference was financial fair play in the football league. Big points deductions are going to happen in season with FFP. There is a view that wages will come down in the championship because clubs won't risk not



adhering with FFP – this could put Sunderland in a very good situation given potential operating revenues are much higher than most Championship clubs.

IB: To back up what Charlie has said, at Championship level every team has made a loss, and nobody is profitable.

PS: Question: Are there plans to sell the naming rights of the stadium?

CM: This is on hold just for the moment, while we talk with various investors.

Question: Does fixed price in tickets end next season, does this pose an issue in terms of two different season ticket prices?

CM: As a function of the promise to reward loyalty by holding season card prices for those who stuck with the club, there is that slight issue right now. Any decisions for future seasons will be made on their own merits.

SHIRT SPONSOR 2020/2021

CM: We found out relatively recently that BETDAQ weren't going to sponsor football clubs. The original deal was to be two years, so we now need to go out and find a new sponsor for next season.

IB: Will kit supplier change?

CM: The club is currently reviewing this. I will say, though, that it's not just a case of looking at who produces the kit that looks good, its looking at additional offering. You need to look at retail take, who provides good shirts and off the field clothing. I believe that all the main manufacturers are being asked for proposals.

Comment raised re. kits and manufacturers.

MMc noted that Brentford have decided to leave adidas given the kit designs.

LW noted that Brentford's deal is likely to be very different to the deal that has been offered to SAFC.

CM noted that club is considering giving a say on the design of future kits to supporters. CM agreed that a vote would likely be run by Red and White Army (RAWA) as with the naming of the South Stand.

DR: Noted the level of shirt pricing at youth level. This is an issue across the country, given that there is a limited shelf life.

JW: Pricing has been looked at and shirts have seen a five-pound decrease over previous seasons.

CM: This is a collective issue: within reason, fans should fundamentally want the club to make more money. In certain areas, if you make things cheaper you'll sell a greater volume. In general terms, I'm trying to convince fans to take pride in the club's revenues. The club was shot to bits because the revenue base was severely damaged. The fans are in the strongest possible position where fans revenue is significant to the club. Overall, we need to build that revenue base for when we get promoted.

KC: Should season card holders get a discount on shirts?

CM: Our season cards are very cheap, even compared to league 1 standards, which has been done to reward loyalty. We need to get away from the mentality of freebies and handouts. Leeds' season tickets are nearly double the price of ours. If we start off discounting left right and centre, we may not be able to bring in the players we need. Like every club, we need to find a sweet spot where we are competitive but not ripping fans off, if we reward fans by giving away too much it can come back and effect fans when the on-field side of things are impacted by revenues. We had a survey done recently and it demonstrated that our fanbase is not rich and it's not poor – it's a normal



demographic in comparison to other clubs. So if as a club we want to be competitive, our pricing needs to be normal, not bargain bucket. I really believe that we need to get away from the mentality of having a rich person throwing cash at the club, and then leaving big black holes behind when he gives up. We need to have a competitive business.

IB: it is worth remembering looking at the price of a ticket, the club lose a 6th of the money as this goes to the government in VAT.

CM: I must emphasise that we are always up for discussions about how the club can do things better. So its not always a “no” to things being cheaper, but asking the question: why? CM noted that Tony Davison (TD) has looked at beer pricing and pouring rights and there is the possibility that reducing beer prices would increase profitability, for instance.

DR: It would look strange if we didn't ask about the elephant in the room about potential investors

CM: It's no secret that we've spoken to many investors since February / March – the Club is thoroughly investable again; a lot of people are looking at Sunderland heading in the right direction. We're looking at finding people with the additional resource to put into the club but who also 'get it'. The club needs a bit of stability and need people who want to take it on and add to it, rather than ripping it up and having a different model. I can't comment on specific stories, but we've been quite clear that we want to come to a resolution, at least in the short term, by the end of June. Answers will become clear very soon: either somebody will come in as an investor or Stewart (Donald) will come out and say that things will remain as they are for the time being.

3. . **Playing Staff – Performance Review**

a. **Academy**

DR: There has been concern and noise regarding letting talent go out of the academy.

CM: Like a lot of rumors, there is no smoke without a little bit of fire. Both last summer and this summer we're likely to lose some of our sub16 year old players to top six clubs. Greenwood and Stephenson departed the club. To reiterate the legal situation, we can't sign a player to a pro contract before they are 17. If the player is younger than 17 and wants to leave, they can just go. There is a compensation system in place, if a player turns up at another club there is a tariff in place where the parent club gets paid. If this tariff can't, be agreed it goes to tribunal – these costs can be quite high being at a cat 1 academy in terms of payments of several hundred K.

CM: Whilst losing the odd talented 15-year-old is frustrating, I think that we should also be celebrating the fact that we're the dominant academy in the country at the younger age groups football, 3 teams have won leagues, 2 teams have come second.

CM: SeSo, the academy is in a good place and Stewart has been clear already that we are looking at further investment to retain the Cat1 status. That investment was signed off by the board earlier this year.

Answering question about loss of staff, CM: We've lost our director of coaching recently who has taken the deputy director job at Newcastle (he is a lifelong Newcastle supporter so was difficult to retain).

CM: A performance pathway is required from academy to first team, but our current League status is of course not helpful in retaining the odd player who wants to be at a Premier League club.

b. **Player Retention**

CM noted that he was not the best person to speak to with regard player retention.

4. . **Matchday Experience**

Wearside By Side



a. Ticketing – Black Cat points, Admin fees

CW: The ticketing system has now moved across to Ticketmaster software – we still have a fully operational ticket office, fans opinions assumed it was an external project. First games in Portugal now on sale via Ticketmaster system. Season card holders are up to speed with Ticketmaster accounts. We're now working with fans that buy on a match by match basis, fans who haven't had a purchase history in two to three years, asking fans to set up a new purchasing history. As soon as you buy one ticket for a season, you will automatically have an active purchasing account. UK and International membership has led to automatic activation on ticket master software. CW team is trained up and ready to go with assisting supporters who require further information.

CW: Black cat point system is entirely the same system as has gone previous. Loyalty point for every away game and includes the Portugal games as well. Internal discussions had been held with changing loyalty point system, however, general feedback from supporters favour current set up. Any potential changes to black cat point system will be discussed with supporters.

Feedback around the table suggest that Black Cat point ticket system works perfectly as is. DR notes that 3 year rolling system works perfectly.

IB: It is important that new season ticket holders have a foot hold on the ladder but can be essentially locked out.

MMc notes that there are plenty of ways to build potential loyalty points.

CR: we had 7 pre-season games and additional cup games which allow people to build up points.

CW: A few general sales away games allowed people outside of the region to allow them to build up potential points.

CW: admin fees are £1.25 booking fee and £1 postal. CW attempting to reduce block booking fees for BLC admin fees. Admin fees are set by the Club and are at the same as last year.

CR: Branches block book and were paying for block bookings, funds were coming out of branch fees so BLC has asked for the Club to look at reducing.

b. Fan Engagement

CW – SLG Fan engagement topic – PS – noting about the sensory room, one of the boxes near to the sensory room is barely used so there is the potential to expand the sensory room.

CW: going to look into the potential for expanding the sensory room given the demand – Club are working with schools and will have more of a presence on club media channels.

PS: possibility of 13 potential spaces if the boxes were to expand.

DR: Fan engagement generally this season has been excellent, level of access and communication at these meetings and sub groups has been really good.

CR: Comments at away matches people noting that the level of engagement has been fantastic. Hierarchy have been accessible and present at games.

5. Stadium Identity



a. Stadium Naming Rights

Previously addressed

b. Away Supporters – Security Assurances

CM: Discussions are ongoing about how to deal with the issues we have seen. Maybe netting for some fixtures? In future seasons, it is almost inevitable that away supporters will be coming downstairs (lower tier), this was a key discussion point at EFL conferences. Football has moved against keeping away supporters in the gods. Premier League have already acted on this, championship is now considering following suit, though worth noting that no Championship clubs do confine away fans to the upper tier alone.

CM noted, though, that there are big logistical challenges looking at concourse infrastructure – we'll have to build the right infrastructure for away supporters elsewhere in the ground. This whole issue will be ongoing, and a lot of consultation with fans will happen as the discussions progress.

MMc: Are there any timelines?

CM: We need security measures for this season as we can't move supporters, so I would guess that the aim would be to move supporters for the 2020/2021 season. Following consultation if there is a majority to keep fans upstairs and EFL hasn't moved in terms of the rules, then the situation may be different.

Comment – Can't understand why the atmosphere would be better by moving fans

MMc: Atmosphere has been made worse moving supporters to the upper tier.

DR: Everyone has different views, so it is important to gauge the opinion of all supporters through consultation.

CM: Extensive consultation work to be undertaken in agreement with the SGC. Various elements will need to be voted on. It's a difficult issue

CW: A lot of comments were received following the Coventry game. A higher police presence was brought in for remaining games of the season. Club are working with the police throughout to monitor and keep working with next season. Ticket allocations will be reduced for Coventry and Portsmouth. Restrictions will be in place for those two clubs. In terms of feedback from Coventry game – supervisory steward was sacked at half time and 7 fans were arrested. We're looking at putting netting up for particular clubs as opposed to a permanent fixture for all.

IB: Majority of away supporters have been very well behaved, and this hasn't been an issue until this season.

c. Review of Roker End and Artwork project updates

DR: RAWA have established flag display before kickoff. We're looking at trying to fund further artwork projects around the concourse not just restricting to the Roker End. Looking at projects to brighten the place up and what we're hoping to do is grow the number of volunteers that help out before kickoff. Trying to have a bit of squad rotation and we're trying to encourage more people to get involved. People have noted that they'd like to see the flags in other parts of the ground, but this would require additional funding and greater numbers of volunteers in all areas of the ground.

One new idea for the start of next season is to have miners style banners around the Roker end to give a sense of history.

CM: I would like to place on record the club's appreciation for the efforts undertaken this season with regards building the atmosphere. The experience of walking into the Roker End with the mural, flags, red seats, these matters are an example of the great work the fans can do.



CM: With regards the replica lattice work, can this be done elsewhere in the stadium? A lot of modern stadia are identikit and it would be great for further lattice work around.

CW: Feedback from fans would like to see lattice work around the ground. As a club we're pretty open to ideas and providing space to improve the atmosphere.

d. Smoking Area

CM: This is now an ongoing issue, and the subject of debate at the EFL Conference, as a lot of EFL clubs are now providing smoking areas. It's important to note that the drive is to stop people smoking in areas where they shouldn't by providing a specific area, thus reducing passive smoking.

Action Point: Club to investigate the potential of smoking areas at the Stadium of Light in terms of feasibility/ cost

JY: Experiences this season at other grounds has been very positive.

CM: I know that from an Football Supporters Association (FSA) (formerly Football Supporters Federation) perspective it's all about giving choice back to supporters and supporters shouldn't be discriminated against.

e. Safe Standing

DR: There is no longer a discussion as to whether safe standing is good or not. The safety issue surrounding safe standing has been removed but it has now moved into a security issue. The FSA continue to lobby on this matter.

There have been some advancements in terms of Wolves having a rail seating area, Spurs also have an area, although the law hasn't changed, people are more accepting.

CM: Because things are moving in a particular direction open the discussions. We're in a league where we can legally stand, however, we would have to re-address upon promotion.

DR: If the club were in a position to put rail seating into the Roker End, there wouldn't necessarily be anyone pushing against rail seating.

MMC: Has the club costed for rail seating?

CM – This hasn't been considered but will be looked into.

Action Point: Club to explore the costings associated with rail seating

IB: Potential issues of standing at away games, there are people with health-related issues that are unable to stand for 90mins, and ticket sales don't allow flexibility.

LW: With away ticketing we're told to sell block by block, but if you speak to the ticket office and staff that there is a particular need the club will look into facilitating tickets for people.

CR: We have a disabled branch and a branch that are primarily in their 60s/70s and requests are made for tickets at lower level, the ticket office have been fantastic in providing tickets when asked for.

f. Ticket Office / Shop

CM: Changes to the ticket office / shop have slipped down the priority list. It is on the agenda, though, as the club shop is clearly not in the correct place for passing trade – there is a fully costed project plan in terms of turning the ticket office into a shop, so it's just a matter of priorities.

Wearside By Side



DR: Is there consideration for the shop to be turned into a bar area?

CM: a comprehensive review of Fanzone as a whole is being undertaken.

Action Point: SGC to provide feedback as to what would make a successful Fanzone

MMc: Ticket office staffing, biggest reoccurring issue on twitter is trying to contact the ticket office. Various points this season excessive amount of phone calls to get through to the club.

CM: Classic area when it comes to cost base, the ticket office is busy in spikey ways – if you're carrying a massive ticket office staff when not a lot is happening you've got to look at rota-ing and casual staff to meet demand. It's a very difficult balance to get right, and every season more fans are booking online.

CM: Before I answer this question properly, we need to get a clearer view of call demand etc. to staff appropriately.

g. Disabled Access to Quinn's Bar

CW is looking into disabled access in and around Quinn's bar etc.

6. Sub groups

a. Merchandise Sub-Group

i. Women's Clothing

DR: The women's clothing issue was flagged up at RAWA AGM and we're still in a position where there isn't a lot of products for women.

JY: The first merchandise sub group was very successful and we're hoping that the sub-groups go ahead. Any consultation will definitely be a good thing. Sub group flagged up restrictions etc. that fans need to be made aware of more publicly.

JW: It would be very beneficial for the Club to receive information and findings from the sub groups.