

IN THE MATTER OF A BREACH OF THE EFL REGULATIONS

B E T W E E N:

THE FOOTBALL LEAGUE LIMITED (trading as the “EFL”)

Claimant

- and -

THE READING FOOTBALL CLUB LIMITED (the “Club”)

Respondent

AGREED DECISION

Introduction

1. This is an Agreed Decision pursuant to EFL Regulation 85.
2. The aim of the Championship Profitability and Sustainability Rules (“**P&S Rules**”) is to encourage “...*responsible spending for the long-term benefit of football*” (EFL Regulation 18.1.6) and thereby to discourage short-term overspending by football clubs. The ultimate purpose of the P&S Rules includes “...*introducing more discipline and rationality in Club football finances*” and “...*protecting the long-term viability and sustainability of League football*” (EFL Regulations 18.1.4 and 18.1.7).

Breach

3. The Club, having reported an unaudited Adjusted Earnings Before Tax of a £57.809m loss for the four year period ending with Season 2020/21 (“**Reporting Period**”), has exceeded the applicable Upper Loss Threshold (as defined in the P&S Rules) for the Reporting Period by £18.809m.
4. The agreement by the Club to this Agreed Decision amounts to an acceptance of a breach of the P&S Rules for the Reporting Period.
5. It is also noted that in exercise of its powers under P&S Rule 2.9 and Regulation 16.20, both as a preliminary measure and to provide a tool for the application of a suspended sanction, the EFL has required the Club to submit, agree and adhere to a budget a summary of which is set out in Appendix 1 to this Decision (the “**Budget**”). The Club has confirmed its acceptance of the obligation to comply with the Budget. Separately and independently of any other remedy, a breach of the Budget or Revised Budget shall be deemed to be a breach of EFL Regulation 16.20.

Decision

6. It has been agreed and I hereby order that the Club is sanctioned for the breach as follows:
 - 6.1 The Club is to be immediately deducted 6 points in the 2021/22 Championship season.
 - 6.2 The Club is also subject to a suspended sanction of 6 points to be deducted from its season points total in Season 2021/22 (or Season 2022/23), on the first occasion on or before 30 June 2023 that:
 - i) the Club fails to file such documents as are required to be filed in accordance with the provisions of Rule 2.2 of the P&S Rules by 1 March in the relevant Season(s);

- ii) the Club breaches the Budget as more particularly described in paragraphs 19 and 21 of Appendix 1; or
- iii) the Club is found to have committed (or admits) a further breach of the P&S Rules by its P&S Calculation resulting in a loss that exceeds the Upper Loss Threshold as applicable at the time of the submission in accordance with Rule 2.2,

the “**Suspended Penalty**”.

- 7. The Suspended Penalty will be in addition to any sanction to be imposed in respect of:
 - 7.1 any further breach(es) of the P&S Rules, including but not limited to further breaches of the Upper Loss Threshold; and/or
 - 7.2 any breach(es) of the Budget,and shall not operate to mitigate any sanction that may be imposed for such a breach.
- 8. The Club will continue to be bound by and shall observe the P&S Rules.
- 9. Assessment of the Club’s compliance with the P&S Rules for the reporting periods ending with Season 2021/22 (and, if applicable, Season 2022/23) will reflect the principle that the Adjusted Earnings Before Tax for each of the financial years up to and including Season 2020/21 will be capped at Adjusted Earnings Before Tax of a loss of £13m, or such other Loss Thresholds set out in the P&S Rules in the event they are amended.

Costs

- 10. The Club shall pay the costs of the Commission relating to the approval of this Decision, assessed at £700 plus VAT as applicable.

Further action

- 11. The EFL may re-open any investigation and commence any disciplinary proceedings against the Club if any information submitted by the Club turns out to be inaccurate, or if there is any failure of compliance on the part of the Club with the terms with this Agreed Decision.

Publication

- 12. This Agreed Decision shall be published by the EFL on its website and may be circulated to other member clubs of the EFL.
- 13. The EFL may answer any questions posed of it by other Championship Clubs in relation to this Agreed Decision and any matters related thereto.
- 14. Any further public statements are to be agreed between the parties.

Finality

- 15. This Agreed Decision is not subject to an appeal before the League Arbitration Panel as constituted under EFL Regulations, or indeed to anybody having, or purporting to have, jurisdiction to review this Decision.

Graeme McPherson QC

16 November 2021

Chair of the Disciplinary Commission

Appendix 1 – Budget

1. For the purpose of this Appendix, the following terms shall be interpreted as follows:
 - 1.1 **“Permitted Player”** means any Contract Player who:
 - i) has at any point during their career, started in 3 League Matches (as defined in the EFL Regulations) in the same or higher division that the Club is participating in at the time of their registration; or
 - ii) is registered with the Club after the date of this Agreement.
 - 1.2 **“Salary”** means such sums as are required to be disclosed in or annexed to the standard player contract (including but not limited to (i) gross basic salary, (ii) signing on fees, (iii) appearance fees, (iv) individual player bonuses, and (v) accommodation, relocation, travel or motor costs) excluding any payments made in accordance with the squad bonus schedule.
 - 1.3 **“Total Player Salary Costs”** shall mean the figure calculated by adding together the Salary for each Contract Player registered at the Club.
 - 1.4 Any other capitalised term, not defined in this Agreement, will have the meaning given to it in the EFL Regulations.
2. The Club has been required to submit, agree and adhere to a budget in accordance with P&S Rules 2.9 and Regulation 16.20 for the remainder of Season 2021/22 and Season 2022/23.
3. The Club and EFL have agreed a cap on Total Player Salary Costs of not more than £21.1m in the current Season, reducing to £16m in the following Season (Championship status), with a number of other conditions, including:
 - 3.1 the Club will be permitted to have registered at any one time no more than 25 Permitted Players;
 - 3.2 the Club will not be permitted to pay or commit to pay any Transfer Fee, Compensation Fee or Loan Fee or any other form of payment (other than a sell on fee) in respect of the registration of any Player in excess of the level as agreed with the EFL;
 - 3.3 the average Salary of all new Contract Players registered from the date of this Agreement until 30 June 2023 will not exceed an average of the level as agreed with the EFL;
 - 3.4 the Salary of any new Contract Player registered from the date of this Agreement until 30 June 2023 will not exceed the level as agreed with the EFL;
 - 3.5 any contribution to fees paid to an Intermediary by the Club on the behalf of a Player will be limited to 3% of the Player’s Basic Gross Income (as defined in the FA Regulations on Working with Intermediaries);
4. In line with the existing EFL embargo policy, the Club can:
 - 4.1 continue to register Academy Players, Scholars and non-first team players (Contract Players who are not eligible for first team competitions as a condition of their contract and whose Salary is capped at the level as agreed with the EFL).
 - 4.2 upgrade Scholars and Academy Players to their first professional contract (subject always to the cost caps set out in paragraph 3).
5. If a Club does not have a Professional Goalkeeper for a fixture (i.e. all other Professional Goalkeepers are suspended, called for international duty or injured (independent medical evidence is required)), then a Club would be permitted to sign a goalkeeper for 7 days as provided for by Regulation 55.
6. The Club may be permitted to extend existing permanent Players’ contracts, for example:
 - 6.1 extend a monthly contract subject to the budget restrictions (such players may be unable to find employment elsewhere due to transfer window restrictions);
 - 6.2 extend a full contract of an Under 24 player to protect compensation rights in each case subject to prior application (subject always to the relevant cost limits); and

- 6.3 extend an Over 24 Player, in each case subject to prior application (subject always paragraphs the relevant cost limits).
7. Monitoring of the Club will be based not only on the Club's P&S Calculation but also on each of Club's Player Salary, Player Amortisation and Profit on Player Sales against the individual budget lines under the Budget.

Status of the Conditions

8. Failure to comply with the conditions of the Budget renders the Club liable to the application of the suspended sanction as outlined in the Agreed Decision in circumstances where the failure to comply results in Adjusted Earnings Before Tax in the Club's P&S Calculation as submitted in March 2022 (or March 2023) of losses exceeding the Upper Loss Threshold after any of the following amounts have been removed:
 - 8.1 profit or losses from sale of player registrations in the period 1 March to 30 June of the relevant Season; and/or
 - 8.2 revenue/income from any Related Party for the period 1 March to 30 June of the relevant Season.
9. The Club will continue to be bound by and shall observe the P&S Rules.

Consequence of Relegation to League One at the end of Season 2021/22

10. If the Club is relegated into League One at the end of Season 2021/22, the Suspended Penalty will be applied to the Club's points total in the 2022/23 Season in League 1 unless:
 - 10.1 the Club provides a revised budget for the 2022/23 Season, which is agreed by the EFL Executive prior to the commencement of the 2022/23 Season ("**Revised Budget**"); and
 - 10.2 the cash required by the Club to fulfil all of its obligations outlined in the Revised Budget and/or the Club's Salary Cost Management Protocol Submission (or equivalent) is paid to the Club in full via equity prior to the commencement of the 2022/23 Season.