

CUSG meeting
Monday 10 January 2022
Club update notes

I gave a detailed update to fans in early December covering a wide number of off-the-field issues.

Click [HERE](https://www.carlisleunited.co.uk/news/ceo-updates/) to read that update. <https://www.carlisleunited.co.uk/news/ceo-updates/>

The latest update is as follows:

Fan initiatives

- New Sunset Suite vinyl window wraps are on order. More memorabilia from CUSG is to be installed. The room has been recarpeted and will be redecorated in Q1 of 2022.
- Sporting Inn project is almost complete, with just the final naming and dedication to be arranged.
- My Club My Shirt display area will be in the East Stand concourse. Further details will be provided by CUOSC.
- A rare 92/93 white away shirt with red and blue waves has been stolen from the East Stand display – we ask that if any fans are offered one for sale, they should contact the club, as it is easily identifiable due to distinctive marks.
- Options for a semi-permanent fan marquee on the west side, to add to the Fan Zone, are being progressed with CUOSC.
- Club is supporting London Branch with memorabilia to commemorate Roma 50 – t-shirts on sale, mugs to follow.
- CEO to meet London Branch members before the Orient away game for Q&A.
- Fan mural refitted immediately after Storm Arwen.
- Two of the fan-funded large banners have been re-erected at the back of the Warwick Road End.
- Playing shirt amnesty launched – donation points are in the Blues Store and East stand upstairs ticket office/reception, to hand back old shirts for reuse. <https://www.carlisleunited.co.uk/news/2021/december/club-donate-your-old-shirts-for-good-causes/> Shirts have already been handed in. Please support a good cause. Click [HERE](#) for more information.
- EFL Family Excellence Award feedback has been received from independent assessors making their first anonymous inspection. They marked us at seventh in League Two and 28th in the EFL. The report was very positive and offered a number of recommendations. Click [HERE](#) for more information. <https://www.carlisleunited.co.uk/news/2021/december/club-united-ranked-seventh-in-league-two-for-family-engagement-on-a-match-day/>
- New partnership with Her Game Too has been launched. Click [HERE](#) for more information. <https://www.hergametoo.co.uk/>
- Food bank collection held at the Bradford game. Click [HERE](#) for more information. <https://www.carlisleunited.co.uk/news/2021/december/cuosc-foodbank-collection-for-those-who-need-it-most/>
- Xmas bucket collection held for Cumbria Pride at the Bradford game. Click [HERE](#) for more information. <https://www.carlisleunited.co.uk/news/2021/december/cumbria-lgbt-pride-boxing-day-bucket-collection/>
- The club was due to support homeless charity Shelter's 'No Home Kit' campaign at our home game against Rochdale on Boxing Day. Following the postponement this will now take place at a future home game, when we will be wearing the black away kit. Click [HERE](#) for more information. <https://www.carlisleunited.co.uk/news/2021/december/club-united-and-rochdale-to-support-nohomekit/>

Catering and hospitality

- Take up of the Catering APP launched for pre-purchased food and drink in bars and kiosks is low – fans are encouraged to download to pre-order for click and collect, and use cashless payment. Download [HERE](#).
- Further roll-out of cashless payment is being planned to improve speed of service and reduce queuing time.
- The Sponsor's lounge has now been fully reopened after redecoration, with new flooring and TV. It is in full use on match day as a private room and for hire non-match day. It gives 20% additional capacity to meet growing match day hospitality demand after previously being closed for some time.
- A second six-monthly fan feedback survey of catering is to be launched (following up on the first one from June 2021) in January to assess the changes made, and gain fan feedback.

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Finances

We must continue to be a self-funded club, day-to-day. We must pay for our football spending, including funding our recovery in the league and the January window, from our own cash, not third-party money. This model remains unchanged after the ending of takeover talks, and in practice has been the case since before 2019.

This financial model makes our financial position and prospects important, especially as we are now in the transfer window. It is important fans understand this, and that can only be the case if we are open and transparent as possible about the realities we face. This is also important to counter the misinformation, inaccurate reports and hearsay that fans can pick up and come to believe, especially on social media.

I therefore continue to consistently and honestly lay out the financial facts of the club, no matter what is happening on or off-the-pitch.

Half year trading to 31 December 2021

- Overall, we have earned a net profit of £0.4m in the first six months, driven by £0.45m from player sales and £166k from an additional unexpected, exceptional Premier League grant.
- At this stage this profit is expected to become an overall estimated full year forecast loss of circa £0.4m, by the year end. This estimate is subject to a number of income and costs uncertainties in the second half of the year.

Business

Looking at the individual business activities of the club so far, over six months:

- We have earned £175k from **season tickets** (which is expected to become circa £350k for the full year). This is unchanged from the last 'normal' season unaffected by Covid.
 - **Match ticket income** is £325k so far. This is better than budgeted and proving resilient as fans continue to back the team – as also shown by the gate numbers. The final year expectation is circa £575k, but is driven by on-field performance, support and Covid in the remainder of the year. No ticket system issues have been suffered and a normal reliable service has resumed after the initial early season IT outages.
 - **Retail** continues to be strong with sales to 31 December being the best since 16/17.
 - **Catering** operations are now profitable. It is a priority to increase catering income in the second half of the year. New ideas to improve further, and feedback, are still most welcome.
 - **Commercial** income remains challenging. Overall, commercial is recovering slowly after the Covid lockdown.
 - **Hospitality** bookings are improving and encouraging with new capacity now in place after the reopening of the Sponsor's Lounge.
 - **IFollow** subscriber numbers remain good. We will update separately.
 - **Business costs** and overheads are increasing. We are now incurring significant additional extra stewarding costs on match days to deal with potential fan safety issues and Covid. As I indicated before, this is taking much needed cash that can be better spent elsewhere, and increases the ongoing trading loss. Stadium costs are up again due to power costs and spending on repairs and renewals.
- **Football spending** is up due to a 20% increase approved in June last year, as we invested in the squad in the last window. Further increases will follow after the January window as the club supports Keith Millen. Again, this support was committed in the Holdings statement on takeover, and again in the special CUSG meeting minutes.
 - **Football Fortune income:** We have earned £0.45m income in the first half of 21/22 from player sales. We have earned just £0.1m from EFL Papa John's Trophy prize money and cup games. Without the Trophy prize money our cup income would be minimal this year. This cup cash is important to help pay bills and fund player recruitment.
 - **Exceptional items:** We will receive circa £0.33m of additional Premier League grant support in 21/22 (with £166k received in the first half year). However, we have unplanned exceptional costs from higher Covid compliance, Covid postponements and the costs from a change of manager.

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Cash

I said in my last update, up to the end of November 2021, our cash position had continued to improve. The balance at 30 June 2021 was already significantly increased on the £500k balance at 30 June 2020, and has grown since, as was detailed HERE. <https://www.carlisleunited.co.uk/news/2021/december/chief-exec-part-three/>.

- By the end of 2021, the cash reserves we hold now are the biggest for nearly 20 years. Of course, this is to be judged in the context of some difficult previous years, and recent Football Fortune, but is critical we have it now. Maintaining reserves is essential given our funding model; self-funding ongoing annual trading losses and the absence of a benefactor to subsidise the club or cover emergencies, or unplanned events both on and off-the-field.
- The forecast trading loss in the second half of the year (as detailed above) means from the end of January 2022 until the year end in June 2022, we will now see cash payments each month being far in excess of our receipts. Extra football spending from January window increases this. Our cash reserves will reduce accordingly. This cycle is expected and normal every year (see page 36 of the document HERE).
<https://www.carlisleunited.co.uk/siteassets/documents/220104-cufc-finances-v1.6.pdf>
- By continuing to be in a sound financial position, with cash reserves in the bank, it means the club can also still support the manager without any day-to-day money troubles. This includes the current window. The Holdings Board has reiterated its commitment to Keith, to make available whatever finance is needed to help him move the team up the division.
- Of course, on top of this spending, any debt repayments reduce our cash reserves for the future, and impact on the future spending we can afford, and the risks we then face.
- In football, with high fixed costs each month, cash can very quickly flow out and is very difficult to replace as we have seen in the past. Just because you have good year, there is no guarantee on future player sales and cup runs next year, or that new cash will come in when you need it.
- While we have cash now, we must all remember the underlying risks our funding model carries, and remember the lessons from the recent past. Without the comfort of a benefactor to help provide financial cover for 'rainy days' we need to keep cash in reserve and replenish it, to avoid running out.
- No debt repayments have been made in the financial year 2021/22 so far, except £40k to the EFL:
 - We have received no additional debt funding this half year. No new funding is planned from PurePay (last funding was May 2019) or externally from any other third parties in the rest of the year.
 - We have no plans to make any other debt repayments at this time, including to PurePay (but interest continues to accrue on the PurePay loan).
 - However, as detailed in the Holdings Board statement and in this update, the club is discussing the loan arrangements with PurePay. It cannot be ruled out that it will require cash repayments in the rest of 2022, and beyond.
- We have now settled all deferred VAT under the Government scheme to help businesses through Covid.
- Our trade creditors position remains good and continues to be with the liabilities being lowest in my time here.
- All our PAYE and VAT liabilities continue to be paid up in full and on time.

Stadium

- Further painting of the west stand is ongoing. Next is the Sunset Suite.
- West stand upper floor electrical rewiring is continuing with the second phase of four (Sunset Suite) now complete. The next phase is the Sporting Inn, then Legends.
- Capital spending on the stadium is increased on safety works and critical renewals. This is just to stand still though. The Stadium remains the biggest off the field operational issue.
- In the New Year, I participated on behalf of the club, in further consultations with KKP Consultants over the Carlisle Playing Pitch Strategy, as the Carlisle City Council continues to develop its plans alongside the FA and Football Foundation over facilities in the area. Again, we championed the vision of a new Community Stadium as a focal point for a community football and sports hub.
- New fibre sheets to help improve frost protection, funded by CUSG, are being trialled at the Warwick Road End.

Academy

- Our latest independent audit focused on being 'Safe to Operate' including safeguarding. This was successfully passed with very creditable feedback. Scholarships have been offered to U16's for the 2022 intake.

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Fan Led Review (“FLR”)

Our thoughts on the possible implications for CUFC arising from the FLR were detailed HERE in early December.

<https://www.carlisleunited.co.uk/news/2021/december/chief-exec-part-one/>

- We continue to make representations through ‘Fair Game’ and the EFL.
- The EFL has outlined its position to clubs, and the key themes are as follows:
 - Regulation of the game cannot come without redistribution of income.
 - Redistribution is not about handouts and seeking charity, the aim must be to make pyramid sustainable to benefit all including the PL. The EFL is not going to PL with a begging bowl. We value the pyramid and its role in making the game and PL a success.
 - EFL is engaging positively, collaborating with the FLR, taking a different approach to PL and FA.
 - Boundaries of the independent regulator IREF are to be debated. It needs to encourage good owners and not discourage them.
- Clubs and fans and the pyramid must make voices heard with the politicians to counter those against change.
- We fully back the EFL on implementation of the FLR. We cannot let it be watered down or put on the shelf.

Fan safety

- A full Safety Advisory Group inspection took place at Walsall game. Its findings were complimentary towards the club and its safety and crowd control.
- We suffered disruption at the Shrewsbury home match, including some throwing of objects, stopping the game. Four teenagers were identified by police and club safety staff as throwing balls, and they were ejected.
- These issues can carry consequences for all concerned. No action was taken against the club by football authorities this time, given how we managed the incidents. Some of the throwers have been subject to separate police action.

Ownership

In its statement in December, read that HERE, <https://www.carlisleunited.co.uk/news/2021/december/club-holdings-board-statement/> the Holdings Board said it *“We will give regular updates as and when there is something substantive to report.”*

- The end of talks attracted widespread media interest and publicity, as expected – nationally as well as locally.
- No expressions of interest in taking over or investing in the club have been received since then.
- We have also not been contacted by potential investor requesting information as a first-step to doing that.
- The door remains open.

At the same time, the Holdings Board said it had *“also entered into discussions with PurePay Retail over the repayment of the loan facility.”* Of course, the outcome of the discussions on the Purepay loan will have vital consequences for any future investment or takeover of the club as it impacts on the funding required by anyone new. Regarding the loan:

- The Holdings Board first put a proposal to PurePay Retail (PPR) over the repayment in June 2020, in parallel with the separate ongoing takeover talks.
- In late November that was rejected by PPR, and a line was also drawn under takeover talks at the same time.
- Since then further suggestions were made by the club to PPR before Christmas. The club is awaiting a response.

Following the conclusion of the takeover talks it was also appropriate to undertake some simple routine legal housekeeping including filings at Companies House. These allow normal Holdings Board operations in accordance with the Companies Act. This formality is just part of the club complying with company law. The filings are public.

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Fan engagement

- CEO and the two CUOSC board directors meet CUSG members on 13 December for a special, unplanned and additional meeting of supporter groups to discuss announcements made by the Holdings Board and CUOSC.
- This was the first opportunity for the supporter groups to directly discuss and raise initial questions. It was offered to give an early meeting for the fan groups to get together with some of those involved, rather than wait until after Christmas for the next scheduled meeting [10 January]. It was not the only opportunity, and fans can still ask the club any questions they have by getting in touch HERE. <https://www.carlisleunited.co.uk/news/2021/may/fans-how-to-get-in-touch/>
- The minutes were published HERE. <https://www.carlisleunited.co.uk/news/2021/december/cusg-minutes-from-13-december-meeting/>
- I will take any further questions at the meeting on 10 January.

Fan queries to the Club

Alongside the ongoing CUSG meetings with fan groups, I continue to answer direct fan questions received each month, on behalf of the club. This is in-line with the approach to Fan Engagement, and ways to get in touch, which can be read HERE and HERE respectively. <https://www.carlisleunited.co.uk/siteassets/documents/fan-engagement-june-21.pdf>
<https://www.carlisleunited.co.uk/news/2021/may/fans-how-to-get-in-touch/>

Fans with concerns, please come in and speak to the board, or specific individuals, or go via CUSG, or the SLO. Details on how to get in touch are HERE. <https://www.carlisleunited.co.uk/news/2021/may/fans-how-to-get-in-touch/>

You can make your voice heard, you will be listened to. The door remains open.

The key issues raised directly by fans to the club since the last update have been:

Fans forum

- On-the-field football forum - is likely to be held after transfer window, date to be confirmed.
- Forums for directors and shareholders - are still to be scheduled as per EFL rules, date to be confirmed.

Banners

Questions on banners:

- A 'bed-sheet' was confiscated on safety grounds at the Shrewsbury game as it was in breach of the club banner policy, and our stadium safety licence. The position and approach to banners that was taken at the game was as I outlined previously.
- Nobody was ejected, except for throwing objects on the pitch to stop the game.
- Those ejected included two U18s who threw balls and appeared later in the Paddock holding the bed-sheet banner. Their ejection was not for having a banner, contrary to reports elsewhere.
- Again, contrary to reports, those ejected have not been banned by the club.
- On the matter of consistency of our approach to banners, every banner must comply with the Banner Policy that can read in section 10 HERE. <https://www.carlisleunited.co.uk/siteassets/documents/210701-club-charter-202122-v2.4.pdf> This is well established, unchanged and visible on the website. All banners admitted at previous games complied with the policy (including those brought by away fans, including OAFc).

Covid

- We currently have just over 50% of the first-team squad vaccinated, which is typical of EFL averages.
- In the run up to Christmas Day we suffered an increasing number of covid infections in the playing squad, and had some other players who were required to isolate with symptoms, and then later with infection. Alongside this we already had a number of existing injuries. This, combined with a relatively small squad, meant we fell within the EFL guidelines allowing games to be called off in exceptional circumstances. At the time of the call-offs:
 - we had a squad list of 22 outfield players, plus three goalkeepers.
 - we had five injuries plus one goalkeeper injury, leaving 17 outfield players and two goalkeepers.
 - Covid protocol requirements ruled out six more outfielders.
 - this left just 11 outfielders and two goalkeepers.
 - this was below the minimum of 13 outfield players, plus a goalkeeper, as per the EFL protocol.
- Sufficient, not all, affected players were back for Scunthorpe, making them eligible once again.
- This impacted games, player training on return, and then the game-time as they regained match fitness, as Keith has outlined in his interviews.

Take-over of the club

- Individual shareholders are open to consider all offers whether investment or full takeover. CUOSC favours a change of control from a full takeover.
- Operationally, the end of talks has not resulted in any changes to how the club operates day-to-day, or individual involvement, roles or responsibilities. It is not envisaged for that to change, for any of person connected with EWM/Purepay.
- John Jackson's role was fully explained in a reply to Q4 in July 2021 [HERE](https://www.carlisleunited.co.uk/siteassets/documents/cusg-qs---mon-19th-july-2021.pdf)
<https://www.carlisleunited.co.uk/siteassets/documents/cusg-qs---mon-19th-july-2021.pdf>
 - The Commercial Funding Agreement with PurePay still exists, unchanged, and is operational regardless of the end of the separate takeover talks. The obligations of 1921 and PurePay remain and continue. Our debt to PurePay remains and continues. While we do not envisage any further advances, Purepay still has a very significant financial interest in 1921, as the largest debt provider and secured creditor.
 - John was a Holdings Board director long before any takeover talks, there is no change in his role, and he remains a director after the end of the takeover talks.
- David Holdsworth role was not and remains unconnected to the takeover, he joined before the takeover talks and his work is operational and is therefore unchanged.
- In terms of the finance required to take-over the club, I explained the issues in Q11 of the November 2019 CUSG Q&A from fans. The core issues have not changed, and the detail is [HERE](https://www.carlisleunited.co.uk/siteassets/documents/cusg-monthly-questions-november-2019.pdf) for fans who want it.
<https://www.carlisleunited.co.uk/siteassets/documents/cusg-monthly-questions-november-2019.pdf>

Other

- We report tickets sold as our "attendance" figure in common with long established custom and practice across the entire EFL. We have no plans to additionally report the no-shows and coming into the ground.
- The WRE was closed for recent FA Cup ties on economic and operational grounds. The staff costs of opening could be saved, and the fans fully accommodated in the Paddock standing area. Stewarding resources are stretched due to Covid absences, and this avoids buying in extra staff. Going forward, opening for each cup game will again be considered on its own merits, and the situation at the time.