Problems ahead? UEFA financial fair play and the English Premier League

Authors: Robert Wilson & Daniel Plumley
Institutions: Sheffield Hallam University
E-mail: r.j.wilson@shu.ac.uk / d.j.plumley@shu.ac.uk

Abstract keywords
Football, Finance, Governance, UEFA Financial Fair Play

Aim of abstract/paper - research question
The aim of this paper is to analyse UEFA's Financial Fair Play regulations with reference to English Premier League football clubs for the years 2008-2010.

Theoretical background or literature review*
In light of the recent financial crisis in European football (see Buraimo, Simmons and Syzmanski, 2006; Dietl and Franck, 2007), European governing body UEFA have implemented measures that address the way in which football clubs operate financially with the introduction of Financial Fair Play (FFP). Financial discipline is an essential element of the measures which, among other things, seek to curb the spiralling transfer fees, and the main component of the regulations - the 'break-even' requirement - will come into force for financial statements in the reporting period ending 2012. Under the break-even requirement clubs may not spend more than the income they generate. Clubs will also be assessed on a risk basis, in which debt and salary levels are taken into consideration and they will also have to ensure that liabilities are paid in a punctual manner (UEFA, 2010).

The 'new' finances of football outlines how the football landscape has changed since the 1990's. Football has become big business, but continues to be hindered by spiralling expenses and debt levels. UEFA have decided it is time to intervene and the FFP regulations will require many clubs to reinvent their business models, whether in a period of economic uncertainty or not.

UEFA state that FFP measures are not a means of punishing clubs but a way of helping them and also to help improve financial standards in European football. Despite this, there are considerable grey areas within the proposals, for example, clubs will have a three year window from the 2011/12 season in which to target break-even and risk being excluded from European competition if aggregate losses total more than 45million Euros (around £39million) over the same three year period. There is also scope within the requirements for clubs to enhance future sponsorship deals to increase revenue streams and to commit funds to enhance training facilities and talent development in accordance with UEFA's licensing requirements on youth development. The definitions of what exactly constitutes relevant income and relevant expenditure become increasingly complex in light of these points. Consequently, will FFP actually alter the landscape of European football once more, or will the regulations further serve to widen the gap between the established European elite and the rest?

Methodology, research design and data analysis
Through analysis of the financial accounts of 15 clubs that have competed in the EPL for each of the last three seasons 2008-2010, the paper tests the concept of break-even outlined by FFP and examines how many clubs in the EPL would be in danger of not meeting the break-even requirement at the present time taking into account the 'acceptable loss' period. The figures come from the company accounts of clubs as opposed to any group or holding company accounts to provide consistency within the study.

Results, discussion and implications/conclusions
Only four EPL clubs made an aggregate profit (Arsenal, Blackburn, Manchester United and Tottenham). A further five clubs meet the criteria of an aggregated £39m loss over three seasons (highlighted in bold in the table) but clubs such as Fulham and Wigan, who struggle to obtain higher attendances and lack the greater commercial appeal of their EPL competitors, fall towards the higher end of the aggregated loss scale and if that figure continues to rise (as is the case with Fulham) then these clubs will find it difficult to compete financially. More alarmingly, six clubs have aggregate losses that exceed the £39 million threshold (shaded grey in the table) two of which (Chelsea and Manchester City) competed in the 2010/11 Champions League. Many clubs in England now rely on investment from a wealthy benefactor and there is an argument that the regulations could rein in benefactor investment. Consequently, FFP could further widen the gap between the established clubs that compete in Europe on a regular basis and the rest of the league.

Analysing clubs directly against FFP is difficult without internal access. Furthermore, the break-even analysis is essentially the only factor considered, meaning that there are inherent shortcomings within Financial Fair Play. Alternatively, it would be more prudent to consider the financial performance of clubs in relation to a number of key indicators of business performance. The question of where next for UEFA and Financial Fair Play must be considered.

References – limited to 5

- Buraimo, Simmons, R. and Szymanski, S. (2006). English Football. *Journal of Sports Economics*. Vol. 7 No. 29, pp. 29-46.
- Dietl, H.M and Franck, E. (2007). Governance Failure and Financial Crisis in German Football. *Journal of Sports Economics*. Vol. 8 No. 6, pp. 662-669.
- Uefa. (2010), "Financial Fair Play Explained", available at: http://www.uefa.com/uefa/footballfirst/protectingthegame/financialfairplay/news/newsid=1494481.html (accessed 1st February 2011).
- Uefa. (2010), The European Footballing Landscape. Club Licensing Benchmarking Report Financial Year 2010. available at: http://www.uefa.com/MultimediaFiles/Download/Tech/uefaorg/General/01/74/41/25/1744125_DOWNLOAD.pdf (accessed 1st February 2011).