

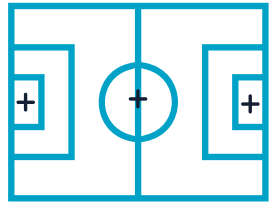
Creating a sustainable future for football

**The financial sustainability of men's football clubs in
the English league pyramid**

July 2023

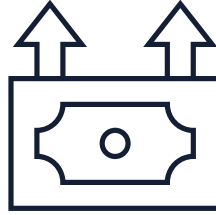


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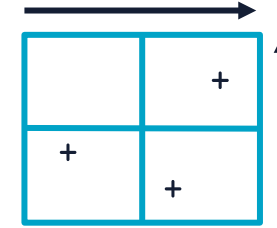
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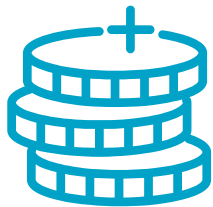
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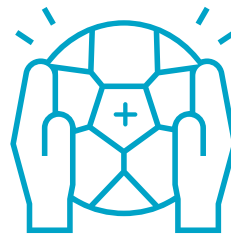
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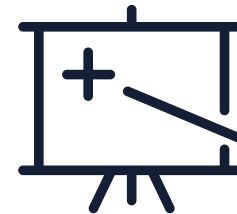
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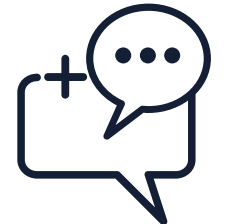
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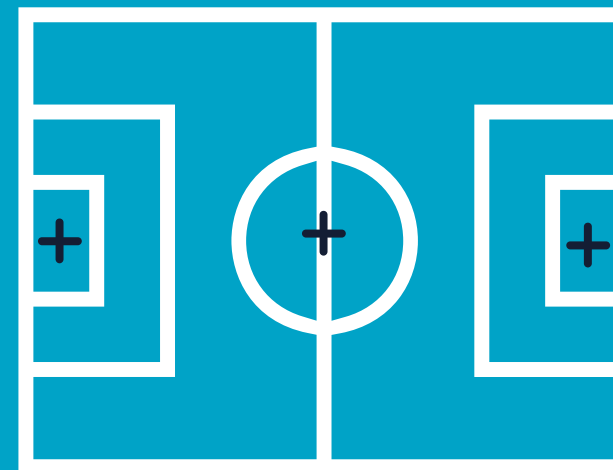


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Overview, key findings and recommendations





Welcome to the first-of-its-kind report on the financial sustainability of men’s football clubs in the English league pyramid

Football is big business, but much more than that football is a huge part of the cultural life of this country. The Premier League is one of our strongest and most recognised global brands, while football clubs at all levels are important and highly valued members of their local communities. **This is why the financial sustainability of football clubs, big and small, really matters.**

2023 in particular presents a very important juncture for the game in our country, with the recent Government White Paper (“A Sustainable Future – Reforming Club Football Governance”) setting out its plans to introduce a new Independent Regulator for English Football (IREF), following the European Super League debacle of 2021 and the collapses of Bury FC and Macclesfield Town.

For this edition, we have reviewed the position of all 92 men’s clubs from the English Premier League (EPL), and from the Championship and Leagues One and Two (the English Football League, or EFL), based on the latest published accounts for each club, covering the 2021-22 season. On the next pages we present our key findings and recommendations.

In this report, we also introduce the **LCP Football Sustainability Matrix**. Recognising that football is primarily (for fans at least!) about success on the pitch, the Sustainability Matrix rates each of the 92 clubs from two perspectives each season, for both financial sustainability and sporting success. Details of how we have assessed both metrics, and the scores for each club in the past two seasons, are shown at the end of this report.



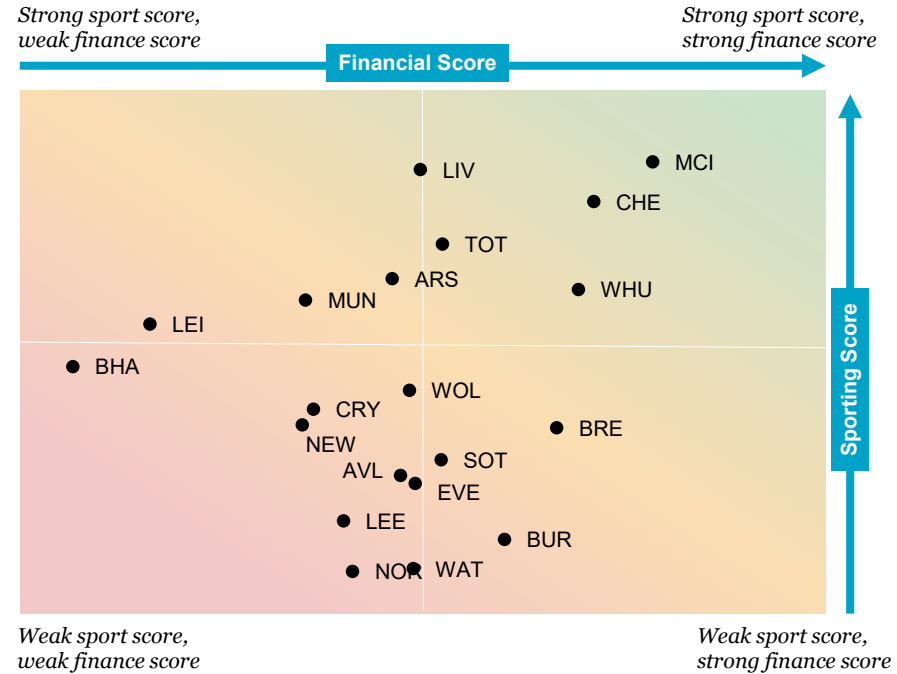
John Parnis England
Senior Consultant
Covenant & Financial Analysis



Bart Huby
Partner
Head of Football Analytics

This report deals only with the English men's football pyramid. For the women's game, there is an ongoing process with the government's Review of the Future of Women's Football currently taking place; this is a situation that we intend to look at once the Review has concluded.

LCP Football Sustainability Matrix - Premier League 2021-22



LCP's Football Sustainability Matrix brings together the critical need to balance sporting success with financial sustainability
Bart Huby, LCP



Key findings and recommendations – the highlights

Key findings



The English men’s club game is **hugely loss making** – with 63 of the 92 clubs making annual losses totaling £1.2bn.



Most clubs are **heavily reliant on their owners** to provide regular cash injections.



Many clubs owe other clubs significant amounts – resulting in a **risk of a “house of cards” systemic failure.**

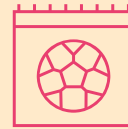


The **Championship is proportionately the most loss-making league** and has the most at-risk clubs.



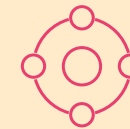
Many League One and League Two clubs publish “small company” accounts with only very limited information - making it **hard to determine the level of risk** they are running.

Recommendations



Transparency and consistency

– all clubs should be required to publish basic financial and governance information in a timely manner and in a standardised format.



Holistic risk assessment

– a club’s finances need to be considered holistically alongside the financial position of its owners, both at the time of any acquisition and on a regular basis (eg every three years).



Incentivise and reward

– ‘good behaviour’ should be rewarded by linking part of the distribution of broadcasting revenues to how each club performs in various key areas.

These findings show that the men’s club game in England is in a precarious condition and why improving financial sustainability and transparency really matters. Change, including better regulation, is needed – and we believe our three recommendations, if carefully and thoughtfully implemented, would make a real difference.

John Parnis England, LCP



Key findings and recommendations – the detail

Our key findings are:

- While some clubs are prudently run, these are very much in the minority, and **overall the English men’s club game is hugely loss-making**. 63 out of 92 clubs made losses totalling £1.2bn compared with revenue of £4.0bn during the 2021-22 season – a loss margin of 31%. The remaining 29 clubs made combined profit of c£0.3bn from a revenue of £2.5bn.
- As a result, the majority of clubs are **heavily reliant on their owners** providing regular injections of cash to keep them going – which is fine while the owners are both willing and able to sustain the losses, but can quickly cause serious problems if this changes. We’ve seen this happen to a number of clubs, such as Bury FC and Macclesfield Town who recently suffered the ultimate fate of being wound up and going out of existence.
- **Many clubs owe other clubs significant amounts of money**, often through outstanding payments from previous transfers. **This means there is risk of systemic failure**, where one club failing to meet its outstanding payments could result in other clubs getting into financial difficulties – and a potential “house of cards” collapse. **There is inadequate transparency of information** in the public domain to assess the level of risk, and this will be an important area for the new IREF to focus on once established.
- Of the four leagues, **the Championship is by some margin the most loss-making** proportionately and, on the face of it, has the most “at-risk” clubs. The prospect of promotion to the Premier League, and the potential riches on offer, has resulted in a gambling culture in the Championship, with the large majority of clubs operating in a way which is financially unsustainable, running wage bills in excess of revenue (the overall average “wages to revenue” ratio was 102%).
- The **level of financial risk exposure at many smaller clubs in Leagues One and Two can be hard to determine** because many use the “small company” exemption to produce accounts with very limited information (as is also the case for most clubs in the National League). Disclosure requirements in the lower leagues is another important area for IREF to focus on in terms of both transparency and the understanding of financial risk.

Recommendations

So, what can be done to improve the situation and create a sustainable future for football? We believe the following steps, if carefully and thoughtfully implemented, would make a big difference:

- **Transparency and consistency** – all clubs should be required to publish basic financial and governance information in a timely manner and in a standardised format (specific to the unique nature of the industry), to their fans as well as to shareholders and the IREF. This will facilitate a more comprehensive and consistent analysis of club-specific and systemic risk and give fans (who after all have ‘social equity’, if not financial equity, in their clubs) a much better understanding of how their club is being run. Standardising the format should make information easier both for clubs to produce and for fans and other stakeholders to draw comparisons across.
- **Holistic risk assessment** – given its cultural significance, the football industry should be held to a higher standard than a typical corporate entity. To properly understand the level of financial risk for a club, its finances need to be considered holistically alongside the position of the club’s owners, in terms of both their willingness and their ability to provide funding to cover ongoing losses and future financial obligations (eg outstanding transfer fees, player contracts, loan repayments etc). Such an assessment should be carried out at any time a club is acquired by a new owner (and be part of the “Owners and Directors” test) and updated on a regular basis (eg every three years). Where an ongoing assessment indicates a significant risk of failure, the owners should be required to submit a recovery plan to the IREF to put the club’s finances back onto a sustainable basis, and/or provide back up support such as legally binding commitments from wealthy owners or shareholders.
- **Incentivise and reward** – incentivising and rewarding ‘good behaviour’ can be a powerful tool in encouraging organisations to improve the way they operate and reduce risk. Within football, this could readily be done by linking part of the distribution of broadcasting revenues to how each club performs in various key areas (eg financial, governance, fan and community engagement, diversity and inclusion, and environmental sustainability). The Fair Game campaign group have proposed an approach based on a “Fair Game Index”, which could form a broad model for developing such a system.

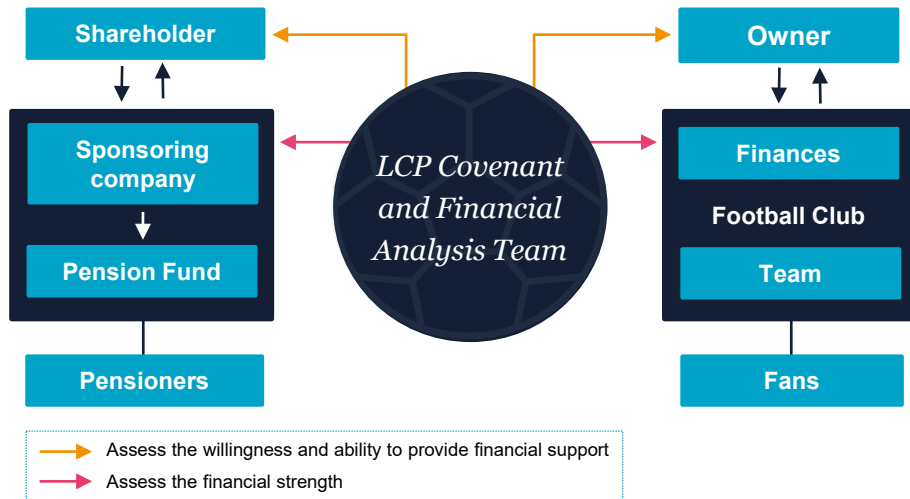


The team behind this report

The analysis underlying this report has been carried out by three members of the LCP Covenant and Financial Analysis team, John Parnis England, Tom Gillespie, and George Bassnett, with support from partners Jon Wolff and Fran Bailey.

The LCP Covenant and Financial Analysis team's primary area of work is assessing the financial strength of companies to support their defined benefit pension schemes, providing pensions for their employees and former employees. Many of these schemes are worth billions of pounds. The "covenant" is defined as the extent of a company's legal obligation, willingness, and financial ability to support its pension scheme, both now and into the future.

There are many parallels and similarities between this work and the task of assessing the financial performance, financial position and the prospects of a football club. For example, assessing the basic finances of the club itself and also the legal obligation, willingness, and financial ability of the club's owner to support the club.



In preparing this report, the LCP Covenant and Financial Analysis team have applied the same mindset and approach, while recognising that football clubs operate in their own, somewhat peculiar, ecosystem. To ensure this is taken into account, input has also been provided by two senior members of LCP's Football Analytics team, Bart Huby and Ashley Mould, and also by an external consultant, Alex Stewart, who has extensive experience within the football industry.

Further details of the team behind this report – and the football teams we support – can be found [here](#).

LCP's work in football

Since being formed six years ago, LCP's Football Analytics team has been involved in developing two key platforms.

TransferLab is an advanced football player data scouting SaaS platform developed by LCP in partnership with leading football consultancy Analytics FC. **TransferLab** is now used by over 30 football clubs, player agencies and other organisations in 12 countries.

TransferLab uses event data from over 100 men's and 24 women's leagues from around the world covering around 100,000 male and 15,000 female players. It uses advanced analytics to assess each player's past performance and help predict their future performance.

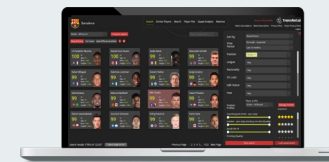
Watch our TransferLab video on Youtube [here](#)

The ECA Fixture Hub is an online platform developed by LCP for the European Club Association (ECA) to provide an easy way of arranging friendly matches and tournaments across Europe for ECA Member Clubs.

The ECA Fixture Hub uses **TransferLab** analytics to provide clubs with an easy-to-use understanding of the strength of potential opponents.

More information on the **ECA Fixture Hub** can be found here:

<https://www.ecaeurope.com/member-services/eca-fixture-hub/>



The TransferLab Player Privacy Policy can be accessed here: <https://transferlab.lcp.uk.com>



Highlights





Football in numbers – at a glance

Revenue

£6.5bn

Total industry revenue

85%

The Premier League clubs account for the majority of the industry's revenue

48%

The “Big Six” clubs account for almost half the industry's revenue

Losses

68%

Two-thirds of clubs are making losses

£1.2bn

Total losses by loss-making clubs

6

Premier League clubs generated a profit

Wages to revenue

70%

UEFA target threshold for squad costs compared to revenue

102%

In the Championship, on average wages exceeded revenue

37%

The proportion of clubs operating below the 70% threshold

Debt

£2.6bn

Total owner debt

£5.6bn

Total football net debt

86%

Total football net debt as proportion of annual industry revenue

Based on 2021 / 2022 data



LCP's Football Sustainability Matrix – snapshot

Businesses in the football industry (ie clubs) are different to a typical corporate entity in that the definition of 'success' will vary, depending on which stakeholder is being considered. LCP's Football Sustainability Matrix brings front and centre one of the industry's key challenges, which is balancing sporting success with financial sustainability.

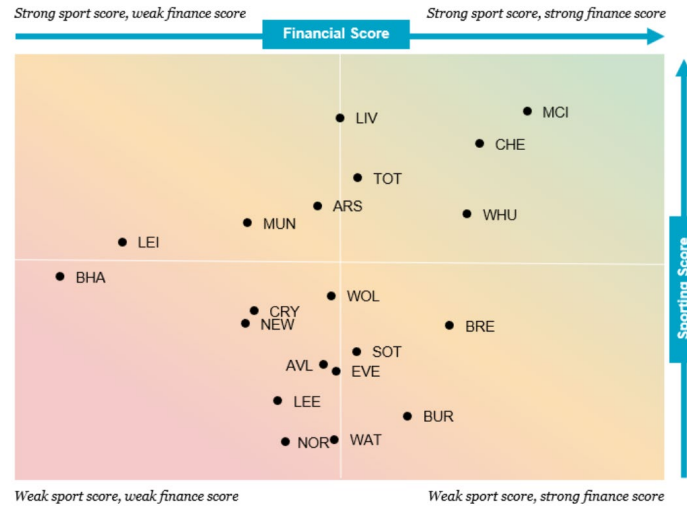
Our methodology can be viewed in section 10, which covers a range of financial metrics including a wage to revenue ratio, debt exposure, and liquidity ratios, alongside each club's respective sporting achievements across each competition.

Here you can see a snapshot of how each club performs on our matrix for the 2021-22 season. For more detailed analysis, including year on year comparisons, [click here](#).

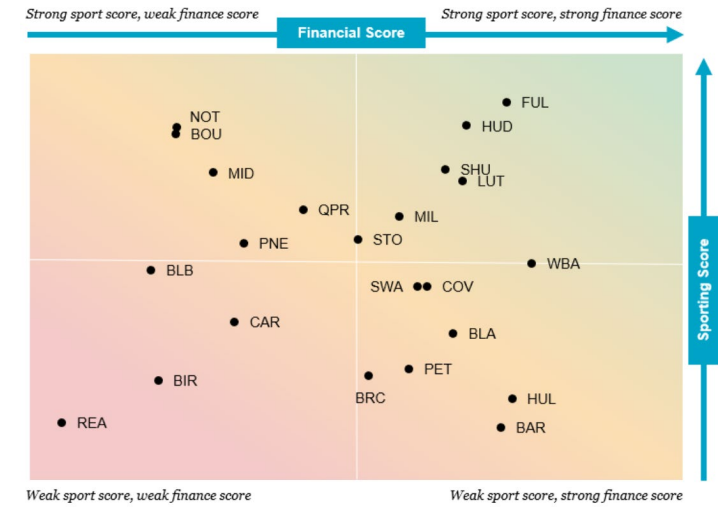
It is possible that a generally well-run football club, such as Brighton & Hove Albion, can score unfavourably from a financial sustainability perspective. This would typically be because the club is highly reliant on continuing funding support from an owner - either to fund ongoing losses, or through historic amounts having been lent to the club. Our matrix is designed to draw out how sustainable a football club is, after excluding that external support.

George Bassnett, LCP

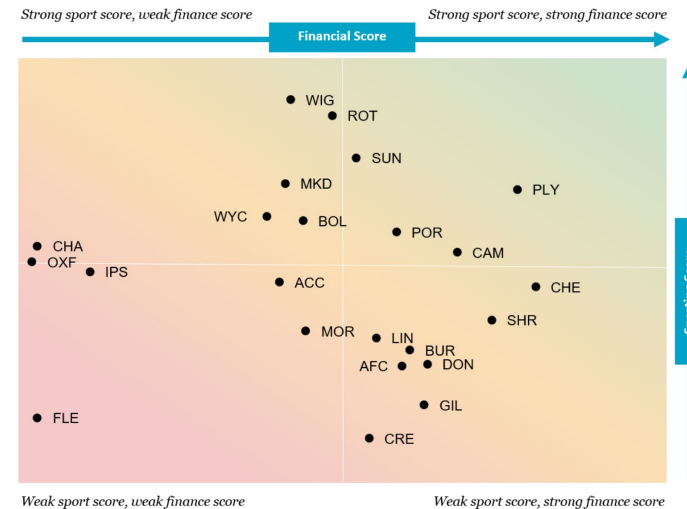
Premier League 2021-22



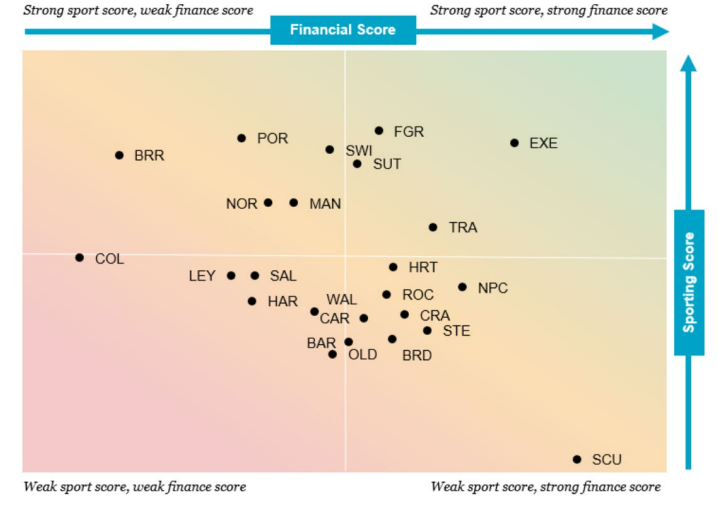
Championship 2021-22



League One 2021-22



League Two 2021-22



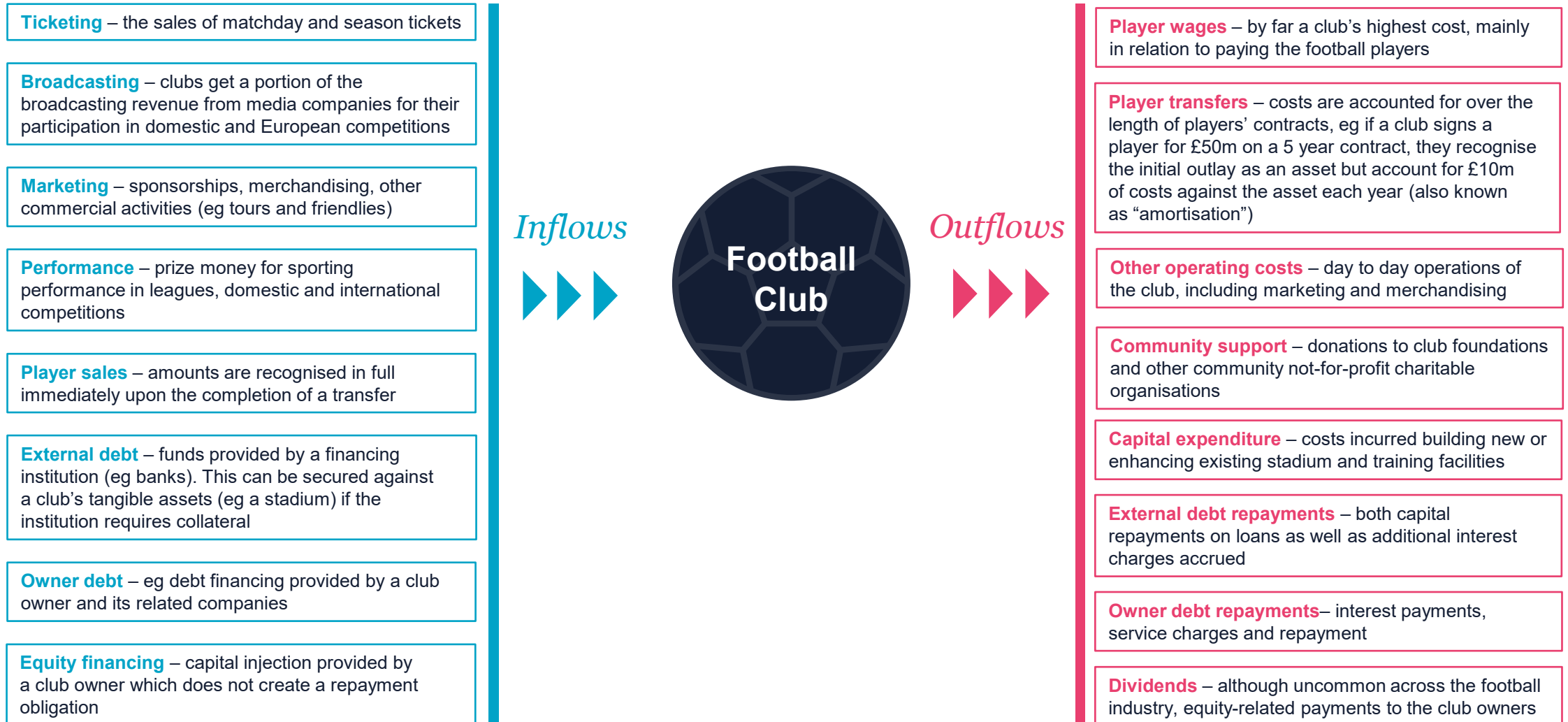


How football is financed





Before going into the detail of the report, the image below highlights how a football club is typically funded, combining internal sources (eg revenue from broadcasting) and external funding (eg from owners or third parties). We then cover the key areas where a football club spends money, with player costs clearly using up a large amount of the average club's available cash.





League-by-league observations





The Premier League's financial dominance

Financial power is concentrated at the top of the game

We have seen how football is an important economic contributor to the English economy, both directly and through its network effects. Both the Premier League and EFL are very popular and, at the upper tiers, are globally followed, whilst also being deeply entrenched in communities.

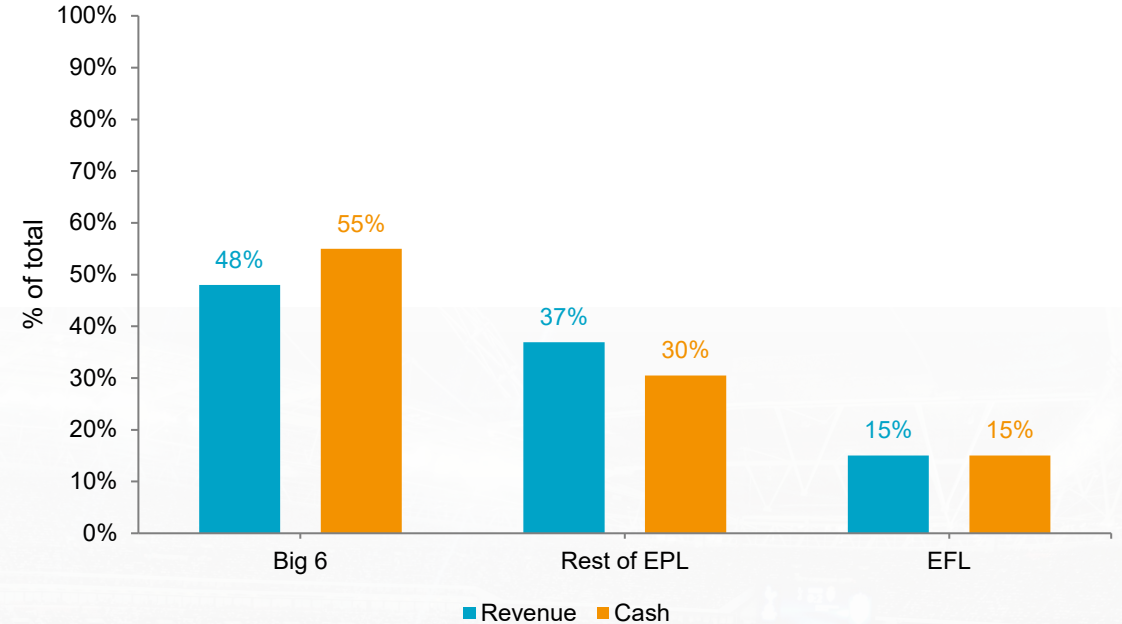
But it is also clear that, due to constantly increased spending and in some cases poor governance, exacerbated by the pandemic, football is in a precarious situation. In the next section of this report, we will look in detail at some individual clubs, but first we provide a broad overview of the situation at the end of 2021-22.

What is immediately apparent is the disparity within the 92 clubs that comprise the Premier League and EFL. Football is genuinely a game of the haves and have-nots. The Premier League's 'Big Six', Arsenal, Chelsea, Liverpool, Manchester City, Manchester United, and Tottenham Hotspur, accounted for 48% of the total revenue in 2021-22.

These six clubs also held 53% of all assets for the 92 clubs in the Premier League and EFL. This is an enormous concentration of financial might in the hands of a relatively small group. Financial data suggests that a club can effectively buy success in football through wage expenditure and transfers – and as success brings greater revenues and more assets, there are limited ways to break this cycle.

It is possible to join this exclusive club, but only with huge, owner-led investment: the Big Six is becoming a 'Big Seven' with Newcastle United's acquisition by Saudi Arabia's Public Investment Fund and its partners, with their enormous spending power. But short of similar takeovers occurring in future, this financially elite group of clubs looks set to remain as such.

Distribution of revenue and cash (2021-22)



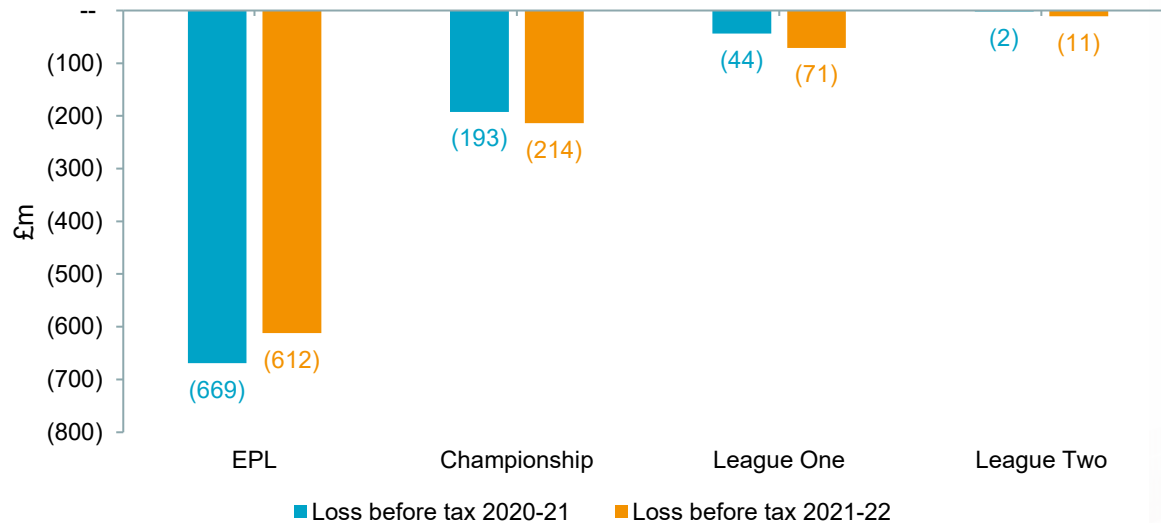


Sustained losses across all leagues

The bigger the league, the bigger the losses

However entrenched the Big Six (or Big Seven?) are, football is sport and sport is aspirational (arguably, at times illogically so). It is perhaps this relentless competition, and the increasing costs of players, that means that, in aggregate, every one of the four leagues assessed in this report is running at a loss. Gross losses amount to c£1.2bn, and net losses of c£907m across the four leagues, with each league on aggregate also making a loss. The figures are stark: in both 2020-21 and 2021-22, 68% (63 out of 92) of clubs in England's top four leagues made a loss. And, outside the Premier League, the situation is getting worse. From 2020-21 to 2021-22, while the EPL's aggregate losses reduced by £57m, the EFL leagues' losses all increased.

Aggregate net losses by league



With every league making a loss, one might well ask whether football can ever be sustainable and, indeed, whether the suggestions made in the Fan-Led Review (FLR) or the White Paper will bring about sufficient structural change to encourage, or force, a new sustainability on the English game.

The Championship has the highest losses proportionately. This should come as no real surprise: it is the league where there is the greatest incentive to stake significant sums on promotion, as the financial benefits resulting from promotion to the Premier League are significant, perhaps as much £265m per club in increased revenue. But, as we have stated, every league is making an aggregate loss, even the so-called 'promised land' of the Premier League.

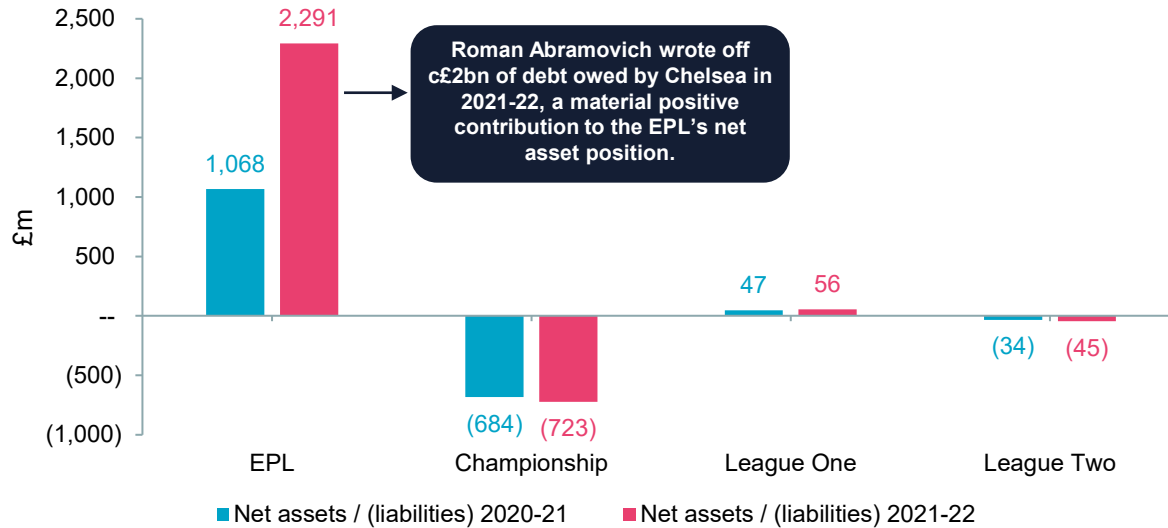
While it is possible to make a profit in the Premier League, and its revenue makes achieving a sensible ratio of wages to revenue easier (see Section 6), this could be a tough ask to realise alongside sporting success without enormous levels of investment. One way to increase your profit is to sell players, and clubs can take advantage of zero book value being attached to academy players. For example, Mason Mount's recent sale to Manchester United for a reported £55m would be booked entirely as profit, thereby boosting Chelsea's accounting profit. This would not have been the case had Mason Mount cost Chelsea a transfer fee.

Alternatively, investors can make money overall, even on an unprofitable club, if they can buy low and sell high on the club itself. However, this requires many things to go well and, in addition, could not be seen as the club *itself* generating sustainable profits. Rather, it is a gamble that football will continue to remain popular and that broadcasting revenues are likely to increase over time.



The state of clubs' balance sheets

Net assets / (liabilities)

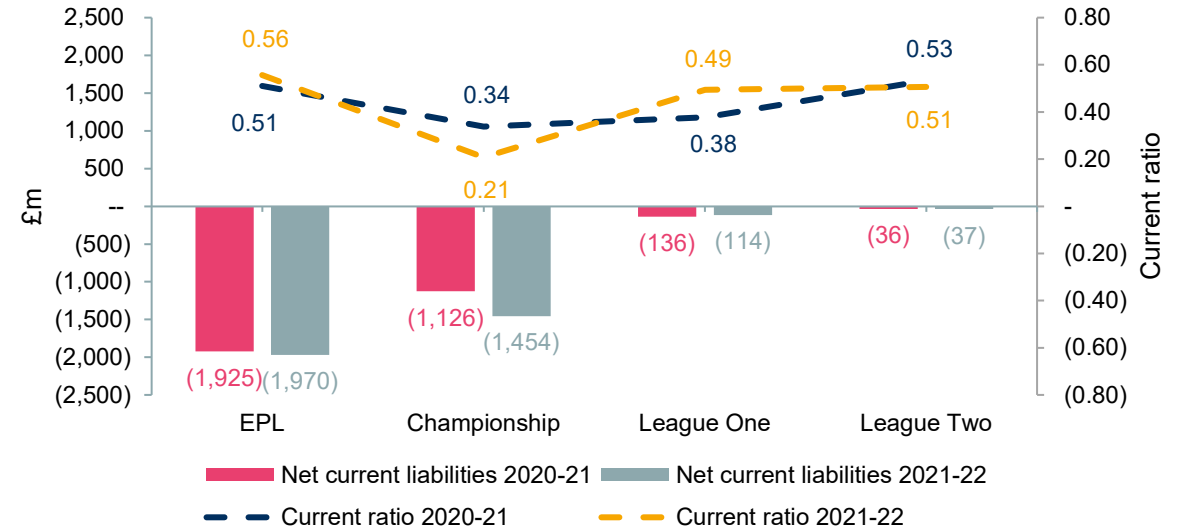


Unlike the Championship and League Two, the Premier League and League One at least have their aggregate assets exceeding liabilities. Throughout this report, we will be using the term net assets to mean assets minus liabilities.

It should be noted that net assets (or liabilities) do not always reflect an accurate picture of a club's balance sheet strength for a number of reasons, including the inability to recognise home-grown players as an asset or the value of the inherent brand of a football club.

To put this in perspective, Manchester United as a listed company has a market capitalisation (a measure of a company's value from the price and volume of its shares when listed on a public stock exchange) of around £4bn and the club is likely to be sold for in the region of £6bn. These numbers are significantly larger than the club's net asset value of around £300m.

Net current liabilities and current ratio



This picture is concerning when looking at the short term. Current assets and liabilities, defined as those receivable / falling due within 12 months, show each of the four leagues running a net deficit (ie a net current liability position). In the Championship, the ratio of current assets to liabilities is a worrying 0.21 in 2021-22; for the other leagues it hovers between 0.49 and 0.56. Across the four leagues, the aggregate of clubs' current liabilities exceed their current assets by around 100% (aggregate current assets of £3bn versus aggregate current liabilities of £6.6bn). A current ratio below 1 is a concerning trend for a typical corporate entity, and for both years, in aggregate, each league has not come close to a current ratio of 1.

This is as stark an indication of the precarious nature of the football ecosystem as it is possible to find: if all these liabilities were called in, most clubs would not be able to call on sufficient resources to repay them. This gap has to be funded somehow, perhaps by a wealthy owner, which we will look at more in a later section.



Is the level of debt sustainable?

The picture looks worse when considering debt. While the Premier League and League Two have the majority of their debt falling outside 12 months terms, the Championship and League One are the reverse. Servicing debt is complicated in football due to its varying sources, which may be loans from either owners or financial institutions, and this means that while short term debt is posted in accounts it may not realistically be recalled unless an owner pulls out.

But that situation, effectively seen at Derby County, could be disastrous, especially in the Championship. The ratios of debt falling due within 12 months as a percentage of revenue should be deeply concerning to any fans of Championship clubs, as well as the wider football ecosystem.

The figures here for the Championship and League One are stark, and seem to suggest a culture of short-term speculation financed by borrowing or equity injections to achieve Premier League status (or possibly just maintain Championship status for a shot next season).

It should be noted, of course, that the situation has somewhat improved, as a result of increased revenue and massive debt write-offs (Stoke is a good example of this, with the owner waiving £120m of loans as well as converting a further £40m of loans to equity during 2022), but even with a marginally better balance sheet, football is balanced on a knife-edge.



Season 2020-21	Revenue (+ other operating income)	Debt < 12 months	Debt < 12 months as % of revenue
Premier League	£4.90bn	£1.24bn	25%
Championship	£0.60bn	£1.28bn	211%
League One	£0.13bn	£0.14bn	102%
League Two	£0.06bn	£0.04bn	64%
Total	£5.69bn	£2.70bn	47%

Season 2021-22	Revenue (+ other operating income)	Debt < 12 months	Debt < 12 months as % of revenue
Premier League	£5.42bn	£1.10bn	20%
Championship	£0.74bn	£1.40bn	189%
League One	£0.18bn	£0.09bn	50%
League Two	£0.08bn	£0.04bn	50%
Total	£6.42bn	£2.63bn	41%

Reaching the Premier League is seen as enough of a prize to load Championship clubs with dangerous levels of debt in pursuit of promotion.

Jon Wolff, LCP



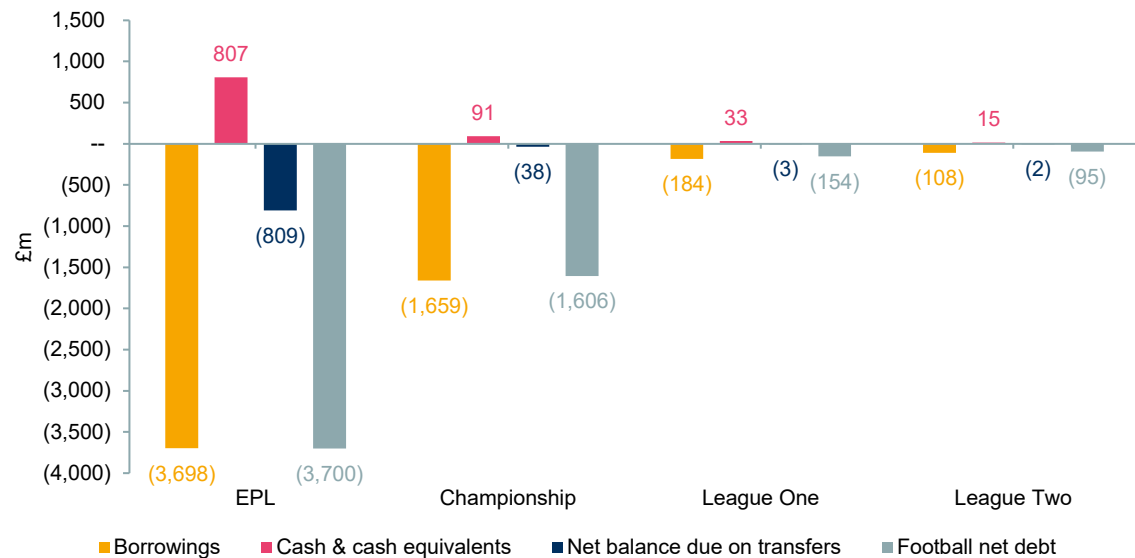
Football net debt

One last measure that is worth considering is Football Net Debt (FND). This term, used in UEFA's Financial Fair Play (FFP) documentation, is "net debt which offsets bank overdrafts, bank and other loans, related-party loans and payables and transfer payables against transfer receivables and cash balances". In short, it is debt owed to lenders and other football clubs, which academics Christina Philippou and Kieran Maguire note as being important when "used in order to assess the risk to clubs' sustainability". FND is helpful to consider because, as UEFA state, "the debt taken on to finance investment is clearly perceived as far less risky compared to that of debt taken on to fund operating activities, which might lead to financial sustainability issues for clubs."

FND can be even more concerning when considered in parallel to the current ratio (current assets / current liabilities), which for all leagues is less than 1. The current ratio is a measure of the ability for an organisation to repay short-term debts, with a current ratio below one often indicating potential cash-flow issues.

This trend, alongside the high FND, is concerning, as it puts in doubt the ability for many clubs to repay debt (including transfer fees) when they fall due. In addition, much of the FND due by a club is to other clubs and interconnectedness of the industry could therefore see knock-on effects should clubs start to default.

Football Net Debt (2021-22)



FND has lessened year-on-year in League Two, and in the EPL following the sale of Chelsea and subsequent debt write off from the previous owner, while increasing in the Championship and League One.

League	Current ratio 2020-21	FND 2020-21 £m	Current ratio 2021-22	FND 2021-22 £m
Premier League	0.51	4,996	0.56	3,700
Championship	0.34	1,506	0.21	1,606
League One	0.38	148	0.49	154
League Two	0.53	104	0.51	95

This is because, while many businesses regularly use debt to finance various expenditures, including investment in growth projects, when debt repayments fall due this can create significant short-term issues for clubs if there are no sufficient short term / liquid assets to call upon.

Not dissimilar to the financial crash of 2008, when defaults on mortgage-backed securities created a chain effect that rippled through financial institutions causing the failure of several, defaults on transfer fees, for example, could cause the counterparty club to be unable to service their own debt.

This could then cause a systemic series of failures or, at the very least, cause clubs to take on other forms of debt (as the revenues within football are fairly fixed year on year, which makes it hard to increase income suddenly – broadcasting rights costs are set in advance, season ticket costs likewise – while selling players in a depressed market makes limited sense even if it is possible). Indeed, 2008 is potentially an object lesson for football: the environment in which such defaults occurred included lax regulation, speculative borrowing and risk-taking, and an interconnected financial ecosystem with insufficient circuit-breakers to prevent a collapse.



LCP's Football Sustainability Matrix





LCP's Football Sustainability Matrix

Football's exceptionalism

Football is, in respect of its heavy levels of losses and debt, highly unusual. Ordinarily, the only organisations where this continued level of loss and / or debt would generally be accepted would be where products or services are critical to the functioning of society, such as a nationalised healthcare system, public transport, or agriculture. Industries such as these may receive subsidies to maintain their key function or output, but football, however much one might love it or see its secondary benefits as important, is not critical in this way.

As we have observed, there is a degree of irrationality in football, both in the way that its consumers will not switch product (either to another team or, although perhaps more plausibly, sport) should their team fail, and in that huge sums continue to be poured into the game with little in the way of proof of sustained profitability.

We will look later in this report at how this is being funded, the role of owners, and the ratio of owner to external debt, but for now it is clear that, while football is important, both socially and economically, its current trajectory is unsustainable and unwise.

As we have already seen, football clubs are not traditional businesses in a variety of ways. Many clubs generally run at a loss, and the football ecosystem's inter-reliance makes it vulnerable to a variety of financial shocks. And yet despite football making limited sense in many ways from a financial perspective, it remains immensely appealing to owners and investors.

Football has a lure, a glamour, which makes it attractive, and this is especially true of the Premier League. As well as this glamour, football's cultural importance, or heritage value, matters enormously. It is no surprise that its consumers have irrational levels of loyalty, in the economic sense of the word, but that this irrationality can extend to owners too.



LCP's Football Sustainability Matrix

What constitutes success?

Success in football is not generally seen as a function of a club's balance sheet, but usually its achievements on the pitch. However, fans have started to take more interest in club finances recently, driven in part by a greater awareness of its importance through the social media contributions of financial academics or journalists like Kieran Maguire (with his Price of Football podcast) and Kieron O'Connor, (with his blog The Swiss Ramble), which have been hugely popular and influential in the space. Indeed, some fans can even be seen arguing on Twitter about net transfer spend or commercial partnerships in the way they used to argue about a striker's success rate.

But winning games is still, first and foremost, how a club and its employees are judged. Success is measured by performance on the pitch, be that league finishing position, a cup run, or participation in continental competition. And while success and financial results are related, both directly and indirectly, a club can be successful while making losses, running up debts, and selling off assets. Not only is this unlike most businesses, as we have seen in the previous section, it could be argued that football actively encourages, or at the very least, tolerates, this approach.

Of course, revenue will be affected by sporting success. Cup runs, higher league finishing positions, and continental competition all bring increased revenue from prize and broadcasting money. More successful clubs can be more attractive to sponsors although, as we have seen with Manchester United, that success can be more historic and the attractiveness rooted in past, rather than current, performance.

Crucially, too, although sporting success brings increased revenue, increased revenue is not the sole goal of trying to achieve sporting success. Titles and trophies have an intrinsic value to fans and clubs that cannot be measured in money. Indeed, some football fans would argue that increased revenue is a nice upshot of winning, largely because it could be used to finance even more sporting success.

This, fundamentally, is the balance that all clubs must find, between the financial spending required to achieve sporting success, and the sustainability of that spending. Given that football, like any sport, has more than its fair share of luck involved (and this is especially true in low-scoring, high-action team sports like football), then effectively finding this balance will always contain an element of wager. You cannot, however good your coach or squad, however advanced your analytics or passionate your fanbase, ever truly guarantee winning.

And so, spending £20m on a striker to find the extra 10 goals needed for promotion (this is a blunt construction, but illustrates the point) is a gamble: although promotion would more than pay for the striker, will they score the required goals? Will other teams improve more? Will the striker get injured in the run-in? Will they fall out with senior players and underperform? Will the ball bounce the wrong way off the crossbar in the crucial match? It is impossible to answer these questions, even with all the sophisticated analytics tools clubs now have at their disposal.





LCP's Football Sustainability Matrix

This is why LCP has developed our Football Sustainability Matrix, which scores clubs for both financial sustainability and sporting success. The model uses a variety of indicators, weighted for impact, to generate both a financial and a sporting score, which can then be plotted to show how clubs are performing.

The financial indicators are all related to sustainability:



Net assets / (liabilities)



Current ratio



Wages as percentage of revenue



Profit / (loss) before tax



Owner debt



Short-term loans measure



Current loans as percentage of revenue



Football Net Debt (see previous section).

The sporting indicators are:



League position



Domestic cup performance



Continental performance, in this case in Europe as England is a member of UEFA

Points of note

A full breakdown of the metrics, their definitions, how they are calculated, and the relative strengths and weaknesses of each metric can be found in Appendix 1.

A few points are worth making from the outset. The issue of owner financing, and reliance on it, will be touched on in this section and interrogated properly later in the report, but for clarity: many clubs look 'bad' with regards to their current ratio because so much internal, current debt from owners or parent companies is carried. Clearly it is not generally in ownership groups' interests to call in these loans, and so in some ways the picture for such clubs is far less precarious than the current ratio might suggest.

The flipside to this, and one we will look at in detail later in this report, is that this reliance on ownership funding leaves the club very much at the mercy of the owner, an individual or parent company or even multi-club ownership group; should they pull out for any one of a number of plausible reasons (voluntary or involuntary), the club's solvency issue then becomes an immediate, existential threat.

Where liquidity is concerned, many clubs show non-current debtors in current assets (which means they erroneously serve to inflate the current ratio). These have been removed where possible when working out clubs' current ratios. This is to give a more accurate (and stark) view of clubs' liquidity risks and the potential for immediacy of issues or, to put it another way, illustrate the lack of systemic resilience.

It is also worth flagging a further caveat to this report, which links to some of the governance issues discussed in the introduction. Several clubs have yet to file their 2021-22 accounts and, as we reach clubs in League One and Two, we see that many clubs' accounts are less transparent, and so might not be so visibly concerning (even if the underlying position is poor).

It is possible that, in reality, some of the least sustainable clubs in the pyramid also have the least information available in their accounts. In addition, a number of small clubs' accounts are not audited (which means there is less external rigour), while small business filing rules also apply to some clubs, reducing the available information.



Overall strongest and weakest financial scores

As suggested on the previous page, delving too deep into individual clubs in League One and Two makes limited sense given the availability of information for some of them. A significant number of the clubs do not disclose metrics like staff costs (or have a profit and loss account if they file on small company accounts). Nonetheless, it is worth noting which clubs across the whole professional football pyramid in England did well, or poorly, on their financial scores.

These clubs all managed to do one of several key things well, maintaining low debt to revenue, or wage to revenue ratios, low levels of current debt and FND, or having significant assets. The best club in 2020-21, **Exeter City**, managed all this. **Plymouth Argyle**, a good example of consistency, have superb wage level control and net negative FND; on the other hand, **Charlton Athletic** had an excellent current ratio in 2020-21, and made a profit (contrast that with their 2021-22 performance, when they made a loss, their FND increased by £12m, and their owner debt nearly doubled, a stark indication of how quickly things can deteriorate).

Plymouth Argyle, was able to achieve promotion in 2022-23, despite it achieving the healthiest financial score across the pyramid the previous year, indicating that sporting success can be achieved at lower levels of financial risk.

We can also look at the clubs with the weakest financial scores.

These include **Chelsea** in 2020-21, entirely due to its enormous owner debt prior to the club's sale by Roman Abramovich. This debt has since been written off, and as a result Chelsea now find themselves in the strongest group in 2021-22.

Blackburn Rovers, **Colchester United** and **Reading** all appear in both years, with Reading's outlier 87.6 score in 2021-22 sadly presaging their points deductions and recent HMRC winding-up order.

And, indeed, it was no surprise to see **Southend United** in severe danger of being wound up, given how poorly they scored in 2020-21, the season they were relegated to the National League (the only reason they do not appear in the 2021-22 list).

Overall strongest financial scores

2020-21	Scores	2021-22	Scores
Exeter City (L2)	10.9	Plymouth Argyle (L1)	12.3
Rotherham United (Ch.)	16.9	Shrewsbury Town (L1)	14.2
Manchester City (PL)	17.6	Manchester City (PL)	16.0
Plymouth Argyle (L1)	18.1	AFC Wimbledon (L1)	20.6
Norwich City (Ch.)	19.1	Portsmouth (L1)	21.0
Burnley (PL)	19.5	Chelsea (PL)	21.5
Charlton Athletic (L1)	19.5	Exeter City (L2)	22.4
Swansea City (Ch.)	20.0	West Ham United (PL)	22.9

Overall weakest financial scores

2020-21	Scores	2021-22	Scores
Hull City (L1)	91.5	Reading (Ch.)	87.6
Chelsea (PL)	79.5	Colchester United (L2)	76.2
Colchester United (L2)	78.4	Blackburn Rovers (Ch.)	75.5
Stoke City (Ch.)	73.5	Birmingham City (Ch.)	74.6
Southend United (L2)	71.1	AFC Bournemouth (Ch.)	72.2
Blackburn Rovers (Ch.)	70.7	Nottingham Forest (Ch.)	72.1
Reading (Ch.)	70.7	Bristol Rovers (L2)	71.3
Birmingham City (Ch.)	65.5	Brighton & Hove Albion (PL)	69.5





The Premier League

Using club's accounts from the previous two financial years, we can apply the LCP Football Sustainability Matrix to Premier League clubs. The previous two seasons are displayed as charts below. The strongest clubs fall in the top right quadrant, the worst in the bottom left.

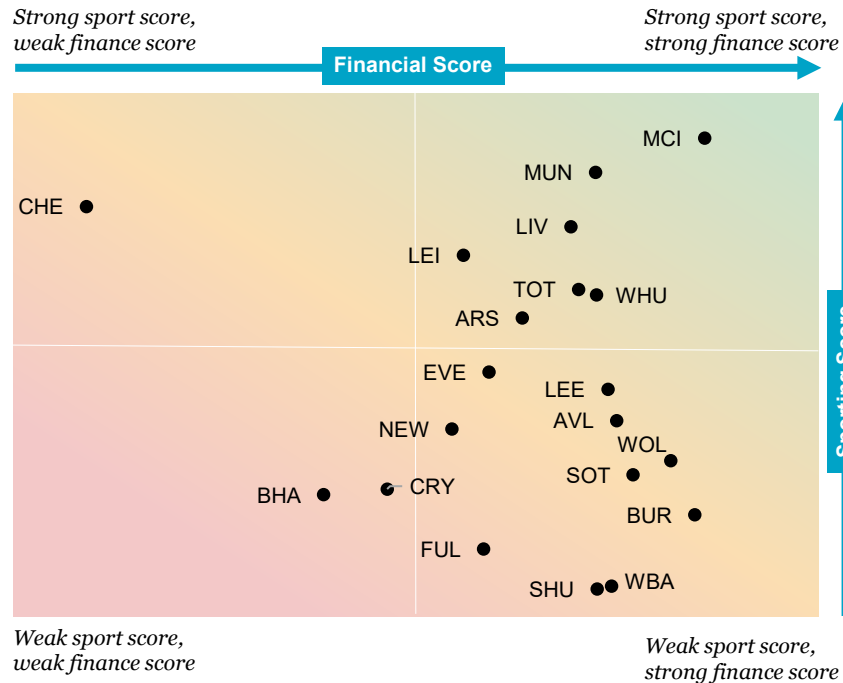
The club achieving the highest for both sporting and financial scores is **Manchester City** in both seasons. Pep Guardiola's team won the Premier League, by 12 points over Manchester United in 2020-21 and by a solitary point over Liverpool the following season. In 2020-21, Manchester City also lost the Champions League final to Chelsea, while the following season saw them lose in the semi-finals of the Champions League to Real Madrid.

Financially, Manchester City had sustained low levels of FND, a revenue to wages ratio that dropped from 62% to 57%, and were the top team for net assets in both seasons.

It must however be noted that in February 2023 the Premier League charged Manchester City with 115 breaches of its financial regulations between 2009 and 2018. These allegations, subject to ongoing investigation, fall outside the period this report is looking at, but it is worth saying that they relate to revenue, sponsorship, operating costs, and managerial compensation.

In other words, should these charges be proven, it does very much cast doubt on the robustness of the league's own checks and balances for significant periods of time, and makes a stronger argument for financial regulation conducted by an independent body.

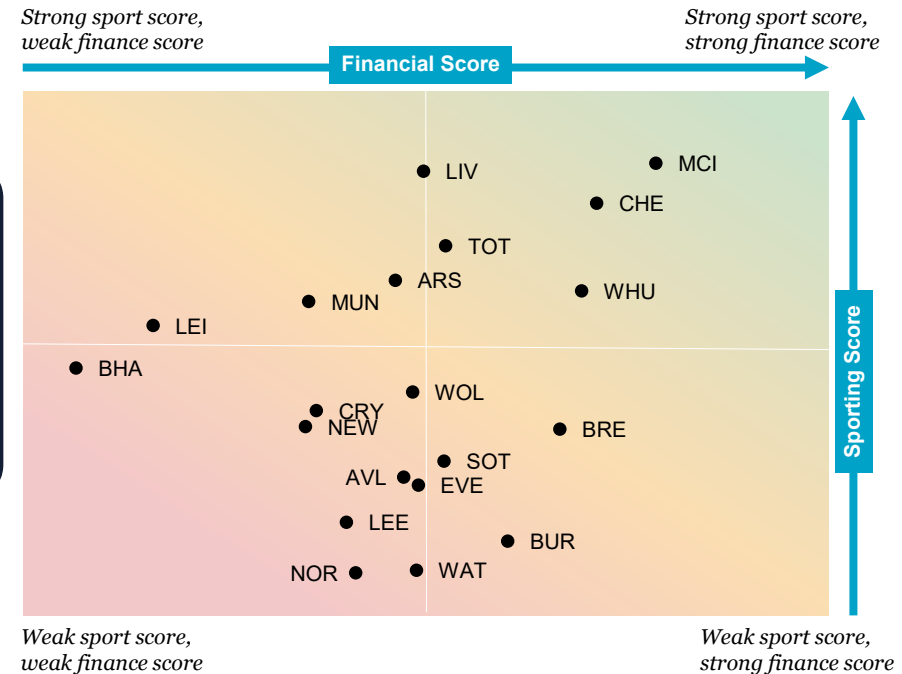
Premier League 2020-21



Note: The shift towards a weaker financial score for many clubs in 2021-22 can be explained by the application of a relative scoring system, which scores clubs relative to other clubs in the same league.

Chelsea moving from being by far the weakest scoring club (prior to the change of ownership), to one of the strongest, has shifted the rest of the league.

Premier League 2021-22





The Premier League

Another club to highlight is **Chelsea**. Their Champions League win and FA Cup final loss in 2020-21 saw them achieve a strong sporting score in that season, slightly undermined by a fourth place league finish, 19 points below the winners. However in 2020-21 they scored by far the lowest in our financial metrics, as a result of their massive owner funded debt, in the order of £1.4bn. As part of the deal which saw Todd Boehly and Clearlake Capital's acquisition of the club, much of this debt was written off, which left the club in a far healthier financial state.

Many of the clubs in the top right quadrant for 2020-21 are the same the following season: Manchester City, Liverpool, Tottenham Hotspur, and West Ham United. Manchester United dropped out following a significant worsening of its financial situation, especially in Football Net Debt, current ratio, and a significant wage increase for playing staff. Although Manchester United's wage as a percentage of turnover is low, they have significant debt (and high financing costs), as mentioned above, pay out dividends and have high senior management pay. All of this shows that, while larger clubs have advantages, they can also incur issues from their size and/or their market listing.

George Bassnett, LCP

Interestingly, some of the smaller clubs are among the more financially secure. In the period covered, Sheffield United, West Bromwich Albion, and Fulham (2020-21) and Norwich City, Watford, and Burnley (2021-22) were relegated from the Premier League.

Burnley appear to have been especially well-run financially, even as they were relegated in 2021-22 and, given that club's reputation for footballing pragmatism, it seems that a similar reputation for financial pragmatism was deserved. Under ALK Capital, who have owned the club since December 2020, and manager Vincent Kompany, Burnley will be back in the Premier League next season - but it seems unlikely they will deviate from their prudent approach. It will be fascinating to see Burnley's financials for this season just completed to see what the impact of relegation was on the club.

Another team who were relegated but were running less risk than most was **Sheffield United**. The side achieved promotions to the Championship in 2016-17 and the Premier League 2018-19 under Chris Wilder and assistant Alan Knill, who fused canny recruitment with an unusual tactical approach that allowed them to over-achieve relative to wage and transfer spend. Intriguingly, from 2017 onwards there were significant ownership issues at Sheffield United as joint owners Prince Abdullah bin Musaid Al Saud and Kevin McCabe engaged in a legal battle over the 'roulette mechanism' governing their joint ownership.

However, within the period covered, Prince Abdullah was the sole owner, which suggests that the impact of even fairly tumultuous periods can be mitigated or allowed not to affect a club too much. Although Sheffield United's current ratio was very poor in 2020-21 due to low revenue, the combined effect of relatively low FND, tight wage control (the best wages to revenue ratio in the league at a staggeringly low 49%) and sensible levels of external debt and current debt, meant they were in the top half of the league financially, if not on the pitch. Sheffield United have once more secured promotion, so they, like Burnley, will provide an interesting test case as to whether ownership groups can retain a prudent approach once back in the Premier League.



The Premier League

In general, however, the larger clubs are the most sustainable. They can obviously raise the most revenue from the range of sources we have already detailed, and generally, success breeds success once a certain point is reached. This is, in part, because of the correlation between wage spend and success and, while those clubs can also afford to purchase the best players, more importantly their wage structure can attract and keep them. In addition, larger clubs are able to secure financing from external sources more easily and at more favourable rates, or against central funding due from the Premier League (Crystal Palace is an example here) which in turn allows for the kind of investment that can yield long-term financial benefits.

A good example of this is **Tottenham Hotspur**, who owed over £850m in external debt as at 30 June 2022. Most of this debt was taken on to build the new stadium and is with major financial institutions such as Bank of America, Goldman Sachs, and HSBC. In addition, around half was refinanced in 2019 into bonds with staggered maturities of between 15 and 30 years. This means that, although the debt levels are very high (indeed, the highest in European football in 2021), it is far more sustainable than clubs where the majority of the debt is current and / or solely to cover operational costs, rather than as an investment in future revenue streams, as with a new stadium. Nonetheless, financing that debt still has a cost which is why Tottenham, despite a very healthy wages to revenue ratio of 47%, still posted a significant loss in 2021-22. There are similar effects of financing at Manchester United and Leicester City, for example, which is why, while some forms of debt can be less of an issue, it still brings the potential for losses and financial vulnerability.

The clubs relegated this season are worth mentioning, too: **Southampton** came under new ownership in January 2022 in a move largely financed by a loan to Dragan Solak, taken from a company he owns, which reportedly needs to be repaid in 2024. There is no indication that the club will be used to finance that repayment. But with relegation, an outstanding loan to MSD Holdings (an investment firm which has lent money to a range of football clubs), and a finance score that worsened in 2021-2022 (the current ratio and wages to revenue ratio worsened, and FND increased from just over £80m to over £100m), the trajectory of Southampton's financial sustainability is currently downwards. It is perhaps in their favour that their ownership group is new and has reputable industry experience. Nonetheless, with significant staff revenue and a hefty wage bill, Southampton need to be careful, and have immediately responded with cuts and redundancies across the club following relegation.

Leicester City, the last club outside the so-called Big Six to win the Premier League (and, along with Blackburn Rovers in 1994-95, the only ones), have also been relegated. Leicester's overall financial position, with losses totalling over £92m, was sufficiently precarious in recent years (and, indeed, worsened) to the extent that investment was impossible. The club had a ratio of wages as a percentage of revenue of 85%, net liabilities of £45m, and the third worst Football Net Debt in the Premier League, a massive £388m. Leicester's owner debt is over £265m, the second highest in the league, but their external debt is also significant, standing at just over £80m, the sixth highest in the league. Contrast this with Brighton, who have the most owner debt, but only £3m of external debt.





The Premier League

Leeds United, the final relegated club, similarly look in real danger. Leeds were formerly a cautionary tale of how over-investment without returns can sink a club, to the extent that it was cited in the White Paper. The club's latest figures show a well below average current ratio (0.10), which may suggest the club is in danger of repeating the mistakes of the past. An FND of over £170m also looks concerning, but Leeds' wages as a percentage of revenue is a slightly less worrying 64%. Both Leeds and Leicester City have ratios of around 25% for debt falling within 12 months as a percentage of revenue, but that revenue will drop even with parachute payments, which increases that ratio for next season.

All three relegated clubs changed managers at least twice in the 2022-23 season, which means payments to those sacked, while both Southampton and Leeds also invested in players to the tune of £143m and £145m. Leicester only spent £48m in 2022-23, but also made sales totalling £81m, presumably in an effort to reduce their wage bill and potentially pay off some debt.

Of the relegated sides, Southampton look the most financially stable, but this is dependent on ownership holding firm. It should be noted that at the time of writing this report, Andrea Radrizzani, the previous majority owner of Leeds United, purchased Sampdoria in Italy, which paved the way for Leeds' minority shareholders 49s Enterprises to buy out Radrizzani and take over.

Relegation can have other negative effects, too. For example, although there seems no real risk at present, there is a note in **West Ham's** accounts: facility (which has a £95m limit, and is with MSD Holdings) is secured, subject to retaining Premier League status, by a fixed and floating charge on the assets of the club. It is unclear what would happen if West Ham are relegated and, while the team have just enjoyed two successive seasons of European football, at one point this season they were in danger of being sucked into a relegation battle. Football has shown time and again that the most unlikely outcomes can still happen.

Lastly, although we will be addressing ownership specifically in a later section within this report, it is worth highlighting the interesting case of **Brighton and Hove Albion**. Most observers would agree that Tony Bloom's stewardship of the club has been thoughtful and effective and, indeed, on the footballing side the club's use of talent identification for coaches and players has been exemplary. Brighton, however, are entirely reliant on the enormous sums Bloom has lent to the club, the current debt of which accounted for 241% of revenue in 2020-21 and 233% in 2021-22. This is the highest total in the league by some margin.

Bloom has poured hundreds of millions into Brighton to make it one of the best run football clubs in the world in sporting and operational sense, but were he suddenly to withdraw that support and call in his loans, Brighton would have limited chance of honouring them (absent new financing/ownership). Obviously at the moment there is no evidence that this may occur: Bloom is a long-time fan of the club and his grandfather was a vice-chairman in the 1970s. But it demonstrates the fallibility of a funding system based on the support of one individual (or company) and the vulnerability of clubs funded that way to withstand any kind of shock based on that individual's support.

Relegation poses a huge threat to football clubs – particularly for Premier League clubs. Given the high cost base for a Premier League club, newly relegated clubs have a big challenge to reduce their cost base, whilst maintaining sporting success. There are many cases where clubs were plunged into financial difficulty following relegation (despite parachute payments), especially if they are not promoted back to the Premier League in a short timeframe.

Ashley Mould, LCP



The Championship

Looking at the Championship, League One, and League Two for both seasons there are two important things to point out: firstly, smaller clubs often have less transparent accounts, or may not have filed them yet. There are also issues in many accounts where creditors are just listed as 'other creditors', so it is hard to be sure if these represent owner debt or not. In addition, teams are inconsistent with listing owner debt as current or non-current.

Secondly, because each league is assessed relative to other clubs in that league alone, there are some instances of clubs' financial state being strangely sized relative to that league, either because they have been promoted or relegated.

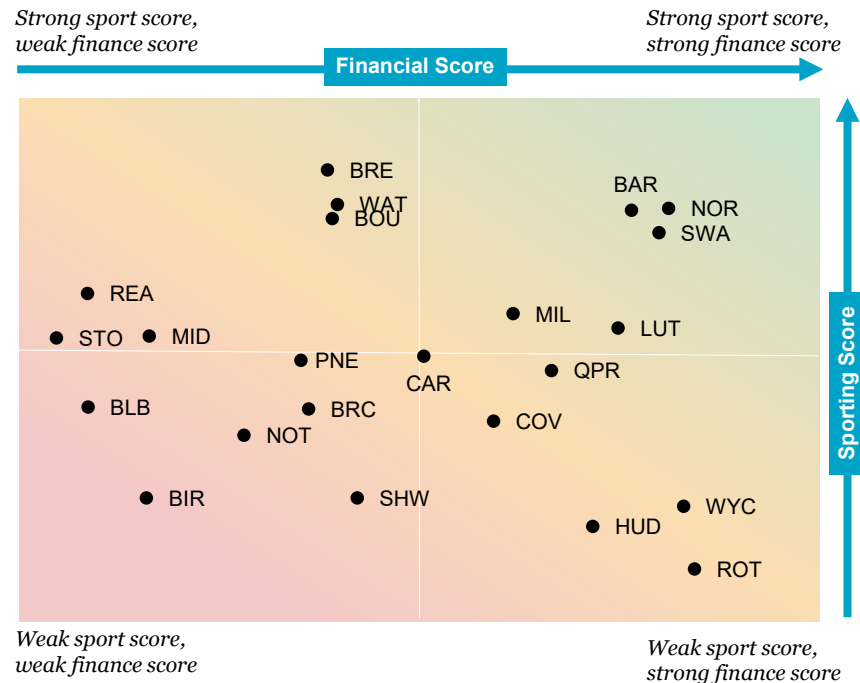
The Championship has already been shown to be the least financially sustainable league, and so it is no surprise to see some clubs in a difficult state.

Reading's precarious position is highlighted in both matrices, with very weak financial scores in both seasons; it is sadly no surprise to see them currently subject to winding up petition from HMRC.

It should also be noted that **Derby County** has been excluded from our analysis, due to no financial information available after 2018. Several accounting issues have since come to light, as outlined below.

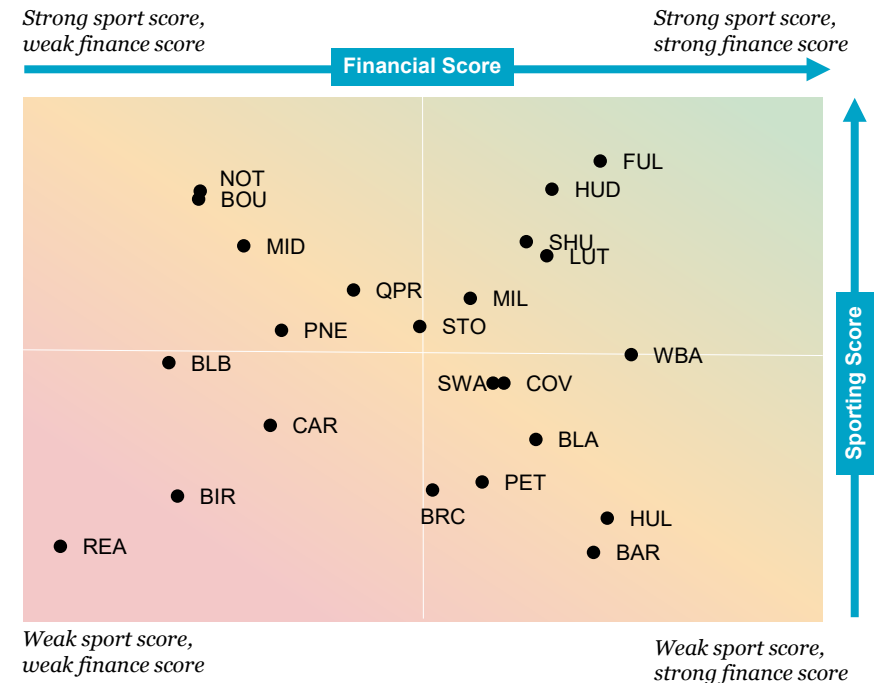
Derby County used a similar stadium ownership sale as Sheffield Wednesday, although the EFL's charge in this regard was rejected by the disciplinary committee, and it also recorded amortisation using an invented measure called "expected recoverable values". In effect, this meant that Derby County were valuing assets, in this case players, differently to every other club in the league system and assessing that value change (depreciation) themselves. In short, without the EFL taking Derby to task for this, the accountancy practices that allowed Derby, in the words of the EFL, to "[seek] to do something no one else seems ever to have considered permissible".

Championship 2020-21



Reading's precarious position is highlighted in both matrices; it is sadly no surprise to see them currently subject to winding up petition from HMRC.

Championship 2021-22





The Championship

This, then, is a significant caveat to all the accounts of clubs that are not audited, or are too small to require a full set of accounts, and it would not be out of line with the Government's White Paper stance that this is further evidence of the requirement to subject accounts to up-to-date inspection and regulation by an independent party.

Some clubs are worth highlighting for positive reasons, though. Although **Rotherham United** went down in 2020-21, their low wages to revenue ratio, very low current debt, and good current ratio meant they scored very well financially and were well placed to bounce back to the Championship having won promotion in 2022. **Swansea City** and **Wycombe Wanderers** were two of five clubs with current ratios over 1.00 in 2020-21, a measure of their relative sustainability, while Swansea also had positive net assets of over £10m; Wycombe's was much smaller but still positive.

In terms of net assets, the two best Championship sides in 2020-21 were **Brentford** and **Norwich City**, both well run clubs of Premier League stature (Brentford were about to go up, while Norwich continue to yo-yo but are a financially sound club).

In 2021-22 **Fulham**, who won promotion, **Queens Park Rangers**, and **West Bromwich Albion** all achieved good financial scores. Fulham and QPR both achieved current ratios of over 1.00, while WBA had relatively low FND. It is worth noting that QPR have an ongoing FFP settlement in their liabilities, but all clubs scored very well for current debt totals and current debt expressed as a percentage of revenue, which was below 10% for all three clubs.

The clubs who won promotion in 2021-22, including Fulham, do show varying levels of financial sustainability, though; this is to be expected given that the Championship would seem to be the league where the gamblers have most to gain by betting big on promotion.

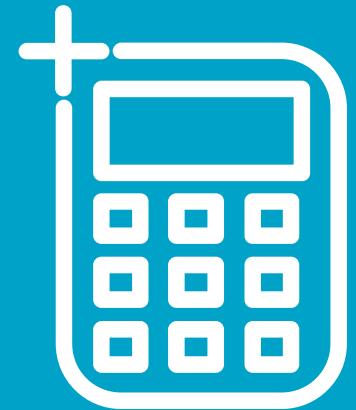
Automatic promotion winners **Bournemouth** gambled heavily, insofar as they had huge levels of owner debt (the second-highest in the league behind Reading in 2021-22), and their current debt accounted for 271% of revenue (bad, but remarkably nowhere near the worst in the league; that was Blackburn Rovers at 944%, with £17m of revenue and £159m of current debt).

Playoff winners **Nottingham Forest** also took on significant levels of debt, amounting to 385% of revenue. Forest and Bournemouth's FND combined to over £300m, but Fulham's was the lowest in the league in 2021-22, at minus £28m (due to their significant cash reserves (£30m) relative to low borrowing (£1m) and amounts owed on transfers (£1m)).

Fulham (126%) and Forest (197%) had dangerously high wages to revenue ratios, but Fulham were carrying Premier League level wages following relegation the previous season, while Forest simply expanded their squad hugely, a practice followed up in 2022-23 in the Premier League. Fulham also had the benefit of by far and away the highest net assets minus liabilities total in the league, which allowed them a degree of comfort and was undoubtedly, in part, due to their recent Premier League status. In that respect, and owing to their net negative FND, their wage situation was considerably more sustainable than either of the other promotion-winning clubs, even if all were well above the 70% level mandated by FFP and suggested as sensible for everyone.



Wage to revenue ratio





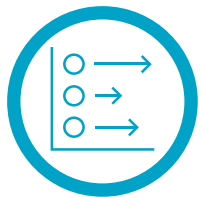
Wage to revenue ratio

One of the most important, and simplest to understand, financial metrics in football is the wages to revenue ratio.

This stems from an overall concept that clubs should not spend beyond their means, their means in this sense meaning revenue. This is to prevent clubs from being entirely reliant on external or internal funding, rather than a capacity to generate income, and to ensure that clubs do not overspend. Though, as we have shown, this situation is endemic in football. The concept of a wage to revenue ratio is enshrined in UEFA's Financial Fair Play regulations. These rules, approved in 2009 and introduced in 2011-12, force teams that have qualified for UEFA competitions to adhere to certain spending rules.

The Club Financial Control Body, an independent panel within UEFA, is tasked with ensuring that FFP regulations are followed and can conduct investigations and adjudicate. Punishments range from a simple warning to disqualification from competitions, or in the worst cases a withdrawal of a title. As has been seen with Manchester City, however, such processes can take significant time and effort, which means that, while FFP is a useful guide, its real regulatory parameters have yet to be successfully explored (and fines, when levied, are often deferred in part to encourage future compliance).

The Premier League has no specific salary cap in place, but does have its own financial rules. These are, however, far less strict than UEFA's, not least because the Premier League is avowedly keen to attract the game's best talent to English leagues. These rules include:



Paying transfer fees, salaries and tax bills on time



Submit accounts annually



Disclose payments made to agents



Clubs cannot make a losses exceeding a total £105m over three seasons

The Premier League can impose severe punishments and even points deductions for failures in this regard but, as seen in previous instances, that can be a slow process. Indeed, when looking at the example of Everton, a club at risk of breaching the Premier League's financial rules, any points deduction will come too late for Leicester City, who would have avoided relegation in the 2022-23 season if even a two point penalty was imposed (due to Leicester's superior goal difference). As a piece in The Athletic put it:

Leicester, Leeds and Southampton were among a group of clubs who wrote to the Premier League in April, urging them to fast-track the Everton case so any potential sanctions against them would be imposed this season rather than further down the line. The Premier League executive team shared that desire, feeling it was in the interests of the competition and all the clubs involved, including Everton, to get a resolution sooner rather than later. The commission responded by emphasising the process was independent and could not be fast-tracked according to the wishes of any party.

Tom Gillespie, LCP

Even though Everton deny any wrongdoing, this issue highlights that there are notable challenges with enforcement, in particular in terms of the speed of the process and ensuring a fair and equal process to affected clubs.

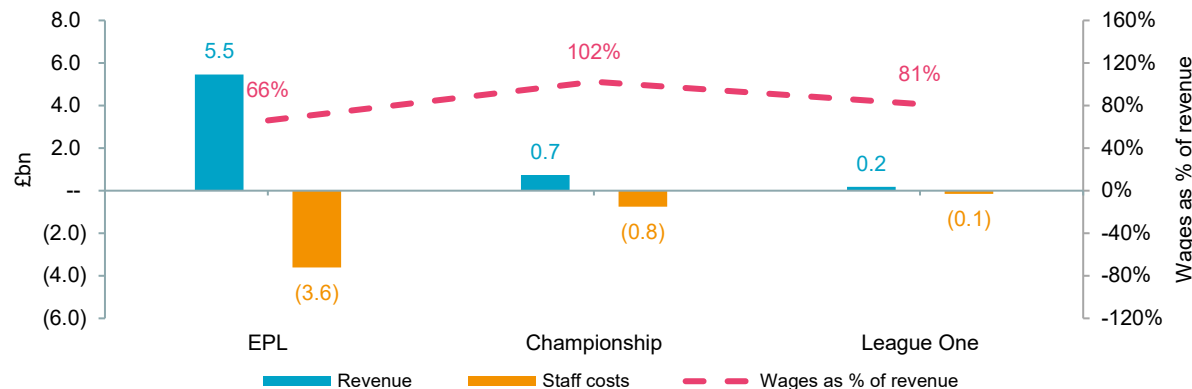


Wage to revenue ratio

Within the LCP Football Sustainability Index, the wages to revenue ratio is the highest weighted aspect of our financial score. This is because, in part, there is such a strong correlation between overall spending and sporting success and, specifically, between wages and sporting success. Not only that, but research has shown that the financial disparity within the Premier League is growing. Leicester City were the only real positive outlier for sporting success versus wage spend winning the Premier League in 2016 (albeit noting their financial and sporting struggles in the most recent season). So, while wage spend and final league position still correlate positively, Analytics FC have shown that:

In 2013-14, the financial gap (ie wage differential) between 17th and 5th was only roughly £11m. If we look at 2020-21—at a time where the market was depressed due to the coronavirus pandemic—we see the financial gap between the same two positions on the table as roughly £22m or double what it was just six seasons before. In addition to this, the 5th-placed team in 2020-21 (Leicester City) serves as a positive outlier for finishing in a position higher than what would be expected. If we replace Leicester with the side that reasonably should have finished in 5th, which would be perhaps Liverpool or Tottenham, then our financial gap would explode to £53m.

Wage to revenue ratio (2021-22)



This is interesting because the increased use of data analytics was supposed to offer sides a competitive edge even without spending eye-watering sums, replicating the success of the Oakland A's in baseball as documented in Michael Lewis' Moneyball. The reality in football is that, while analytics can help, the biggest teams who can spend the most money will still (almost always) win the most.

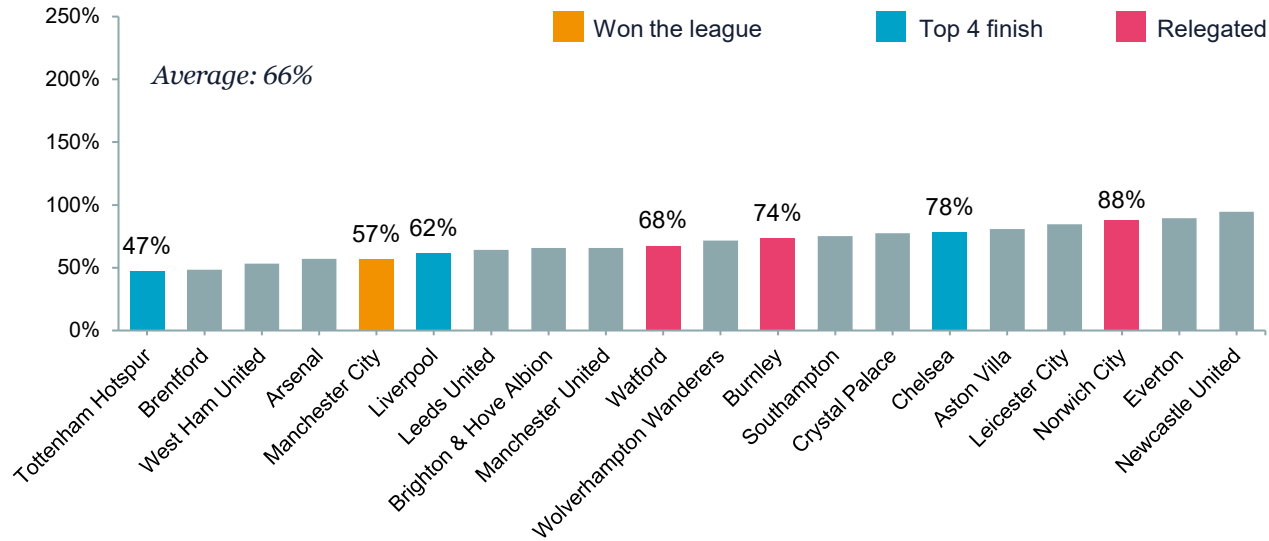
Targeting sporting success whilst balancing wage spend is a key challenge for clubs, and spending no more than 70% of revenue on wages is often recognised as a key indicator of a club's financial sustainability (with UEFA also including player transfers and agent fees in their calculation when determining FFP compliance).

Clubs can gamble by increasing the ratio between wage spend and revenue, especially in the Championship, on the basis that promotion, or even just a higher league finishing spot, will increase revenue. This, in turn, will allow for yet higher wage spend, better finishes, and so on. For this gamble to pay off a club is relying on two things: that other clubs will not be able to increase their ratios or revenues as well, effectively creating a financial arms race (which is what has happened), or teams will not suffer seasons of downturn or make bad decisions with their wage or transfer expenditure.

Based on this metric, the Championship clearly is the league most at risk of financial instability as a result of herding behaviour. We have already seen how some clubs, such as Bournemouth and Nottingham Forest, successfully gambled on a huge wages to revenue ratio to win promotion. In 2020-21, the league aggregate of wages as a percentage of revenue was a totally unsustainable 122%; this improved to 102% in 2021-22, but is still significantly above what is considered safe and sustainable. League One is next worst, with a 2020-21 percentage of 79%, worsening to 81% in 2021-22.



Premier League wages as % of revenue (2021-22)

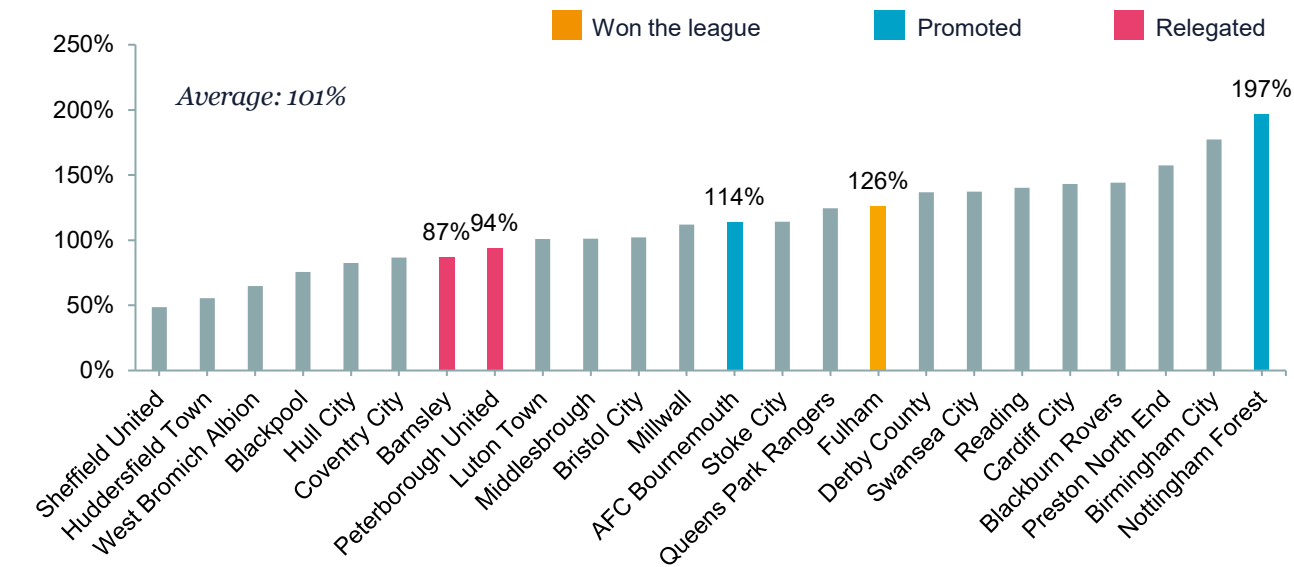


The Premier League looks more sustainable: the average ratios for the league were 71% in 2021 and 66% in 2021-22. But this average masks the fact that in 2020-21, only eight teams spent less than 70% of revenue on wages; in 2021-22, 10 teams were spending over 70% of revenue on wages, with Everton (90%) and Newcastle United (95%) the worst performing.

So, which clubs run the most risk according to this key metric? We can largely discount Newcastle United from this equation, given their new ownership, but Everton's flirtation with relegation (and the possible spending sanctions previously mentioned) could have been disastrous given that they are above 90% in both the seasons we have considered.

Fulham's ratio was 98% in the 2020-21, but rose to 126% after they were relegated to the Championship for the 2021-22 season. Remarkably this was only the 9th worst in the Championship and Fulham did achieve automatic promotion at the first time of asking.

Championship wages as % of revenue (2021-22)



The Championship is in a perilous state: in 2021-22, only three clubs – Sheffield United, Huddersfield Town and West Bromwich Albion – had a wages to revenue ratio of under 70%. At the other end, promotion winning Nottingham Forest were at 197%, while Birmingham City (177%) and Preston North End (157%) were the next worst offenders. Birmingham City have recently been acquired by an American investment firm though, pending confirmation at time of writing, so it will be interesting to see how that situation develops.

Remarkably, in 2020-21 things were even starker: six clubs had wages as a percentage of revenue ratio of over 200%, including promotion winning Brentford (228%), with the worst two clubs being Reading (234%, down to 150% in 2021-22) and Bristol City (254%, down to 143% in 2021-22).



Wage to revenue ratio

In 2020, winning promotion from the Championship was worth at least £135m and if the club could stay in the Premier League for five years (and nothing else changed), it could be worth as much as £265m. In May 2021, the Premier League's television deal was worth £5.1bn, running until 2024-25. This money is divided between Premier League clubs, 25% of which is divided up based on final league position (50% is just split evenly, while the remaining 25% is based on a facilities fee depending on televised games, which obviously largely benefits the bigger clubs anyway). In 2022-23, the estimated merit payments for finishing in the top four were between £60-70m, and only 19th and 20th places are estimated to earn less than £10m.

This kind of income boost clearly is enormous, and does not even include things like marketing rights, increased sponsorships, and the opportunity to participate in lucrative continental competitions. In short, getting to the Premier League and, crucially, staying there, genuinely can be like arriving in the Promised Land.

But at what possible cost? Most clubs in the league still make losses overall and even if the wage to revenue ratio is far more sustainable in the Premier League, the amounts required from internal or external financing are eye-watering.

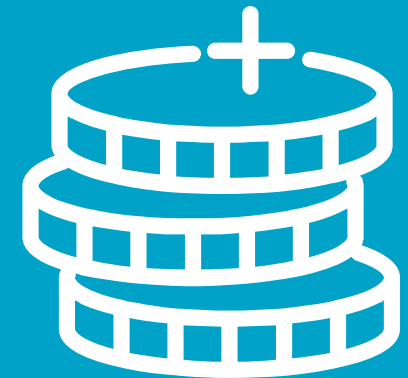
The most likely way to make money from a Premier League side is to sell it, which makes attempting to acquire a lower priced Championship side and get them promoted seem understandable. But the investment needed, the relative unlikeliness of this event, and the potential for failure, make this a gamble. While Chelsea and, potentially, Manchester United show that buying and selling on at a profit is possible, these are also huge, well-established clubs with significant assets and largely assured Premier League status; the same cannot be said for most of the rest of the league.

Unsustainable ratios of wages to revenue show the risks clubs run, especially in the Championship. Only tighter regulation can reduce the dangers of such spending.

Ashley Mould, LCP



Reliance on owner funding





Reliance on owner funding

Football is the world's most popular sport, and it attracts owners for a variety of reasons. These can be positive: the desire to support a local institution, or regenerate a failing team, or a love of the sport. They can be effectively neutral: a good business opportunity or seeking to generate economies of scale through multi-club ownership. Or they can be negative: money laundering, sports washing, or asset stripping. And there can be little clear evidence upfront to suggest which type of owner a club is getting.

Owners are stewards of footballing heritage as much as they are proprietors of a business whose sporting and financial outcomes are linked but not necessarily aligned. Clubs are more than a business: they are a community. Owners who genuinely recognise and value this can build a lasting relationship with a club and fans to the benefit of both. It is worth saying though that, once an owner is in charge of club, it can be difficult to dislodge them, as fans of Manchester United (the Glazers), Blackpool (the Oystons), Charlton Athletic (Roland Duchâtelet and ESI) or many other clubs could bear witness to.

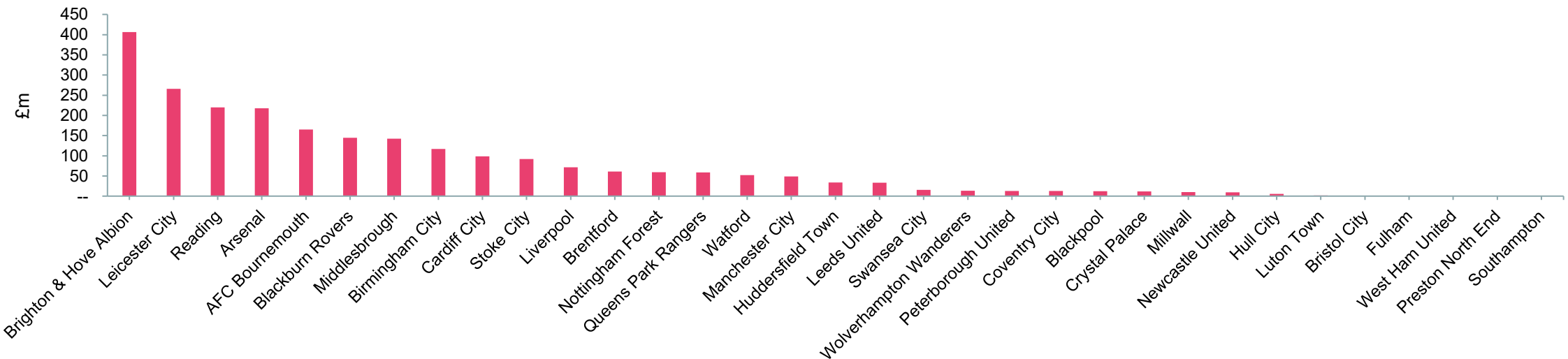
There are also issues around exactly who owners are, or where their money is coming from: look, for example, at the lingering questions around the influence of sanctioned investor Alisher Usmanov on Everton's owner Farhad Moshiri, or the Premier League's current struggles with ensuring that sponsorship coming from entities related to ownership groups is fair, and not simply a means of circumventing FFP.

The scenario of a rich individual buying a club and pumping it with money in the pursuit of success is such a potent one. On the one hand, in many cases a club simply cannot operate without cash injections from its owner. This puts the faith of a football club in the hands of an individual or institution. On the other hand, there can be significant upsides.

Regardless of what one thinks of state or state-adjacent involvement in football, the cases of Manchester City and Newcastle United have clearly had a positive effect on those teams and the local areas. Cash is being injected to buy players and promote success, and improve facilities, and this has knock-on benefits to the local areas.

Arguably, though, this can simply make the whole area at least partially reliant on this external source of funding, not just the club. This is especially important because, as the White Paper notes, "Around two-thirds (73 of 115) of the clubs in English football's top 5 tiers are in regions where the average disposable household income is below the UK average. For EFL clubs, this rises to nearly 70% (50 of 72)."

Premier League & Championship owner debt (2021-22)



Reliance on owner funding



Many clubs are now reliant on a third party. What happens if they get into financial difficulty? What if the owner gets bored? What if they simply are unwilling to put more cash into the club? Perhaps the club can no longer afford the high wages that resulted from the initial investment or need to sell key players to plug financial holes. The club is now a business that is less sustainable on a standalone basis than it was before investment. **This increases the chances of a community losing the football club as they know it.**

This is why the actions and intentions of the owner are so important. Take the case of **Brighton and Hove Albion**, already considered in detail in previous sections. Brighton are clearly a well-run club, with intelligent recruitment, clear operational structures, and increasing on-pitch success. But they are so reliant on Tony Bloom's funding that, were he to withdraw and demand repayment of outstanding debts, the club could collapse if a new buyer were not found.

On the other hand, **Leicester City** will be in the Championship next season. Although, as we showed in previous sections, they made some poor sporting decisions, the major issue for the club was that losses mounted while the ownership group, travel retailers King Power, suffered significantly from the Covid-19 pandemic as their core business was hammered by travel restrictions. There is no indication that Leicester's owners have any intentions to leave; indeed, in February 2023, King Power showed their commitment to the club, writing off Leicester City's £194m debts to the parent company. But while that will certainly assist Leicester's LCP financial score for 2022-23, it did not assist their ability to strengthen much in the January window to improve the squad. It simply goes to show that even good, responsible owners can struggle to support clubs should their own circumstances change.

Contrasting Brighton and Leicester is an interesting dynamic. Both ownerships are committed to their respective clubs, but due to external factors (Covid-19 in particular), Leicester became cash strapped with the owner less able to pump further money into the club. Brighton, on the other hand, have an owner who is both willing and able to continue providing financial support to the club, but there are no guarantees that this will continue indefinitely. The reliance of an entire football club on one owner is clearly a big risk.

John Parnis England, LCP

Reliance on owner funding



Another good example is **Huddersfield Town**. Dean Hoyle, took over the club in 2009 and took them to the Premier League for the 2018-19 season, then sold 75% of his stake to fellow Huddersfield Town fan Phil Hodgkinson in 2019 following illness. However, in 2022 Hodgkinson's Pure Business Group went into administration, forcing Hodgkinson to sell and Hoyle to step back into the chairman's role in an effort to find a buyer for the club; he succeeded in doing so to American businessman Kevin Nagle in June. The failure of Hodgkinson's non-football business had such a knock-on effect that the club will probably be in new hands come the beginning of next season, and will have gone from having two successive local fan owners to Nagle, who also owns California-based side Sacramento Republic.

This is why there is such a strong link to world of covenant in relation to pension schemes, particularly in the context of buying clubs and more stringent tests on prospective owners. A pension scheme must rely on its employer (or parent company with guarantee). As the regulations put it, "The covenant is the employer's legal obligation and financial ability to support their defined benefit (DB) scheme now and in the future." So what happens to a club if the owner or companies supporting it collapse? Where this differs from the world of covenant, is that there is no legal obligation for an owner to stick around and continue to support, regardless of their financial ability.

Presumably the answer is that the parent would sell, but it might not be that simple. It is not just collapse that is a worry, either. Aside from a parent club disposing of assets, or using them as collateral for other debt, owners can get tired of investing money without return and simply pull the plug. Their other business or businesses could be affected by something totally unrelated to football which could require them to refocus elsewhere, or simply not be able to afford the continued support. They might get bored, annoyed with supporter criticism, or simply find the constant grind of involvement in professional football too much (they would not be the first!).

Reliance on owners comes with risks

*The key idea is that owner investment is not inherently financially sustainable; **it is only sustainable to the extent that owners are able and willing to continue their support.** Both these conditions apply, too: even the best intentioned and most able owners may become unable to support a club, however much they would like to continue.*

Fran Bailey, LCP

Owner investment can create conditions whereby the absence of the owner renders a club inoperable; the virtuous circle of investment / success / further investment / further success is contingent on many factors and far less guaranteed, except in the case of the already established Premier League top six/seven, than clubs would like to believe. Indeed, the more money an owner invests into a club, the more likely they are to become totally unsustainable without that owner, which is its own form of unsustainability.

This is why the Government is wise to focus on new tests for owners and directors, as outlined in the White Paper, and also to ensure that assets such as stadiums are protected. Football is too reliant on owners for its success, integrity, and sustainability, and only regulation seems likely to change this.



Multi-club ownership (MCO)

There has also been fan resistance to the increasingly prevalent instances of multi-club ownership, and this raises additional concerns for fans and for club sustainability. As a recent report by World Soccer observed, *“With many clubs financially weakened by the Covid-19 pandemic, takeovers and the emergence of fresh bids for ownerships are an almost weekly occurrence. And, usually, the bidders already own another club.”* The magazine identifies 268 clubs owned by 99 different MCO Groups.

If clubs are bought to be part of a multi-club ownership structure, particularly if the owners see a hierarchy within the group structure, then the club could effectively become a feeder business that needs to pull its weight within that structure, rather than a sporting entity in its own right (in the owners’ view, at least). Fans of that club could then be entitled to fear that if the club ceases to be of use to the group it will be sold off or potentially even shuttered. In addition, clubs can be moved or renamed, tearing apart the cultural heritage of the club.

The Red Bull group has been the main one so far to navigate this tricky issue by buying licences and then working clubs up through the football pyramids of their respective nations. However, there may be little to stop it happening elsewhere, and differently (this could even take the form of seemingly cosmetic, but important, changes like kit colour as in the case of Vincent Tan’s attempted rebrand of Cardiff City).

Additionally, there are possible issues if the owner of a club seeks to use the assets of that club to finance acquiring another.

As reported in The Athletic in June, Leeds majority owner Andrea Radrizzani was rumoured to have offered Leeds United’s stadium as security against a loan taken out by his company, Aser, and a bidding partner, Gestio Capital, to buy Sampdoria. Due to a complicated arrangement, Elland Road *“is not owned by Leeds themselves but was bought by Radrizzani in 2017, shortly after he became owner of the Yorkshire club... The 2017 purchase was completed by a different Radrizzani company, Greenfield Investment Pte Ltd. Elland Road has since passed to Elland Road Limited, established in late 2020.”*

Although other directors of Elland Road Limited included (at the time) a 49ers Enterprises official and Angus Kinnear, Leeds United’s chief executive, the stadium is an asset of Aser, not Leeds United. This means, as The Athletic stated, that *“the prospect of the loan poses the risk of another financial implosion at Sampdoria, leaving Elland Road exposed to an attempt by the bank to claw back any money it had loaned to the Radrizzani group.”* It must be stated that this story has not been confirmed or denied by Radrizzani, and it is now reported that Radrizzani and 49ers Enterprises have agreed terms of a sale which will, presumably, include a resolution to the stadium ownership question.

But this is the sort of issue posed by MCOs, and also an indicator of just how much clubs rely on the actions of owners.

Chelsea’s owners Todd Boehly and Clearlake Capital, have recently acquired a majority stake in Racing Club de Strasbourg Alsace through their Chelsea-owning vehicle BlueCo. Strasbourg, a Ligue 1 club since 2017, suffered liquidation in 2011 and was renamed and reconstituted, but it is one of only six French clubs to have won all three major trophies. This shows how even top tier sides can be taken over by bigger clubs, at the risk of alienating fans or becoming mere feeder clubs.

That is not to say that there are not benefits, though. Even while smaller MCO clubs could be jettisoned if competitive conflicts of interest arise, and while such clubs risk losing their identity as parts of a group, MCOs are usually run more along the lines of businesses with clear strategies, which might suggest greater financial stability. In addition, there are clear potential upsides for player development pathways, economies of scale, and scouting or analytics resourcing, which could prove beneficial for clubs in MCO models.





Conclusions





Conclusions

LCP's findings paint a bleak picture of the state of much of English football outside the Premier League, and strongly highlight the need for regulation to protect these important cultural assets. Lots of clubs are running a large amount of financial risk, often gambling that the longstanding relationship between spending and achieving sporting success will pay off for them. But, of course, only 20 clubs can compete in the Premier League, while only three can be promoted from the Championship to that league (and three relegated in the other direction) each season. Many clubs, and their owners, are gambling, despite the limited opportunities for winning; this means that for most clubs the gamble won't pay off and the impact on sustainability can be very significant.

At present, 78% of clubs in the top four leagues of English football have current net liabilities. 14 Premier League clubs, and 17 Championship clubs, are making a loss. The scale of losses we have shown is unsustainable at an aggregate level, and highlights the reliance on current and prospective owners. The risks are most acute in the low sporting achievement, low sustainability bracket, not least because these are the clubs most likely to see an owner pulling the plug.

The Championship is, without doubt, most at risk. The aggregate wages to revenue ratio in the league is 102%, while most clubs are carrying unsustainable levels of current debt and with current ratios that highlight the immediate impact of any systemic shocks. The Championship's aggregate current ratio is 0.21, which shows dangerously low levels of liquidity. And, perhaps more worryingly, the Championship has nearly £1.4bn worth of debt falling due within 12 months.

While the Premier League is less at risk overall, the sums required to stay competitive outside of the Big Six/Seven are eye-watering and can lead to unsustainable practices. This includes the reliance on owners. When clubs are totally reliant on owners, the club is left vulnerable should the owner leave or be forced to sell. As a whole, the Premier League is carrying almost £1.2 billion of owner debt, while the Championship's total is almost £950 million. Only more stringent cost controls can alleviate this reliance, and the White Paper is also correct to highlight more stringent tests on prospective owners too.

Our report may paint a bleak picture of the current financial struggles faced by many English football clubs outside the Premier League, but the White Paper also provides a real opportunity to confront and overcome these challenges.

Better, timelier and more comprehensive information about the finances of clubs and their owners is vital to reducing the risk of clubs getting into difficulties. Furthermore, incentives and rewards generally encourage better practices, and we believe this could play a big role in enhancing football governance and sustainability. It's high time we explore different solutions to work towards a brighter future for football.

Bart Huby, LCP

The White Paper has, rightly, been heralded as a transitional moment of huge importance to football. It recognised three core issues, and these are all evidenced by the work in this report, either directly or, in the case of point three, by implication:

- The structure and dynamics of the market give rise to incentives for reckless financial overreach.
- The financial and operational management at many clubs is inadequate, exacerbated by poor corporate governance.
- The existing self-regulatory structures have proved ineffective at addressing issues.

Its radical recognition that “the free market will not rectify problems” and “industry self-regulation will not deliver the reform required” may be challenged by the Premier League, but it is hard to argue with the clear picture of an industry in an unsustainable financial position, at material risk of financial failure.

And so, change is coming, for which LCP is supportive. The impact of the IREF should be positive with regards to sustainability, but there may be other, less positive impacts that are worth considering.

Spending constraints may make it harder for clubs to break into the Premier League, given the natural financial advantages for those in situ when the regulations take effect. This could make the system less competitive overall, but given how much of that competitiveness is financed in an unsustainable way, this is maybe not the worst outcome.

The Premier League may become less competitive compared to other major European and global leagues, although its existing financial advantages and spending power should allow it to retain its primacy compared to most; nonetheless, overseas owners may start to invest in Serie A or La Liga or others, rather than the Premier League, which could see a long-term value reduction (comparatively) for the UK. This is why the Premier League will likely find independent regulation hardest to swallow.



The Premier League's response to the White Paper included the following statements:

"The Premier League and its clubs will now carefully consider the Government's plan for England to become the first major nation to make football a government-regulated industry."

"The Premier League recognises the case for change in football governance and continues to implement stronger and more independent regulation."

"We are strengthening our ownership rules and are already providing £1.6bn in financial support to the wider game in this current three-year cycle."

"It is vital that regulation does not damage the game fans love to watch in the deepest professional pyramid in the world, or its ability to attract investment and grow interest in our game."

"The Premier League has already taken action to address many issues raised in the Fan-Led Review, and will work with Government and Parliamentarians on the next phase of the White Paper."

The clear implication here is that the Premier League is opposed to greater external regulation and believes it can keep its own house in order.

The EFL were far more welcoming, stating that:

"The EFL has been clear that the English game needs a fundamental financial reset in order to make the game sustainable so that all Clubs can continue to serve their supporters and communities long into the future."

Going hand-in-hand with financial reform, the League is supportive of proposals relating to enhanced regulation and looks forward to consulting with Government on matters including Club Licensing, the Owners and Directors Test, and heritage protection in the period ahead."

Meanwhile, the Football Association felt that opportunities had been missed:

"The need for redistribution to the grassroots was recognised in the Fan-Led Review, but not the White Paper, so we are recommending that the Regulator ensures that any redistribution of income from the professional game covers the whole football pyramid, including the grassroots game."

The FA also strongly endorsed the concept that the men's and women's games are treated the same with regulation, that the whole football pyramid's financial integrity and stability are key, and that the European Super League is anathema to the FA's sporting ideals.

These elements, greater sustainability throughout the pyramid, heritage protection, and better assessments of potential owners, make the White Paper's proposals important. While the Premier League is right to be concerned about a potential impact on its own profile versus other leagues, the EFL is right to see these proposals as key to ensuring that another situation where a football club is in financial distress is avoided, or at least made far less likely. Financial sustainability goes hand-in-hand with good governance, due diligence on owners, and viewing clubs as community, heritage assets with social, as well as financial, equity.

Without these changes in the way English football is run, it will likely continue to head on a course that will see more failures of clubs, with all the misery and economic devastation that causes. The future is bleak without change, but change is possible and must happen soon.



Background and motivation

Why LCP?





Background and motivation

A new approach to football governance?

Football's governance and financial sustainability has never been higher on the agendas of its various stakeholders. 2020 was a crisis point for the national game. The failures of Bury FC and Macclesfield Town (wound-up in 2020), and issues at Derby County (placed into administration in 2021) put financial sustainability and good governance at the heart of conversations around football. This created strident support for regulation of the game, with former players such as Gary Neville vocally advocating such a move.

There was already some political appetite for this. The 2019 Conservative Manifesto pledged to deliver a FLR and, with Bury's collapse, the Covid-19 pandemic, and the attempted European Super League breakaway as a backdrop, this appetite grew. The then Culture Secretary Oliver Dowden announced the launch of the FLR in April 2021.

The review, the first of its kind, was billed as “a comprehensive examination of the English football system with the aim of exploring ways of improving the governance, ownership and financial sustainability of clubs in the football pyramid”.

The report, chaired by Tracey Crouch MP, was published in November 2021. Crouch is a former Minister for Sport, Civil Society, and Loneliness, and was therefore extremely well-placed to oversee the process. A qualified coach, Crouch understands the game and her credibility meant the report had real clout.

The report's 47 recommendations were well received by fan groups such as the Football Supporters' Association, who were also involved in the process. The FLR's recommendations were “simultaneously agonising and strangely reassuring”, according to football finance journalist David Conn. The review observed “the same glaring issues and structural dysfunctions as all the previous earnest reports that have piled up since the Football League's First Division clubs broke away to form the Premier League 29 years ago and reaches essentially the same conclusions.”

Crouch's personal reputation, and the feeling that not only had other politicians reached a breaking point with football, but also that the political capital to be gained from instituting controls was significant, meant that this review landed in ways previous efforts had not. Central to its recommendations were:

- the creation of a new IREF to oversee financial regulation in the game, following existing regulatory models
- new tests for owners and directors to ensure that they are appropriate custodians
- new codes for corporate governance, and equality, diversity, and inclusion
- an increased focus on player welfare
- an acknowledgement of the role of fans and club heritage

The review also advocated increasing solidarity payments from Premier League clubs down the pyramid, a move that was met with immediate resistance from the Premier League itself.

The review was followed up in February 2023 by the Government's White Paper, “A Sustainable Future – Reforming Club Football Governance”. The White Paper confirmed the intention to set up the IREF, although it was at pains to point out that while “the government will undertake a targeted intervention in football to set up an independent Regulator...reform is also the responsibility of the industry”. According to the White Paper, “The Regulator's primary strategic purpose will be to ensure that English football is sustainable and resilient, for the benefit of fans and the local communities football clubs serve.”

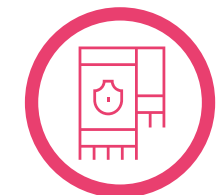
To achieve this, the IREF will have three specific primary duties:



Club sustainability
the financial sustainability of individual clubs.



Systemic stability
the overall stability of the football pyramid.



Cultural heritage
protecting the heritage of football clubs that matter most to fans.



Background and motivation

The implications of the White Paper

The clear implication of the White Paper is that, in the Government’s view, the financial situation across the pyramid is precarious, and the risk of financial failure is high. This is driven by a range of factors, including poor financial planning, over reliance on owner-funding, and overspending.

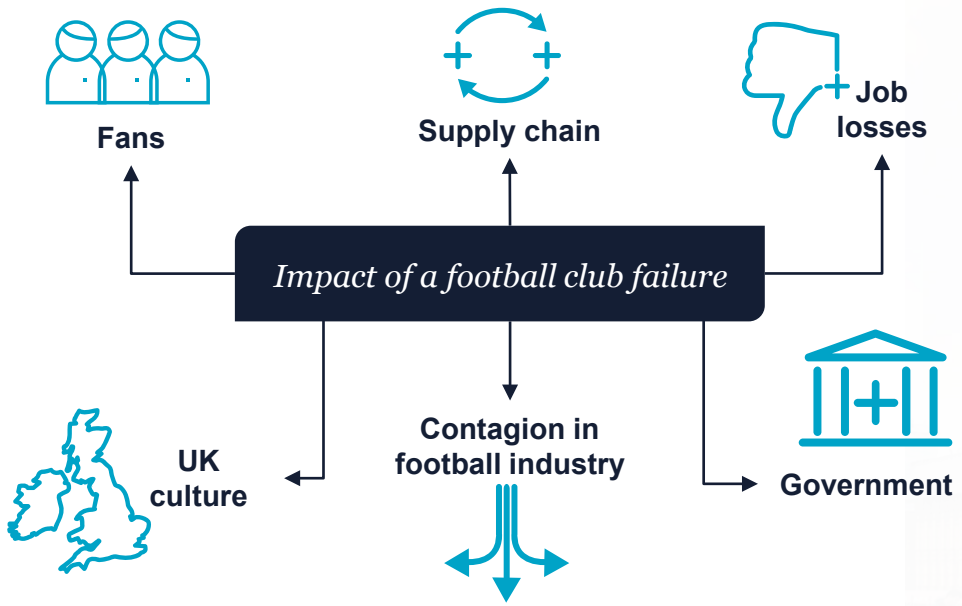
In many cases, financial failure may lead to a club ceasing to exist, causing significant harm to fans and local communities. As the White Paper itself said, “Unlike typical consumers of typical products, fans have deep emotional and social connections to their club. In economic terms, this means when their club ceases to exist, they will not substitute to an alternative ‘supplier’ - their demand will simply remain unfulfilled.” Further to this, “club failures can have wider impacts on the welfare of fans. They are the ones who suffer from not being able to watch the team their parents and grandparents supported, and who feel the gaping hole on weekends and in their communities. These impacts include the loss of a recreational and social outlet, psychological distress, and a loss of identity and pride.”

This threat of harm is backed by a study, conducted by IPSOS and attached to the White Paper, entitled “Contingent Valuation of men’s Professional Football Clubs and the Fan-Led Review”, which demonstrates the financial and social impact of the failure of clubs within local communities. This report highlighted that “football clubs are at the heart of local English communities” and that clubs are “heritage assets of high value to both fans and the communities in which they are based”. It also noted that “all focus groups emphasised the devastating social and economic impacts that would be felt across the community if their club were to cease to exist”. The report brought into clear focus that:

“The increasing commercialisation and concentration of media revenues and sponsorship within the top tier of English football in conjunction with poorly run clubs and the lack of proper governance practices amongst football clubs and football authorities had long been undermining the English league system, contributing to financial instability of many clubs in English football.”

IPSOS UK, “Contingent Valuation of men’s Professional Football Clubs and the Fan-Led Review Recommendations for DCMS” report, August 2022

Football clubs are a combination of financial and community assets. This means that they have social equity as well as financial equity for club stakeholders. As well as the club’s fans, this social equity includes the wider community of local businesses, the local charitable sector, and even people who do not engage with football but whose social network includes those who do.





Why LCP?

Viewing clubs as having both financial and social equity gives us an analogy. Football clubs are similar in many ways to defined benefit pension schemes, an industry which required a great deal of regulation resulting from decades of underfunding and poor practices.

The members of a pension fund are similar to the fans (and other community stakeholders) of a football club. Both groups can be severely impacted if the organisation they rely on for financial support fails to provide it – either through lack of ability or willingness.

A combination of the underlying financial strength of a football club and of its owner is similar to the covenant strength afforded to a pension fund – ie the financial ability of the sponsoring employer and in some cases the willingness of a shareholder / wider corporate group to ensure the pension fund has enough money to pay members their promised pensions.

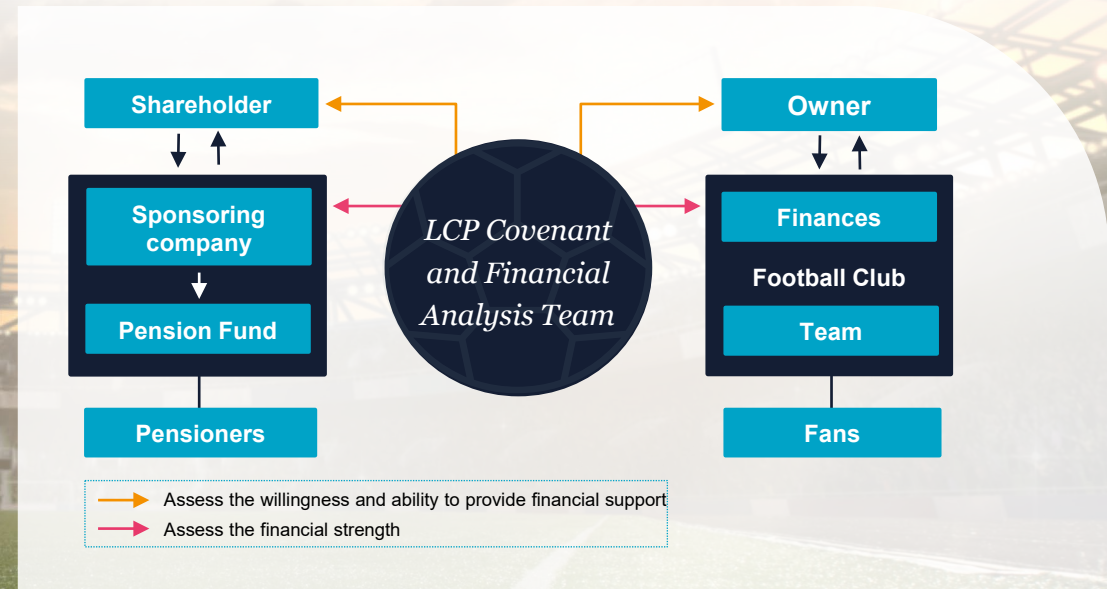
This context explains why, in our view, there is a responsibility to ensure good governance and financial stability for football clubs, just as there is with pension funds. The consequences of failure for a pension fund or a football club have widespread and serious repercussions, both financial and social.

Financial sustainability, the ability of a football club to have the necessary resources and be sufficiently well run to be resilient to risk, is crucial for the continued health and wellbeing of most, if not all, clubs in England.

This is why LCP, which brings decades' worth of experience in financial risk assessment, pension fund oversight, and the analysis of big data, has created this report. Drawing on our experience, we can provide valuable insight into the financial state of English football and to suggest ways in which good governance, and responsible financial management and planning, can help ensure the future integrity of these important local and national institutions.

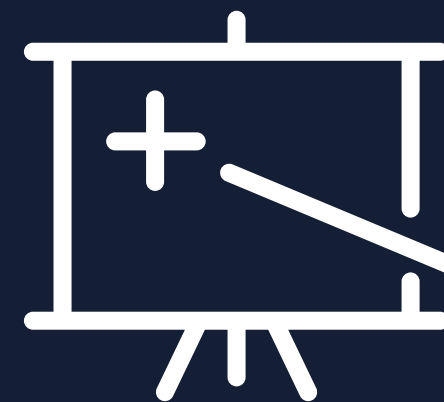
English football has never been of such financial significance or more successful in terms of coverage and influence, but the foundations upon which that is built are, in places, vulnerable and, all too often, profoundly unequal.

This report uses a combination of financial analysis and football knowledge to examine the state of the national game and provide a detailed backdrop to the changes being advocated by regulation. Regulation would impact stakeholders differently, which may be a reason for resistance within segments of the professional game itself but, as this report will show, it is fundamentally necessary.





LCP's Football Sustainability Matrix methodology





Methodology and metrics

Financial score¹

Financial metrics – for an example club

Club	Financial metric	Hypothetical normalised score (Note 1)	Weighting	Score	Overall Score	Calculation of metric	Interpretation
Financial	Net assets / (liabilities)	50	10%	5.0	47.3	Total assets - total liabilities	A high net asset value is desirable
	Current ratio	88	10%	8.8		Current assets / current liabilities (where current = less than 12 months)	A high current ratio is desirable
	Wages as % of revenue	52	20%	10.4		Staff costs / revenue (revenue does not include any amounts made from player trading)	A low % is desirable
	Profit / (Loss) before tax	90	10%	9.0		Profit before tax value direct from a club's accounts	A high profit before tax is desirable
	Owner debt	60	15%	9.0		The sum of 'amounts owed to group undertakings', 'owner loans', 'director loans', 'related party loans', 'shareholder loans' as disclosed by clubs	A low owner debt is desirable
	Short-term loans measure	0	10%	0.0		See Note 3	A low score is desirable
	Current loans as % of revenue	0	10%	0.0		Amount of money loaned to a club (by both internal and external sources) payable within 12 months	A low % is desirable
	Football net debt	34	15%	5.1		Total borrowings - cash/cash equivalents + net balance due on transfers	A low football net debt is desirable

Note 1 - We have considered group (ie consolidated) accounts for the highest corporate entity which files in the UK.

Note 2 - Each metric has its absolute amount input, this is then 'normalised' to give a score out of 100, whereby the club in each league with the best score in each league gets 0, while the worst gets 100, with the other clubs scored relative to these.

Note 3 - Short-term loans measure is calculated using a series of tests. The tests are applied in the following order with clubs that don't satisfy the criteria being tested for the next stage:

1. Test for Exemplar = Cash > Loans
2. Test for Good = Current Assets > Loans
3. Test for Pass = Current Assets / Loans >= 0.75
4. Fail = Current Assets / Loans < 0.75



Methodology and metrics

Sporting score

Sporting metrics

	Sporting metric	League ranking	Weighting	Score	Overall Score	Calculation of metric	Interpretation
Sporting	League position	8	70%	5.6	7.3	A club's league position in a given season	A low score is desirable
	Domestic cup performance	7	10%	0.7		Clubs are scored depending on which round of each domestic competition they reached (FA Cup, Carabao Cup, EFL Trophy - for League one and below). These scores are then ranked against peers in their league	
	European performance	5	20%	1.0		Clubs are ranked depending on what UEFA coefficient they gained in a given season	



Appendix





Appendix

LCP's Football Sustainability Matrix

Premier League 2020-21



2020-21	Financial score	Sporting score	Identifier
Arsenal	35.9	7.3	ARS
Aston Villa	26.7	10.9	AVL
Brighton & Hove Albion	55.6	13.5	BHA
Burnley	19.5	14.2	BUR
Chelsea	79.5	3.4	CHE
Crystal Palace	49.3	13.3	CRY
Everton	39.4	9.2	EVE
Fulham	39.8	15.4	FUL
Leeds United	27.3	9.8	LEE
Leicester City	41.9	5.1	LEI
Liverpool	31.1	4.1	LIV
Manchester City	17.6	1.0	MCI
Manchester United	28.7	2.2	MUN
Newcastle United	42.9	11.2	NEW
Sheffield United	28.3	16.8	SHU
Southampton	25.1	12.8	SOT
Tottenham Hotspur	30.4	6.3	TOT
West Bromich Albion	27.0	16.7	WBA
West Ham United	28.5	6.5	WHU
Wolverhampton Wanderers	21.2	12.3	WOL



Appendix

LCP's Football Sustainability Matrix

Premier League 2021-22



2021-22	Financial score	Sporting score	Identifier
Arsenal	40.0	5.8	ARS
Aston Villa	39.3	13.2	AVL
Brentford	24.9	11.4	BRE
Brighton & Hove Albion	69.5	9.1	BHA
Burnley	29.7	15.6	BUR
Chelsea	21.5	2.9	CHE
Crystal Palace	47.3	10.7	CRY
Everton	37.9	13.5	EVE
Leeds United	44.5	14.9	LEE
Leicester City	62.4	7.5	LEI
Liverpool	37.4	1.7	LIV
Manchester City	16.0	1.4	MCI
Manchester United	48.0	6.6	MUN
Newcastle United	48.3	11.3	NEW
Norwich City	43.7	16.8	NOR
Southampton	35.5	12.6	SOT
Tottenham Hotspur	35.4	4.5	TOT
Watford	38.1	16.7	WAT
West Ham United	22.9	6.2	WHU
Wolverhampton Wanderers	38.4	10	WOL



Appendix

LCP's Football Sustainability Matrix

Championship 2020-21



2020-21	Financial score	Sporting score	Identifier
AFC Bournemouth	49.0	4.8	BOU
Barnsley	22.5	4.4	BAR
Birmingham City	65.5	18.6	BIR
Blackburn Rovers	70.7	14.1	BLB
Brentford	49.4	2.4	BRE
Bristol City	51.1	14.2	BRC
Cardiff City	40.9	11.6	CAR
Coventry City	34.7	14.8	COV
Derby County ¹	N/A	N/A	
Huddersfield Town	25.9	20	HUD
Luton Town	23.6	10.2	LUT
Middlesbrough	65.2	10.6	MID
Millwall	32.9	9.5	MIL
Norwich City	19.1	4.3	NOR
Nottingham Forest	56.8	15.5	NOT
Preston North End	51.8	11.8	PNE
Queens Park Rangers	29.5	12.3	QPR
Reading	70.7	8.5	REA
Rotherham United	16.9	22.1	ROT
Sheffield Wednesday	46.8	18.6	SHW
Stoke City	73.5	10.7	STO
Swansea City	20.0	5.5	SWA
Watford	48.5	4.1	WAT
Wycombe Wanderers ²	17.8	19.0	WYC

¹ Last set of accounts filed in 2019, as 'The Derby County Football Club Limited'. This entity (now renamed 'DC Realisations 1 Limited') is being wound up. The club's assets have been transferred to a new company, 'Derby County (The Rams) Limited'. As the information available is so out of date, we have excluded from our analysis.

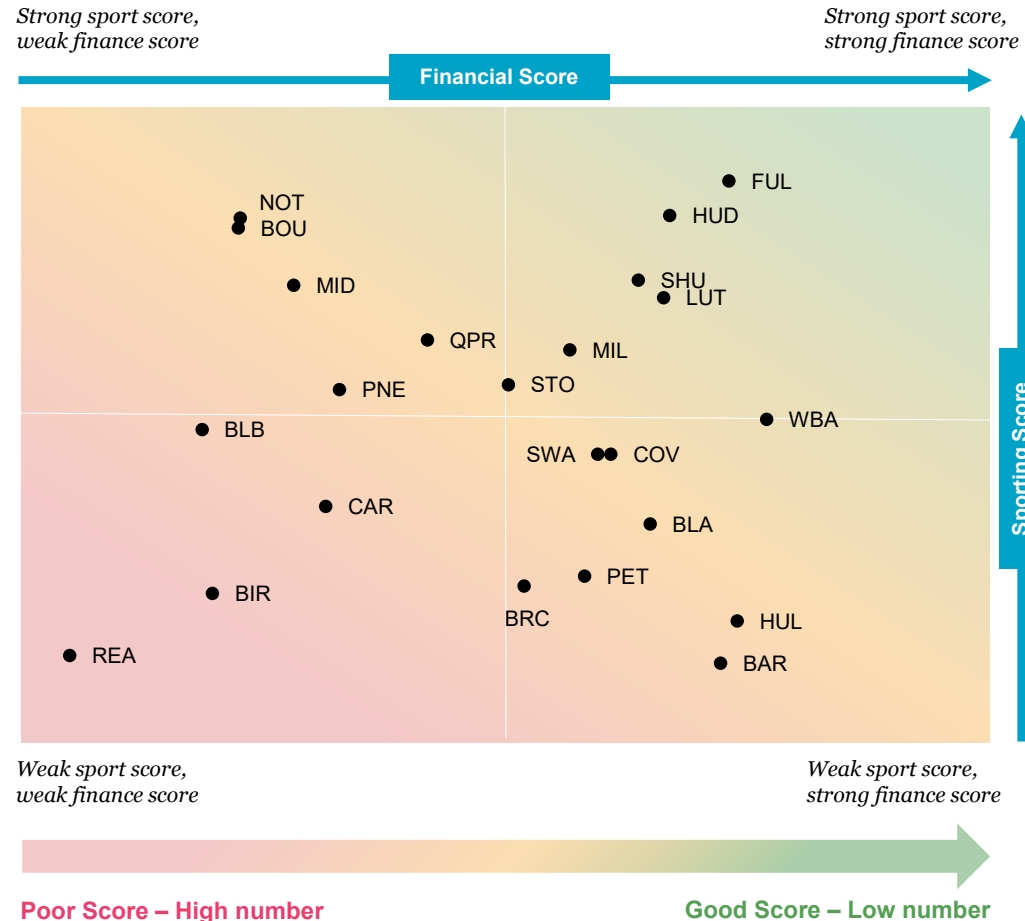
² Files small company accounts and does not disclose revenue and/or staff costs



Appendix

LCP's Football Sustainability Matrix

Championship 2021-22



2021-22	Financial score	Sporting score	Identifier
AFC Bournemouth	72.2	3.8	BOU
Barnsley	28.4	21.3	BAR
Birmingham City	74.6	18.5	BIR
Blackburn Rovers	75.5	11.9	BLB
Blackpool	34.8	15.7	BLA
Bristol City	46.3	18.2	BRC
Cardiff City	64.3	15	CAR
Coventry City	38.4	12.9	COV
Derby County ¹	N/A	N/A	
Fulham	27.7	1.9	FUL
Huddersfield Town ²	33.0	3.3	HUD
Hull City	26.9	19.6	HUL
Luton Town	33.6	6.6	LUT
Middlesbrough	67.2	6.1	MID
Millwall	42.1	8.7	MIL
Nottingham Forest	72.1	3.4	NOT
Peterborough United ²	40.8	17.8	PET
Preston North End	63.0	10.3	PNE
Queens Park Rangers	55.1	8.3	QPR
Reading	87.6	21	REA
Sheffield United	35.9	5.9	SHU
Stoke City	47.7	10.1	STO
Swansea City	39.6	12.9	SWA
West Bromwich Albion	24.2	11.5	WBA

¹ Last set of accounts filed in 2019, as 'The Derby County Football Club Limited'. This entity (now renamed 'DC Realisations 1 Limited') is being wound up. The club's assets have been transferred to a new company, 'Derby County (The Rams) Limited'. As the information available is so out of date, we have excluded from our analysis.

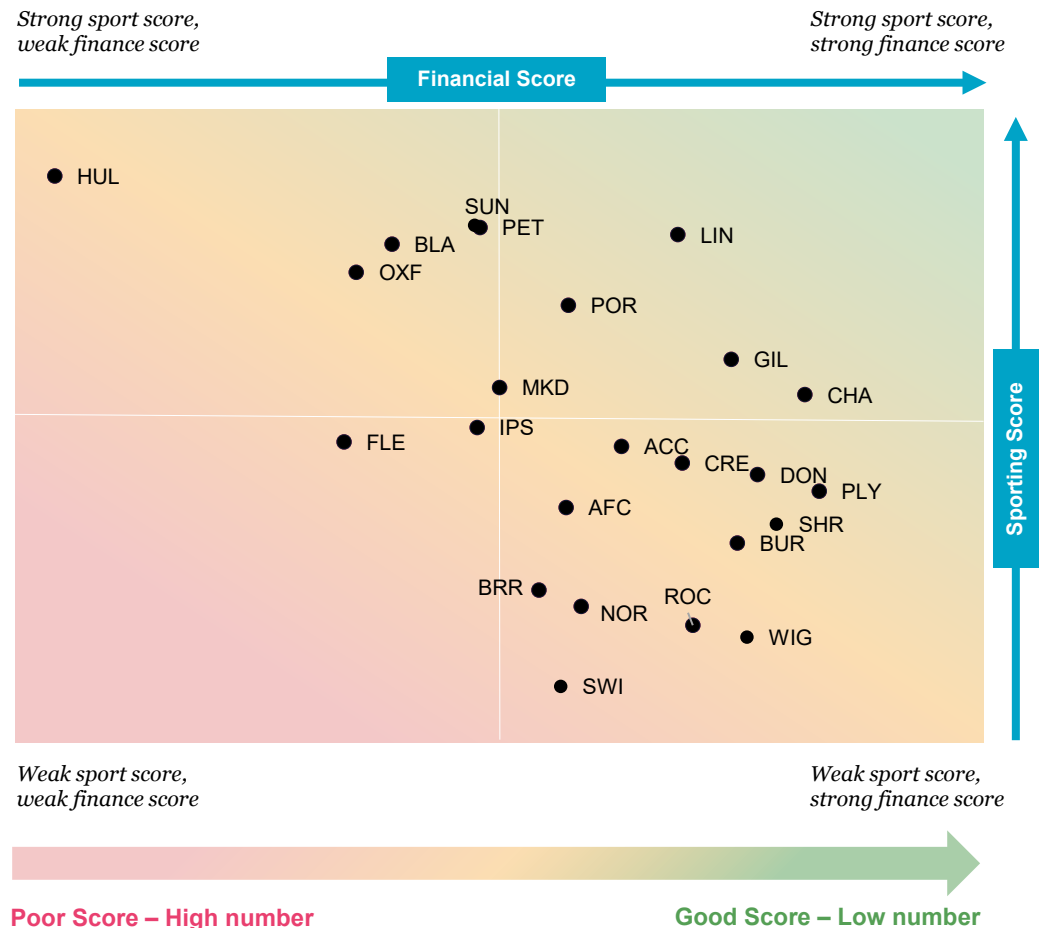
² Latest available set of accounts for 2021 year-end used



Appendix

LCP's Football Sustainability Matrix

League One 2020-21



2020-21	Financial score	Sporting score	Identifier
Accrington Stanley ¹	37.1	12.8	ACC
AFC Wimbledon	42.4	15.4	AFC
Blackpool	59.1	4.2	BLA
Bristol Rovers ¹	45.0	18.9	BRR
Burton Albion	26.0	16.9	BUR
Charlton Athletic	19.5	10.6	CHA
Crewe Alexandra	31.3	13.5	CRE
Doncaster Rovers ¹	24.0	14	DON
Fleetwood Town ¹	63.7	12.6	FLE
Gillingham	26.6	9.1	GIL
Hull City	91.5	1.3	HUL
Ipswich Town	50.9	12	IPS
Lincoln City	31.7	3.8	LIN
Milton Keynes Dons	48.8	10.3	MKD
Northampton Town	41.0	19.6	NOR
Oxford United ¹	62.5	5.4	OXF
Peterborough United	50.6	3.5	PET
Plymouth Argyle	18.1	14.7	PLY
Portsmouth	42.2	6.8	POR
Rochdale ¹	30.3	20.4	ROC
Shrewsbury	22.2	16.1	SHR
Sunderland	51.2	3.4	SUN
Swindon Town ¹	42.9	23.0	SWI
Wigan Athletic	25.1	20.9	WIG

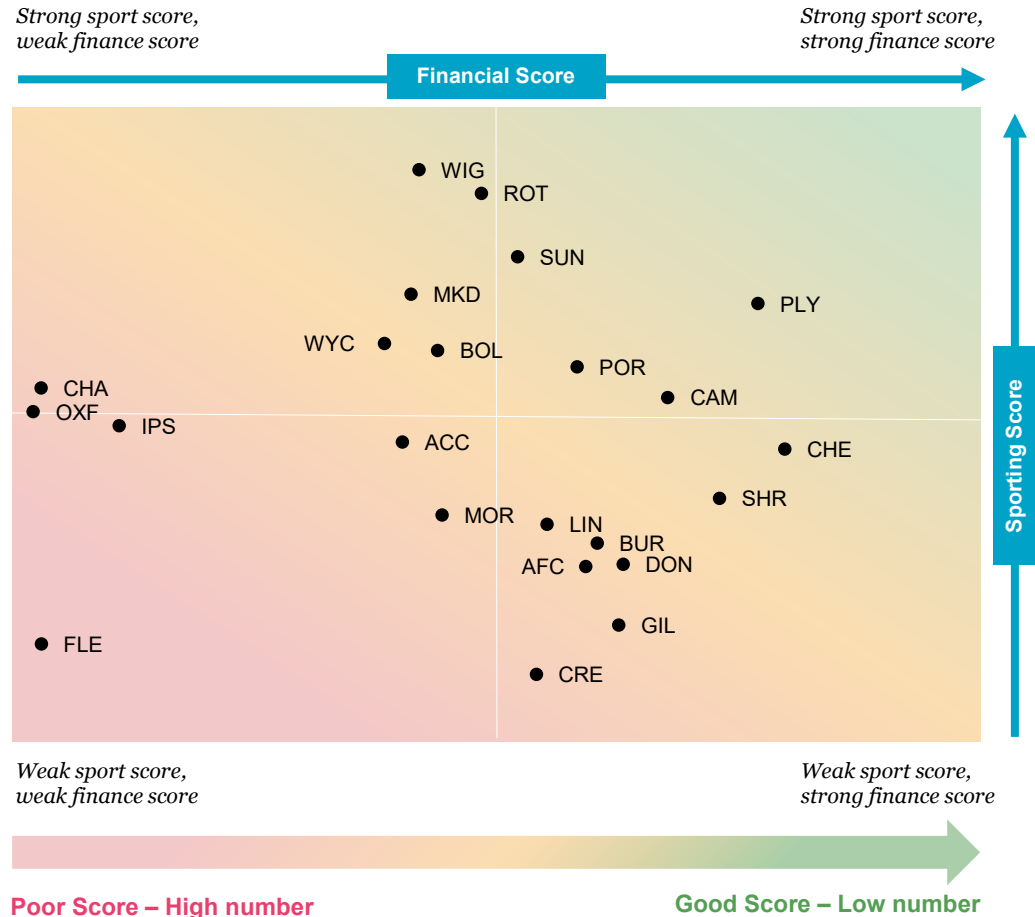
¹. Files small company accounts and does not disclose revenue and/or staff costs



Appendix

LCP's Football Sustainability Matrix

League One 2021-22



2021-22	Financial score	Sporting score	Identifier
Accrington Stanley ¹	29.4	12.6	ACC
AFC Wimbledon	20.6	17.9	AFC
Bolton Wanderers	27.7	8.7	BOL
Burton Albion	20.0	16.9	BUR
Cambridge United ¹	16.7	10.7	CAM
Charlton Athletic	46.7	10.3	CHA
Cheltenham Town ¹	11.0	12.9	CHE
Crewe Alexandra ¹	23.0	22.5	CRE
Doncaster Rovers ^{1,2}	18.8	17.8	DON
Fleetwood Town ¹	46.7	21.2	FLE
Gillingham	19.0	20.4	GIL
Ipswich Town	43.0	11.9	IPS
Lincoln City	22.4	16.1	LIN
Milton Keynes Dons	29.0	6.3	MKD
Morecambe	27.5	15.7	MOR
Oxford United ¹	47.1	11.3	OXF
Plymouth Argyle	12.3	6.7	PLY
Portsmouth	21.0	9.4	POR
Rotherham	25.6	2	ROT
Sheffield Wednesday ³	N/A	N/A	
Shrewsbury	14.2	15	SHR
Sunderland	23.9	4.7	SUN
Wigan Athletic	28.6	1.0	WIG
Wycombe Wanderers ¹	30.2	8.4	WYC

¹ Files small company accounts and does not disclose revenue and/or staff costs

² Latest available set of accounts for 2021 year-end used

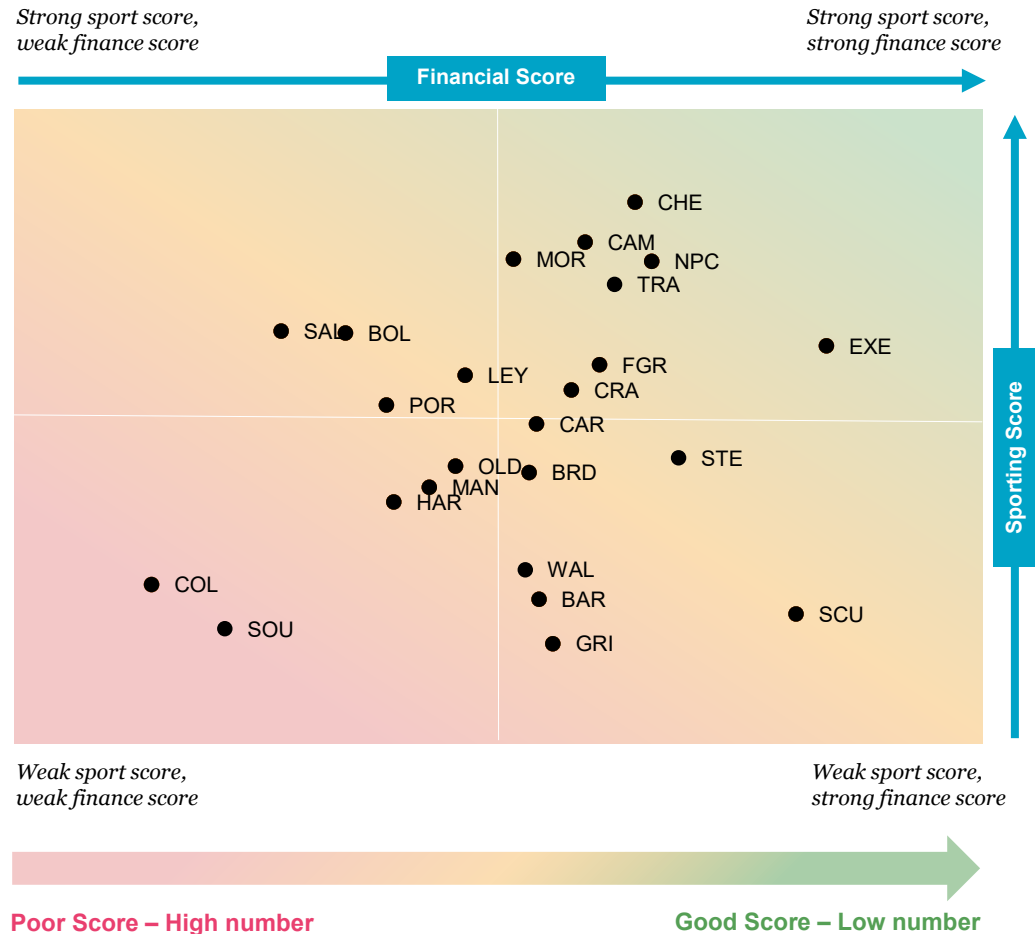
³ As of the writing of this report, Sheffield Wednesday had not filed their 2022 accounts. In this case we would normally use the most recently available set of accounts, however in 2021 Sheffield Wednesday were a Championship club. This meant that that scale of their finances skewed the rest of League One so significantly that we excluded them from our analysis.



Appendix

LCP's Football Sustainability Matrix

League Two 2020-21



2020-21	Financial score	Sporting score	Identifier
Barrow ¹	39.7	20.1	BAR
Bolton Wanderers	59.0	7.5	BOL
Bradford City ¹	40.7	14.1	BRD
Cambridge United ¹	35.1	3.2	CAM
Carlisle United	39.9	11.8	CAR
Cheltenham Town ¹	30.1	1.3	CHE
Colchester United ¹	78.4	19.4	COL
Crawley Town ¹	36.4	10.2	CRA
Exeter City	10.9	8.1	EXE
Forest Green Rovers	33.6	9	FGR
Grimsby Town	38.3	22.2	GRI
Harrogate Town ¹	54.2	15.5	HAR
Leyton Orient ¹	47.0	9.5	LEY
Mansfield Town ¹	50.6	14.8	MAN
Morecambe	42.2	4	MOR
Newport County ¹	28.4	4.1	NPC
Oldham Athletic ¹	48.0	13.8	OLD
Port Vale ¹	54.9	10.9	POR
Salford City ¹	65.5	7.4	SAL
Scunthorpe United	14.0	20.8	SCU
Southend United	71.1	21.5	SOU
Stevenage ¹	25.7	13.4	STE
Tranmere Rovers	32.1	5.2	TRA
Walsall	41.1	18.7	WAL

¹ Files small company accounts and does not disclose revenue and/or staff costs



Appendix

LCP's Football Sustainability Matrix

League Two 2021-22



2021-22	Financial score	Sporting score	Identifier
Barrow ¹	42.9	16.6	BAR
Bradford City ¹	37.5	16.4	BRD
Bristol Rovers ¹	71.3	5.7	BRR
Carlisle United	41.0	15.2	CAR
Colchester United ¹	76.2	11.7	COL
Crawley Town ^{1,2}	36.0	15	CRA
Exeter City	22.4	5	EXE
Forest Green Rovers	39.2	4.3	FGR
Harrogate Town ¹	54.8	14.2	HAR
Hartlepool United ^{1,2}	37.4	12.2	HRT
Leyton Orient ¹	57.5	12.7	LEY
Mansfield Town ¹	49.6	8.5	MAN
Newport County ^{1,2}	28.8	13.4	NPC
Northampton Town	52.9	8.5	NOR
Oldham Athletic ¹	44.9	17.3	OLD
Port Vale ¹	56.1	4.7	POR
Rochdale ³	38.2	13.8	ROC
Salford City ¹	54.6	12.7	SAL
Scunthorpe United ²	14.7	23.4	SCU
Stevenage ¹	33.1	15.9	STE
Sutton United ¹	41.8	6.2	SUT
Swindon Town ¹	45.2	5.4	SWI
Tranmere Rovers	32.4	9.9	TRA
Walsall	47.1	14.8	WAL

¹. Files small company accounts and does not disclose revenue and/or staff costs

². Latest available set of accounts for 2021 year-end used

³. Files small company accounts and does not disclose staff costs, but has disclosed its statement of profit/loss

Basis of preparation

Sources of information and limitations

The data regarding the financial status of English football clubs, including their comparisons, is taken from the most recent financial reports of each club or group that were publicly available via Companies House as at 30 June 2023, being the data on which the analysis was completed. Typically, the information is derived from the annual financial documents of the primary legal entity in the United Kingdom, which is usually at the top of the ownership hierarchy for each club. The majority of English clubs' financial reporting cycles end in May, June, or July. However, some clubs altered their accounting reference dates in 2020 and/or 2021, meaning that not all reports cover a 12-month period. Furthermore, the financial reports for the periods ending in 2020 and 2021 were affected by the COVID-19 pandemic. We've included these figures in the totals for each division without modification. This document includes an array of information sourced from public sources, not only from financial reports. It should be noted that we have not audited or verified any of the source information for the purpose of this publication.

Comparability

The manner in which football clubs record and categorise financial transactions is not uniformly similar. Some inconsistencies between clubs, or over time, could be the result of unique commercial deals and how these are reflected in the financial reports due to differing financial reporting scopes for a club. Alternatively, these variations could be a result of divergent accounting practices, which could lead to identical transactions being documented in inconsistent ways. Each club's financial information is compiled according to either national accounting practices or International Financial Reporting Standards (IFRS). The financial outcomes for certain clubs might be altered in the future, due to changes in accounting practices. In certain instances, these changes could be substantial.





The team behind this report



John Parnis England

Senior Consultant – Covenant & Financial Analysis

John Parnis England is a Chartered Accountant (ICAEW) and a Senior Consultant in LCP's Covenant and Financial Analysis team. Since joining LCP in 2018, John has advised on financial strength of businesses across a wide variety of industries. John, who supports Chelsea, has a strong interest in football finance and has led the financial analysis that underpins the conclusions within this report.



Ashley Mould

Senior Consultant – Football Analytics

Ashley Mould is a Senior Consultant at LCP, who works alongside Bart in LCP's Football Analytics Team. Ashley developed a love of football through playing academy-level football in his youth. From there, an economics degree, qualification as an actuary and over eight years' experience empowering people to make better decisions using data has led him to his current role. Born in Southampton, Ashley supports his local team, Southampton FC.



Bart Huby

Partner – Head of Football Analytics

Bart Huby is a partner and Head of Football Analytics at LCP. For many years a pensions actuary, Bart has over the past six years spearheaded the development of LCP's Football Analytics business, and in 2020 took a CBA in Football Industries at Liverpool University (studying under Kieran Maguire). Born on the Wirral, Bart supports two teams at (currently) very different levels in the pyramid, Liverpool and Tranmere Rovers.



Tom Gillespie

Consultant – Covenant & Financial Analysis

Tom Gillespie is a Consultant in LCP's Covenant & Financial Analysis team, joining in 2020 from a large accountancy firm. On top of advising both trustees and sponsoring employers to pension schemes, Tom has also been a key part in developing the team's wider services. Outside of work, he is a huge fan of all sports, both playing and watching football from a very young age. Despite growing up in Kent, Tom is a Liverpool fan, whilst he also closely follows his current local team, Brentford.



Jon Wolff

Partner – Head of Covenant & Financial Analysis

Jon Wolff is a partner and Head of LCP's Covenant and Financial Analysis team. He is a Chartered Accountant (ICAEW) and beyond his experience in the pensions industry he also has a background in financial restructuring. Jon is a long suffering Spurs fan and also keeps an eye on his local club, Cambridge United.



George Bassnett

Associate Consultant – Covenant & Financial Analysis

George Bassnett is an Associate Consultant in the LCP Covenant & Financial Analysis team, having joined from a Big Four accounting firm in early 2022. After qualifying as a chartered accountant following a Master's degree in chemistry, George has worked with the rest of the team to develop LCP's methodology behind the LCP Football Sustainability Matrix and is a Liverpool fan through and through.



Fran Bailey

Partner – Covenant & Financial Analysis

Fran Bailey is a partner in LCP's Covenant and Financial Analysis team. Fran uses her background in economics, accounting and finance to help her clients manage and understand risk. Fran also founded LCP's LGBT+ network and actively champions diversity in the financial services industry. Born and raised in Highbury, Fran is a life long Arsenal supporter.



Alex Stewart

Head of Content – Analytics FC

Alex Stewart has been Head of Content at Analytics FC, LCP's partner in TransferLab, since June 2022. Prior to this role, Alex was a presenter and producer at Tifo Football, a company he helped create and grow prior to its acquisition by The Athletic in 2020. He stayed on to facilitate the transition and continued to present a variety of video and audio content. Alex has also worked as a freelance writer and editor across several sports and supports Southampton FC and Winchester City FC.



More from the team

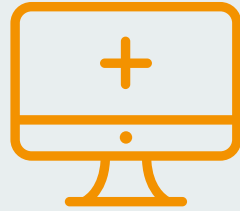
TransferLab



TransferLab is an advanced online data-scouting SaaS platform aimed at enhancing the player recruitment process for professional football organisations, including football clubs from around the world and player agencies.

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Fair Game Index



LCP's Football Analytics team have supported the Fair Game group of clubs in visualising the 'Fair Game Index' for football, with the aim of boosting standards in how men's clubs in England are run.

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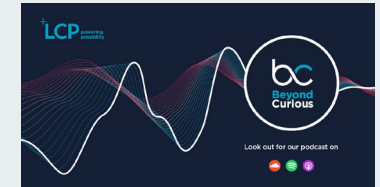
Employee Wellbeing: Supporting good financial futures



LCP's financial wellbeing research is in its fourth year and is highlighting some interesting trends. These include rising levels of stress and anxiety, growing concern around everyday money management, and an increase in those feeling a lack of control about their financial future.

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Contact us

We would be very happy to arrange a session to discuss our findings in more detail, and how we can assist in applying our recommendations. Please get in touch with one of the team.



Bart Huby
*Partner – Head of
Football Analytics*
+44 (0)7770 392883
bart.huby@lcp.uk.com



John Parnis England
*Senior Consultant –
Covenant & Financial Analysis*
+44 (0)20 7432 0670
john.parnisengland@lcp.uk.com



Ashley Mould
*Senior Consultant –
Football Analytics*
+44 (0)1962 672948
ashley.mould@lcp.uk.com



Tom Gillespie
*Consultant –
Covenant & Financial Analysis*
+44 (0)20 3824 7314
tom.gillespie@lcp.uk.com



George Bassnett
*Associate Consultant –
Covenant & Financial Analysis*
+44 (0)20 3314 4170
george.bassnett@lcp.uk.com

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Lane Clark & Peacock LLP
London, UK
Tel: +44 (0)20 7439 2266
enquiries@lcp.uk.com

Lane Clark & Peacock LLP
Winchester, UK
Tel: +44 (0)1962 870060
enquiries@lcp.uk.com

Lane Clark & Peacock Ireland Limited
Dublin, Ireland
Tel: +353 (0)1 614 43 93

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