

FINANCIAL FAIR PLAY

FFP in the Championship

Groundbreaking safeguards aimed at stopping Football League clubs from overspending are being hailed as a significant breakthrough in the fight to prevent another Portsmouth scenario and herald a badly-needed new era of sensitive and sensible owners.

From the 2014-15 season, Championship clubs will be heavily sanctioned if they fail to abide by strict UEFA-style financial fair play regulations that will bring down wages and create a more level playing field. Those who record total losses of over £6million will be hit with either a transfer embargo or a fine that could run into millions. The money generated will then be shared among those Championship teams who are compliant with the regulations.

While opponents of the rigorous model – to be gradually phased in over two seasons before penalties bite – will doubtless cry foul at having their ambitions undermined, those who conceived the plans argue they are long overdue in order to stop owners funding clubs through loans and curb the risks some go to when pursuing their dream of reaching the top flight. In other words, halting the kind of wreckless spending that has left many clubs teetering on the brink.

Owners will be allowed to invest £6million next season, £5million the following season and £3million in 2014-15. In terms of permitted operating losses, £4million will be the ceiling next season, £3million for the subsequent two campaigns, and £2million per season from 2015-16 onwards.

Crucially clubs will be required to provide accounts to the Football League by 1 December each year. Those promoted to the Premier League who have not

previously met the new guidelines will have to pay a so-called fair play tax on their losses, ranging from one per cent on the first £100,000 to 100 per cent on anything over £10m.

Football League chairman Greg Clarke, who has been orchestrating a quiet revolution since his arrival in the hotseat, denies the new rules are a cruel way of stifling enterprise and investment. He argues conversely that those who pursue the dream are finding they have a long way to fall when that dream turns sour. Keeping clubs alive, says Clarke, has become the most important priority; hence why, for the first time, all 72 League clubs have decided to take concerted action to control their own destiny. "The current owners of our football clubs are only the custodians," charged Clarke. "The clubs are a priceless asset for the community and should be delivered in good health to the next generation, and the one after that, and the one after that."

Importantly, the strict guidelines, which took two years to draw up, complement the Football League's all-too-tame fit and proper persons rule, mirroring UEFA's own efforts to make clubs financially stable. Sanctions for failure to meet the criteria will depend on whether a club was promoted, remained in the Championship or was relegated. Another crucial difference is that whereas UEFA's regulations only apply to clubs aspiring to play in Europe and are therefore technically voluntary, the Football League's break-even model will be mandatory for its members.

Although Clarke and his colleagues favour clubs

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GREG CLARKE

being owned by their local communities they recognise that this isn't always feasible or realistic in the current economic climate. "We are not against foreign ownership," Clarke insists. "Nor do we want to demonise the players because most players in the Football League make an honest living. They don't drive fast cars or have helicopters. They pay their mortgages, have short careers and often get injured. We do not want to kill the dream but club losses are increasing and so is club debt. The price of the dream mustn't be the destruction of football clubs. What we are doing is not a solution to all our problems but it's a step on the road to allow our clubs to be financially sustainable and affordable. I would hope this could lead to a return to the days when local communities could own the clubs rather than rely on offshore benefactors."

Of the 24 Championship clubs balloted on the new regulations, three voted against. Clarke wouldn't reveal who they were but they have since been identified as Reading, Southampton and Leicester. Significantly, the first two have just been promoted whilst Leicester have wealthy Thai benefactors.

Ed Thompson, who runs a website that specialises in financial fair play, believes

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all three clubs had their own reasons for voting against. "With Leicester, it was almost certainly down to self-interest because they no doubt felt it would restrict their ability to get promoted by having their ability to overspend curtailed," he explained. "Reading had already been promoted when the rules were announced and Southampton were almost nailed on. Maybe they were worried about the fair play tax but more likely was the fear of immediate relegation and their ability to get back into the Premier League."

Although relegated clubs have a one-year moratorium, they then have to comply once back in the Championship. "It's not always easy for clubs to change their wage structure quickly," added Thompson.

He believes the safeguards are a real coup for the Football League. "They are really well thought out. I like the fact that they tackle the two issues of wealthy benefactors and clubs making losses. The only issue I have a problem with is that the transfer embargoes will not automatically be made public. That part has apparently been left to each club's discretion. The Football League could have gone further to encourage greater transparency. But in general I think this is as significant as the Bosman ruling. It completely changes



NEW REGULATIONS have come too late for Portsmouth

the landscape. They've obviously worked really hard at it. What's more, it leaves the Premier League as the only professional league in England without financial fair play rules or the equivalent."

To put the new rules into perspective, Football League research has revealed that the 72 clubs in the Championship, League One and League Two are on course to accumulate £2bn of debt within five years mostly as a result of escalating "sugar daddy" costs. The new constraints also reflect concern over the League's new £195m domestic television deal, a 26 percent drop on the previous

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agreement.

"On the pitch we have three exciting, competitive divisions with crowds at their highest levels for 50 years," said Clarke. "But that success isn't necessarily being reflected on balance sheets. Whilst we cannot promise that these rules will deliver results overnight, we have to remedy the situation or face an uncertain future."

And, he warns, there will be no getting round the rules – provided the other stakeholders in the game play ball and stop clubs, as Clarke puts it, cheating their way to promotion. "If people escape from our framework by getting

promoted and are then found to have deceived their peer clubs, we want to put sanctions in place to penalise that kind of behaviour. Obviously that would have to be approved and enforced by the Premier League and the FA but we have asked them in good faith whether they will help us hound and chase down the cheats." And if they don't? "Then we will wait patiently until they return to the fold."

Just like under the UEFA scheme, youth investment and stadium-building will be exempt while Leagues One and Two will continue to limit spending on a wages-to-turnover model, rather than financial fair play, to make them more financially sound. League Two clubs are only allowed to spend 55 percent of turnover on wages and a similar scheme will be introduced in League One next season, with a 65 percent limit.

With Portsmouth still in dire straits, Clarke predicts several clubs would have gone out of business without urgent remedial action. He believes both the Premier League and the FA will back the initiative. "All of us have seen what has happened at Portsmouth. The Championship is losing more and more money each season. We have got to deal with the problem of funding or we'd have been faced with extinction – actually losing potentially three or four clubs, not to administration but liquidation."

Clarke denies that the new regulations will favour those who come down from the Premier League with parachute payments that allow clubs to earn up to £48m over four years. His argument is borne out by the fact that of the seven Championship clubs receiving parachute money, none went up automatically. "Largely the parachute payments are absorbed by the club paying their debts and players," said Clarke.

Middlesbrough's long-serving chief executive Keith Lamb and Derby's American counterpart Tom Glick headed the working party who came up with the

blueprint for change. "I want to stress that this was driven by the clubs, not by the board," said Lamb. "We were relegated three seasons ago; it's not a dream, it's a nightmare. There are a number of clubs in the Premier League who at any given time will be looking over their shoulder to see if they are going to go through the same nightmare."

Glick says the regulations will force clubs to think differently in the way they spend their money. He is already trying to reduce a wage bill that will see Derby lose £7m this year despite having one of the best attendance records in the division. Player contracts will inevitably have to be adjusted but Glick says that's a solid principle throughout the division if it staves off the gamblers and creates more reliable, responsible owners.

He draws a comparison with gambling at the roulette table. "Being willing to lose so much one year and then returning to have another go is fine but what if you run out of money or patience – or your pride takes a hit? Who's attracted to a business that loses money every year? A much larger group of people would be attracted to a league that has a good business model where you can break even and still be competitive, where clubs who are smart and best drive their revenues will be able to spend more. What we are doing is about changing behaviour whilst still having choices. It's not about fining a member and splitting the money among the rest. We'll still have a great competition but with healthier football clubs."

Clarke agrees while again re-iterating that the framework for spending curbs is not a panacea for instant success. "There will still be badly run football clubs. Some may cheat but at least we now have sanctions in place to catch people who wilfully break the rules or lie in their reporting. We traditionally hate punishing our clubs but for the regulations to work, people have to believe they will be enforced." ■