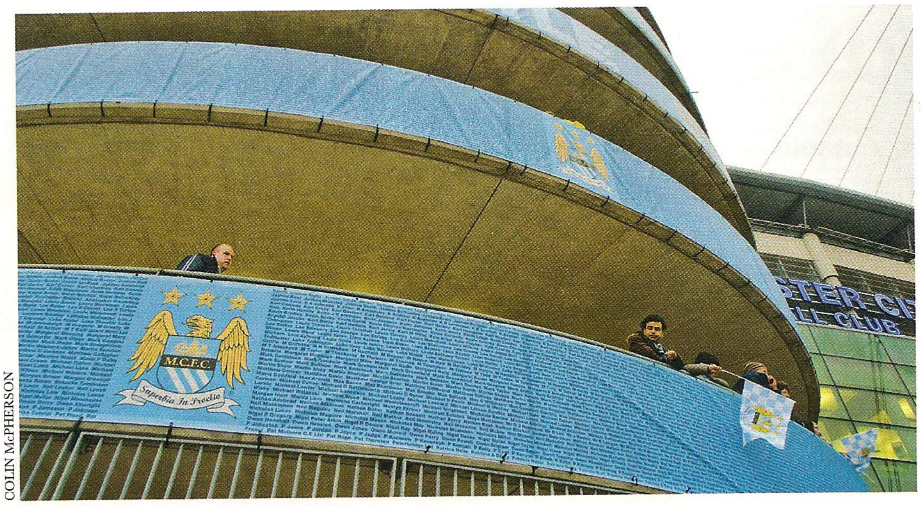


COLIN McPHERSON

Debt consolidation

The days of unrestricted spending by billionaire owners of Premier League clubs might be coming to an end

By ED THOMPSON

Premier League clubs have voted to introduce new spending constraints from next season. They will be forced to keep their wage bills and club losses within prescribed limits and any overspend will result in one of football's harshest penalties: a points deduction.

In July a Parliamentary committee asked Premier League chief executive Richard Scudamore how he was going to ensure clubs would not continue to build up large debts and blow their new TV deal on wages and transfer fees. Parliament seemed unconvinced that his solution, a working group aimed at introducing spending constraints, would deliver any significant change but, faced with the threat of the government introducing licensing and becoming more involved in the oversight of football, Scudamore has managed to cajole the disparate club CEOs into introducing the new rules.

The most significant long-term change is the requirement for clubs to provide detailed three-year spending and profit projections. Crucially, any forecasted losses above £5 million a season will now have to be secured against the owner's property. These new rules should ensure no repeat of what happened to Portsmouth – clubs will only be able to make big losses if the owner stumps up the money in advance.

Clubs will now have to ensure that any loss does not exceed £105m over the three seasons starting in 2013-14. Although this threshold would have been breached historically by Manchester City, Chelsea and Liverpool, the new limits should not now present a significant problem – clubs have taken action to reduce losses in response to UEFA's Financial Fair Play rules and are also set to benefit by an additional £25m-£30m a year from the new TV deal.

The League has introduced a new wage limit, initially £52m a year and increasing by £4m a season, meaning any clubs with a wage bill below this figure will be able to increase it if they wish (this is most likely to apply to Reading, Swansea, Southampton, Wigan, Norwich and West Brom). As a result, newly promoted clubs will not be disadvantaged by the new rules and will be able to increase their wage-spend to compete.

For the clubs with a wage bill above £52m, annual increases will be capped at £4m a year – clubs will only be able to exceed that limit if they can demonstrate that the additional funds have been generated by increased commercial revenue (such as new sponsorship deals). This change effectively reinforces the status quo and clubs will now find it difficult to significantly increase their wage-spend relative to other clubs.

Future losses above £5 million a season will now have to be secured against the owner's property

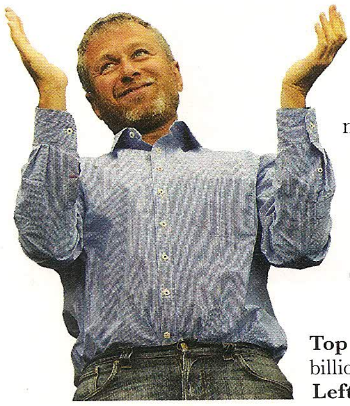
The changes required two-thirds (66.6 per cent) of clubs to vote in favour. Manchester City, Fulham, Southampton, West Brom, Aston Villa and Swansea all voted against, while Reading abstained. It was therefore passed with just 68.4 per cent of votes in favour.

As we would expect, most of the clubs voted out of self-interest. In the weeks running up to the vote Arsenal, Tottenham, Manchester United and Liverpool collectively lobbied the Premier League to push for much tighter rules that would have prevented wealthy owners from putting money into clubs to cover losses. Such a change would have severely hampered Manchester City and Chelsea and have enabled the "gang of four" to potentially dominate the Champions League slots. Ultimately the Premier League was able to broker a watered down compromise that was just about acceptable to Chelsea.

West Brom were keen to point out that they took a fairly principled approach to the debate – they manage their finances in a sustainable manner and did not believe specific constraints were required – and it seems likely that Swansea took a similar view. Southampton and Reading's position has been fairly consistent; both voted against the fair play proposals that were introduced into the Championship last year.

Among some of the mid-ranking, loss-making clubs, such as Fulham and Villa, there is a concern that the new rules might make it more difficult to potentially sell up. Fulham recently revealed that they lost £19m last season and under the new rules the owner would have had to put in £14m (and provide ring-fenced funds for any projected losses).

Fundamentally the rules should have the desired effect and the days of huge, unsustainable losses appear to be behind us. We are unlikely ever to see another team repeat Manchester City's "feat" of reporting a £190m loss in one season. With clubs able to lose up to £35m a year on average, there is still scope for a benefactor to acquire and bankroll a club, although it will have to be a significantly more gradual process than we have so far seen at Manchester City, Chelsea and even QPR.



PA PHOTOS

Top Man City – last of the billionaire beneficiaries? **Left** Roman all spent out