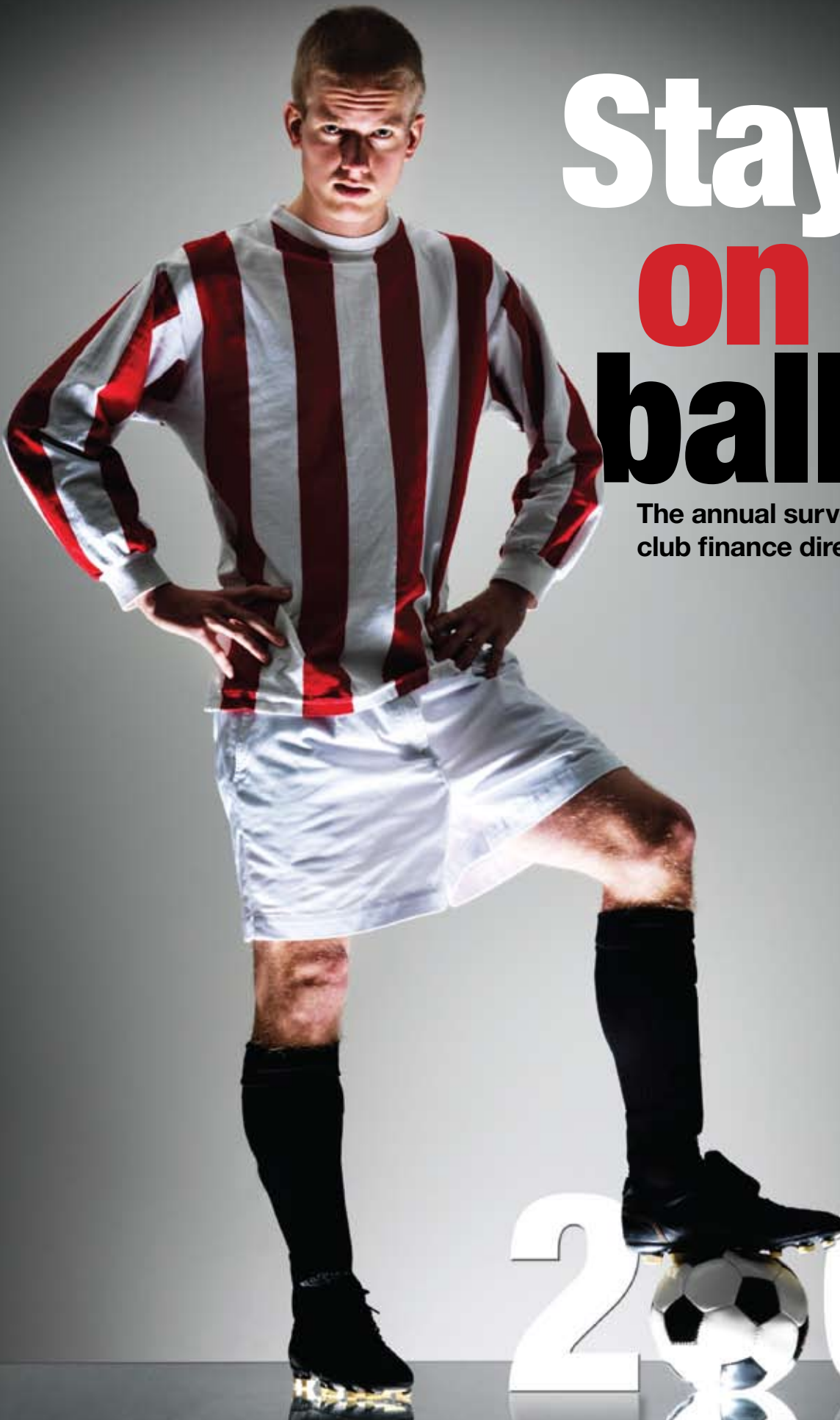


PKF

Accountants &
business advisers



Staying on the ball

how clubs are
responding
to the credit
crunch

The annual survey of football
club finance directors

2009

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Foreword


Given the cataclysmic financial and economic events over the last 12 months, it is not surprising that the results of our eighth annual survey of football club finance directors reflect the predominant themes affecting the UK economy – the banks' continuing reluctance to lend money; a business and consumer clamp down on non-essential spending; and the determination of businesses and consumers alike to make the most of their existing assets.

The survey results reveal that football clubs are significantly affected by all these factors. For most clubs, revenue from match and season tickets, merchandising, corporate hospitality and sponsorship all dropped last season and there is little confidence that these revenue streams will pick up in 2009/2010. More clubs are finding it harder to raise funding, more are digging deep into their overdraft facilities to keep going, and fewer expect to make a profit this season. Clubs are also clamping down on the size of the squads and trying to curb both player salaries and transfer fees – although the recent EPL signings suggest that the big clubs are still immune from some of the financial pressures on the smaller leagues.

H M Revenue and Customs (HMRC) has taken a keen interest in various aspects of football clubs for some time now. With the increase in clubs expecting to make a loss as well as those using 90% of their bank borrowing facilities, we can expect the tax man to keep a closer eye on their financial position and to press for regular and timely payment of tax liabilities, especially now that HMRC is experimenting with using specialist third party debt collectors.

We have also recently seen how tax can have an impact on the day to day running of football clubs, with clubs in the Football League agreeing to a transfer embargo if they fall behind with payments of employment taxes as well as allowing the League to monitor their tax affairs for HMRC.

We hope you find the survey of interest. Our thanks to all those who gave their time and views to enable us to create this insight into the state of the game's finances. As usual, we have made a donation to the PFA Benevolent Fund for each completed survey.



Charles Barnett
Partner, Football Industry Group

Methodology and sample profile

PKF's Football Industry Group commissioned an independent research company in June 2009 to undertake structured telephone interviews with finance directors of football clubs. A total of 34 telephone interviews or online surveys were completed with finance directors in the English Premier League, Football League Championship, Football Leagues One and Two, Scottish Premier League and Scottish First Division.

Results are presented as column percentages, rounded to the nearest whole, and arithmetic means. Estimated statistical accuracy: +/- 8% to +/- 14% for the whole sample at 95% confidence.

Profile of sample

League	Total
English Premier League (EPL)	12%
English Football League Championship (EFLC)	26%
Football League One (FL1)	23%
Football League Two (FL2)	15%
Scottish Premier League (SPL)	15%
Scottish First Division (SFD)	9%
Annual turnover	
Under £4m	32%
£4-£15m	38%
Over £15m	30%
Average of stated values	£27.8m

League abbreviations are used in the report to aid brevity.

Executive summary

Financing the club

Ticket sales and TV and radio deals are most important revenue sources

Ticket sales and TV and radio deals are the two most important revenue streams for all leagues apart from FL2 and SFD. The reliance on ticket sales has increased over the last three years of the survey, particularly for the major leagues. Income from TV and radio deals is still the most important source for the EPL.

TV deals generate most growth for larger clubs

The revenue source with the biggest percentage growth continues to be TV and radio deals for the larger leagues – EPL, EFLC and SPL – while merchandising is generating the most growth for FL1 clubs. However, the percentage of respondents citing revenue growth from TV and radio deals has remained constant at approximately 40%.

Fewer clubs benefit from increase in sponsorship revenue

Revenue from sponsorship deals increased for only 44% of respondents last season – down from 57% in 2008. The greatest change in sponsorship fortunes is in the EPL. Last year 77% of EPL respondents reported an increase in sponsorship revenue compared with only 25% this year.

Outlook for future sponsorship growth is gloomy

While two thirds of respondents in 2008 expected sponsorship revenue to grow in the 2008/09 season, this has fallen dramatically to only 30% in this year's survey.

Low expectations for achieving future profitability

Only a fifth (21%) of respondents expect to make a pre-tax profit in their next accounting period. This is a fall from 35% in 2008. The two most pessimistic leagues are the EPL and the SFD where none of the respondents expect to make a profit; the SPL is the most optimistic.

All leagues suffering from recession – but in different ways

The EPL has suffered a significant drop in revenue from corporate hospitality and entertainment packages with 75% of respondents citing a drop in income of between 5% and 20%.

EFLC clubs have been most affected by a 5-20% fall in revenue from merchandising (56% of respondents). Nearly two thirds of FL1 respondents have suffered a drop in revenue from match tickets and merchandising while 87% have been affected by lower corporate hospitality revenue. The FL2 has suffered the most from lower season ticket and match ticket sales.

Sales of tickets and merchandising will continue to fall in 2009/2010

The three main revenue streams most likely to be affected by the credit crunch in the 2009/2010 season are match tickets, merchandising and corporate supporter/entertaining packages.

Executive summary continued

More pressure from banks as clubs dig deep into their overdraft facility

More than a third of clubs are under increased pressure from their bank this year – an overall increase from 24% last year. However, there is considerable variance between the leagues with the EFLC under most pressure (67% of respondents) and the SFD under least pressure.

Half of respondents envisage using more than 90% of their bank facility in the year ahead – up from 41% in 2008. The league under most financial pressure for the second year running appears to be the EFLC with 78% of respondents digging deeply into their facility – up from 44% last year.

Harder to raise finance

Given the banks' current stringent approach to lending, it is not surprising that more clubs are having problems sourcing finance this year – up from 19% last year to 35%. The worst affected leagues are the EPL and the FL1.

Mixed financial health prognosis

While fewer respondents say that their financial position is very healthy – down from 24% in 2008 to 9% – there has been a rise from 62% in 2008 to 71% this year in the proportion of clubs who say that their financial position is 'not bad'.

However, 38% of FL1 respondents say that their club's finances are in need of attention or a cause for grave concern.

Player costs

Further squeeze on first team size and costs ... but not for EPL

Finance directors' control over player costs tightened again this year. Nearly two thirds (62%) plan to have a smaller squad size this year compared with 35% in 2008 and just 25% in 2007.

Only 12% are planning on increasing the size of the squad while 27% of the total sample – but 75% of EPL respondents – are budgeting for the same size squad as last year.

Half the respondents will also be spending less on the first team payroll next season – compared with just 19% in 2008. This is the first time that the trend for increasing the payroll costs has been reversed.

The EPL clubs, however, continue to buck the overall trend for financial constraint with 75% budgeting for a larger payroll, perhaps indicating a strategy to spend more money on fewer 'star' players.

Transfer budgets continue to fall

While nearly six out of ten respondents will be keeping their transfer budget the same this season, the percentage of clubs who will be reducing them has increased to 27% from 19% in 2008. The Scottish clubs are the most prudent with neither of the Scottish leagues increasing their transfer budgets.

Fewer player contracts have relegation pay cut clauses

Only just over half of the respondents have clauses in their contracts to cut players' wages if the club is relegated – a considerable drop from last year's figure of 73%. The most dramatic change is the drop in the EPL percentage to just 25% from 78% last year.

Investing in the club

Investment in ground continues

Two thirds of all respondents intend to redevelop or move ground over the next five years. With the exception of the SPL, there appears to be a correlation between club size and inertia: the larger the club the less likely they are to make further changes to or investment in their ground.

Fewer clubs rely on external investors

The importance of attracting significant investment from external investors has fallen sharply from 68% of respondents in 2008 to just 45% this year. Although all the SFD respondents consider it very important, the majority of respondents in the other leagues do not appear to consider external investment in their clubs to be important.

Of the 45% of respondents who consider external investment to be important, two thirds of them need it to develop their stadia, 44% want it to pay for good players, and 39% wish to reduce their debt.

Relegation is biggest concern for clubs

In contrast to the last few years when players' salaries and attracting sponsorship have been the biggest concerns, the biggest issues for the overall sample this year are relegation and its impact on club income – particularly from TV deals. These are the biggest concerns for the SPL (100% of respondents) and the EFLC (56% of respondents).

The major concern for the FL1 (63%) is the inflexibility of players' salaries. This is also one of the EPL's biggest concerns, the other being the ability to attract sponsorship. Two thirds of SFD respondents cite sponsorship as their biggest concern while the FL2 clubs are equally worried about relegation, loss of TV income, attracting sponsorship and season ticket pricing.

Analysis of key findings 2009

Financing the club

There is increasing emphasis on football clubs diversifying their income stream. Where do you predict your income will be coming from in the next year?

Please rate the importance of the following income streams to the financial performance of your club over the next three years (where 1 = least important and 9 = most important).

	All	EPL	EFLC	FL1	FL2	SPL	SFD
Ticket sales (inc corporate boxes)	7.9	8.0	8.2	7.4	7.5	9.0	6.7
TV and radio deals	7.1	8.5	7.8	7.0	4.8	8.0	4.5
Sponsorship	6.4	7.5	6.2	5.6	5.8	6.6	8.7
Merchandising (retail and royalties)	5.8	5.5	6.1	5.4	5.8	6.0	6.3
Conferences and catering	5.4	4.7	5.1	4.9	7.0	5.4	5.3
New media	4.7	4.5	4.4	5.6	4.0	3.8	5.3
Alternative use for stadium on non-match days	3.9	3.8	3.1	3.5	7.4	3.0	3.7
Ground naming rights	2.8	2.0	2.4	3.8	3.0	2.3	2.3
Casinos	1.3	1.3	1.0	2.4	3.8	3.0	2.3

Ticket sales and TV and radio deals are the two most important revenue streams for all leagues apart from FL2 and SFD. The reliance on ticket sales has increased over the last three years of the survey, particularly for the major leagues. Income from TV and radio deals is still the most important source for the EPL.

Which of the revenue sources above generated the biggest percentage increase in revenue for your club over the last year?

	All%	EPL	EFLC	FL1	FL2	SPL	SFD
TV and radio deals	39	50	50	17	0	80	33
Ticket sales (inc corporate boxes)	16	25	22	17	0	0	33
Sponsorship	10	25	0	17	0	0	33
Merchandising	13	0	0	50	0	0	0
Alternative use for stadium on non-match days	6	0	11	0	20	0	0
Ground naming rights	3	0	0	0	20	0	0
New media	0	0	0	0	0	0	0
Conferences and catering	0	0	0	0	0	0	0
No increase	13	0	0	0	60	20	0

The revenue source with the biggest percentage growth continues to be TV and radio deals for the larger leagues – EPL, EFLC and SPL – while merchandising is generating the most growth for FL1 clubs. However, the percentage of respondents citing revenue growth from TV and radio deals remained constant at approximately 40%.

The only revenue source from which FL2 clubs are seeing growth is ground naming rights.

Not surprisingly, given the recession, there is no revenue growth from conferences and catering, and new media revenue growth appears to have flatlined compared with 2008 when new media initiatives generated the second largest source of revenue growth.

“Football’s dependency on media for revenue growth has been apparent for many years. It will be interesting to see how the recent failure of Setanta in the UK affects the clubs.”

– Charles Barnett, Audit Partner, Football Industry Group

Did your revenue from sponsorship in 2008/09 increase and, if so, by how much?

	All%	EPL	EFLC	FL1	FL2	SPL	SFD
Yes, by up to 10%	29	0	33	25	60	20	33
Yes, by between 10 and 25%	12	25	0	13	0	20	33
Yes, by more than 25%	3	0	11	0	0	0	0
No	56	75	56	63	40	60	33

Revenue from sponsorship deals increased for only 44% of respondents last season – down from 57% in 2008. The greatest change in sponsorship fortunes is in the EPL. Last year 77% of EPL respondents reported an increase in sponsorship revenue compared with only 25% this year.

The results were also considerably less than clubs’ expectations. In 2008, 55% of EPL, 56% of EFLC and 100% of SPL respondents anticipated that their sponsorship revenue would increase in 2008/09.

Analysis of key findings 2009 continued

Do you expect your revenue from sponsorship in 2009/10 to increase and, if so, by how much?

	All%	EPL	EFLC	FL1	FL2	SPL	SFD
Yes, but by less than last year	6	0	0	0	40	0	0
Yes, by about the same as last year	3	0	0	0	0	0	33
Yes, by more than last year	21	75	22	25	0	0	0
No, do not expect it to increase	71	25	78	75	60	100	67

The outlook for future sponsorship growth is gloomy. While two thirds of respondents in 2008 expected sponsorship revenue to grow in the 2008/09 season, this has fallen dramatically to only 30% in this year's survey.

The three most pessimistic leagues are the SPL, EFLC and FL1 where 100%, 78% and 75% respectively do not expect any increase in sponsorship revenue next season. The only league to buck the trend is the EPL which is much more confident than last year with 75% of respondents anticipating more revenue than last year (compared with only 33% in 2008).

“Again, the product is everything. Only the EPL is bucking the downward trend, which indicates that the financial gap between the ‘haves’ and ‘have nots’ is widening. The EPL is the promised land with everyone wanting to be there.”

– Stuart Barnsdall, Audit Partner, Football Industry Group

Do you expect to make a pre-tax profit in your next accounting period?

	All%	EPL	EFLC	FL1	FL2	SPL	SFD
Yes	21	0	22	13	20	60	0
No	74	100	78	88	60	20	100
Don't know	5	0	0	0	20	20	0

Only a fifth (21%) of respondents expect to make a pre-tax profit in their next accounting period. This is a fall from 35% last year.

The two most pessimistic leagues are the EPL and the SFD where none of the respondents expect to make a profit, compared to 56% of EPL and 50% of SFD in 2008. The most optimistic league is the SPL where 60% of respondents expect to be profitable (although confidence levels are down from 75% last year).

Confidence levels have risen slightly among FL2 clubs. Last year, none of them expected to make a profit but this has risen to 20% this year.

By how much has the credit crunch reduced the following revenue streams in the current financial year?

		All%	EPL	EFLC	FL1	FL2	SPL	SFD
Match tickets	<5%	35	25	44	25	20	60	33
	5-20%	18	0	11	38	60	0	0
	>20%	6	0	0	0	20	0	33
	No impact	41	75	44	38	0	40	33
Merchandising	<5%	21	0	0	38	20	40	33
	5-20%	32	25	56	13	40	20	33
	>20%	6	0	0	13	0	20	0
	No impact	41	75	44	38	40	20	33
Match day catering	<5%	29	25	22	25	20	40	67
	5-20%	24	0	44	25	20	20	0
	>20%	3	0	0	0	20	0	0
	No impact	44	75	33	50	40	40	33
Corporate supporter/ entertaining packages	<5%	35	0	22	50	0	60	100
	5-20%	32	75	44	25	40	0	0
	>20%	6	0	11	13	0	0	0
	No impact	27	25	22	13	60	40	0
Season ticket sales	<5%	38	25	22	25	80	60	33
	5-20%	12	0	22	13	0	0	33
	>20%	0	0	0	0	0	0	0
	No impact	50	75	56	63	20	40	33

All revenue streams have suffered in the last year with merchandising and corporate hospitality showing the largest falls – in both streams 38% of clubs reported reductions of greater than 5%.

The credit crunch has affected different leagues in different ways. While the EPL has been largely unaffected by reduced revenues from match tickets, match day catering and season ticket sales, the league has suffered a significant drop in revenue from corporate hospitality and entertainment packages with 75% of respondents citing a reduction in income of between 5% and 20%.

EFLC clubs have been most affected by a 5-20% fall in revenue from merchandising (56% of respondents), match day catering (44%) and corporate hospitality packages (44%).

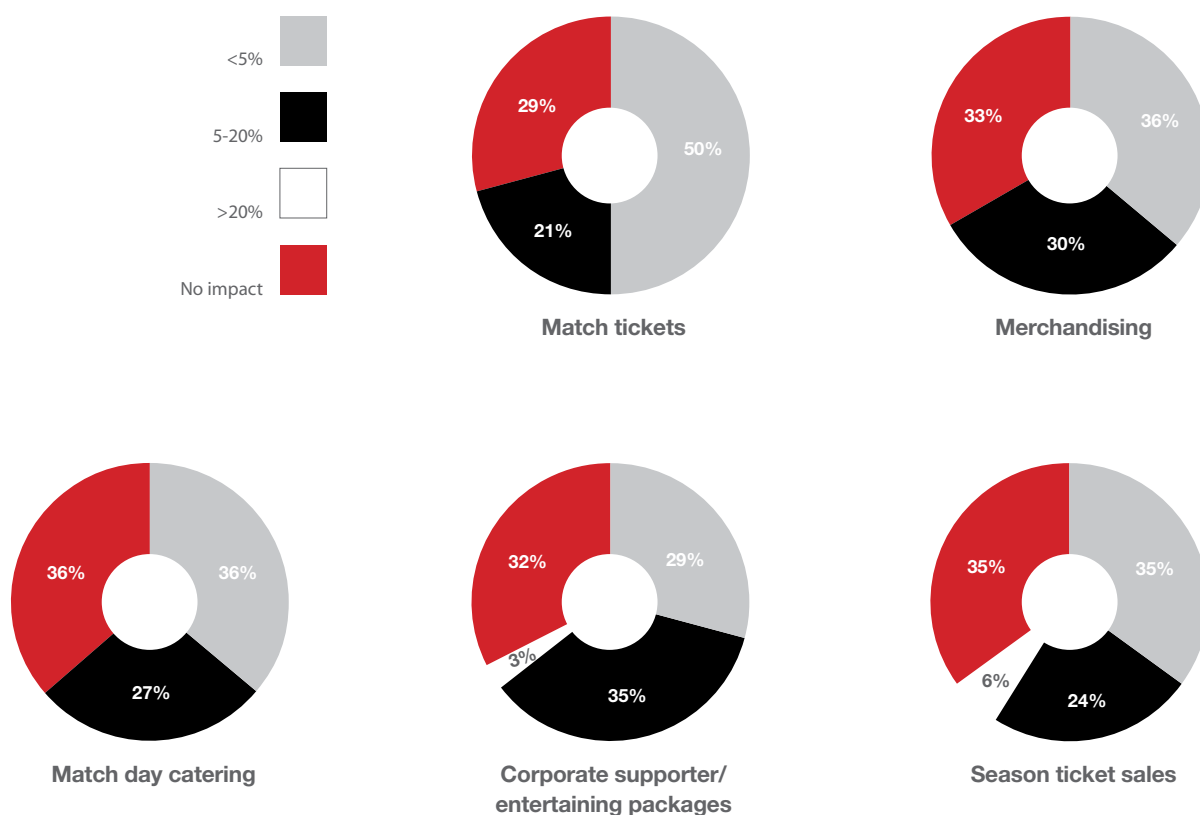
Nearly two thirds of FL1 respondents have suffered a drop in revenue from match tickets and merchandising while 87% have been affected by lower corporate hospitality revenue.

All FL2 respondents have been affected by falling revenues from match ticket sales.

While the SPL has only suffered small reductions (less than 5%) in match ticket, season ticket and corporate hospitality sales, all SFD respondents are experiencing varying levels of reduced income across all revenue sources.

Analysis of key findings 2009 continued

What reduction do you expect the credit crunch to have on your 2009/2010 revenue streams compared with the season just ended?



Across all respondents, the three main revenue streams most likely to be affected by the credit crunch in the 2009/2010 season are match tickets, merchandising and corporate supporter/entertaining packages.

Again, there is considerable variance between the outlooks of the leagues. Three quarters of the EPL respondents are anticipating a reduction in income of between 5% and 20% for corporate hospitality but appear largely confident that match ticket and season ticket sales will hold up.

The EFLC, however, is concerned that match ticket and season ticket revenue will fall while FL1 is most concerned about falling revenues from merchandising and FL2 is most concerned about lower match day catering and season ticket revenues.

All SPL respondents are concerned about match ticket sales and 80% of them are worried about season ticket sales.

All SFD respondents anticipate up to a 5% reduction in revenues from match tickets, merchandising, match day catering and corporate hospitality.

“ I am surprised to see that across each revenue stream around 1/3 of clubs do not believe the credit crunch will have any impact on their operations. In my view this is wishful thinking. Clubs must appreciate that the continuing economic uncertainty and rise in unemployment will affect their supporters’ ability to spend over the coming season.”

– Charles Barnett, Audit Partner, Football Industry Group

What has happened during the current financial year to the level of your bad debt?

	All%	EPL	EFLC	FL1	FL2	SPL	SFD
Reduced or no change	65	25	78	63	60	60	100
Increased by up to 20%	29	75	22	38	20	20	0
Increased by 20-50%	0	0	0	0	0	0	0
Increased by > 50%	6	0	0	0	20	20	0

Two thirds of respondents have either reduced or contained their level of bad debt during the current financial year. With the exception of the EPL, the majority of other respondents appear to be making real efforts to reduce their levels of bad debt. In particular, all SFD and 78% of EFLC respondents have reduced or maintained existing levels of bad debt compared with only 25% of EPL respondents.

Have you been under more pressure from your bank in the last 12 months?

	All%	EPL	EFLC	FL1	FL2	SPL	SFD
Yes	35	25	67	38	20	20	0
No	53	50	22	63	80	60	67
No change	12	25	11	0	0	20	33

More than a third of clubs are under more pressure from their bank this year – an overall increase from 24% last year. However, there is considerable variance between the leagues with the EFLC under most pressure (67% of respondents) and the SFD under least pressure.

Fewer EPL clubs are under pressure this year as well – down from 44% of respondents last year to just a quarter this year.

Analysis of key findings 2009 continued

Have you increased the level of your bank facility within the last 12 months?

	All%	EPL	EFLC	FL1	FL2	SPL	SFD
Yes	18	0	44	13	20	0	0
No	82	100	56	88	80	100	100

The most significant change is for EPL and EFLC respondents. Last year 56% of EPL respondents increased their overdraft compared with none this year. However, the percentage of EFLC respondents increasing their facility has leapt from 22% last year to 44%. The Scottish club results are exactly the same as last year.

Do you envisage using more than 90% of your available bank facility during the forthcoming year?

	All%	EPL	EFLC	FL1	FL2	SPL	SFD
Yes	50	50	78	50	40	20	33
No	44	50	22	50	40	80	33
Don't know	6	0	0	0	20	0	33

Half of respondents envisage using more than 90% of their bank facility in the year ahead – up from 41% in 2008. The league under most financial pressure appears to be the EFLC with more than three quarters of respondents intending to use more than 90% of their facility this year – up from 44% last year. While fewer EPL respondents will be using their full facility this year (down to 50% from 89% in 2008), the percentage of respondents in all the other leagues planning to use their overdraft has risen since 2008.

“ Arguably, it is clubs in the EFLC that have the biggest gamble: do they spend to try to reach the EPL (the holy grail) or spend to avoid relegation? Either way, the price of failure could be catastrophic. Clubs must plan for all eventualities and unsuccessful speculation using bank debt could be a one-way ticket to insolvency.”

– Philip Long, Corporate Recovery Partner, Football Industry Group

Has the debt funding at your club been guaranteed by a director or shareholder?

	All%	EPL	EFLC	FL1	FL2	SPL	SFD
Yes	38	25	67	37	40	0	33
No	62	75	33	63	60	100	67

Just under two thirds of debt funding is not guaranteed by a director or shareholder, a considerable rise from last year's figure of 41%. The most dramatic 'about turn' appears to be in the EPL where funding was guaranteed by 89% of EPL respondents in 2008. This year's results are also very different for the EFLC where director/shareholder guarantee has increased to two thirds from one third last year.

Have you faced any problems sourcing finance this year?

	All%	EPL	EFLC	FL1	FL2	SPL	SFD
Yes	35	50	44	50	20	20	0
No	65	50	56	50	80	80	100

Given the banks' current stringent approach to lending, it is not surprising that more clubs are facing problems sourcing finance this year – up from 19% last year to 35%. The worst affected leagues are the EPL and the FL1.

Do you think it is getting harder for football clubs to source finance?

	All%	EPL	EFLC	FL1	FL2	SPL	SFD
Yes	94	100	100	88	100	100	67
No	6	0	0	13	0	0	33

There is almost universal agreement that it is getting more difficult for football clubs to source finance but it is likely that any other industry survey would produce the same response in the current economic environment.

The main reasons cited by respondents are 'general reluctance for banks to lend/uncertainty' (34%) and the 'high risks in the football industry' (25%).

Analysis of key findings 2009 continued

Do you use the wages to turnover ratio as a key performance indicator (KPI) of the club's financial health?

	All%	EPL	EFLC	FL1	FL2	SPL	SFD
Yes	68	75	67	63	60	100	33
No	32	25	33	37	40	0	67

A slightly higher percentage of respondents than last year are using the wages to turnover ratio as a KPI of the club's financial health – up to 68% from 62% in 2008. The English and Scottish premiership clubs are most likely to use this KPI.

If 'yes' in which range is your benchmark?

	All%	EPL	EFLC	FL1	FL2	SPL	SFD
<50%	13	0	0	33	33	0	0
50%-55%	13	0	0	17	0	40	0
55%- 60%	29	33	33	17	33	40	0
60%-65%	21	0	17	33	33	20	0
>65%	25	67	50	0	0	0	100

The significant changes from 2008 are the increases in clubs using a ratio of less than 50% and more than 65%. A third of FL1 and FL2 respondents are using a ratio of less than 50% while two thirds of EPL and half of EFLC are using a ratio of above 65%.

“ For the 25% of clubs with a ratio above 65% it is very likely that they will be loss making. These clubs must address this matter as no club can sustain such a strategy in the medium term.”

– Stuart Barnsdall, Audit Partner, Football Industry Group

Will you operate within your benchmark in the current financial year?

	All%	EPL	EFLC	FL1	FL2	SPL	SFD
Yes	78	100	83	83	67	80	0
No	22	0	17	17	33	20	100

The levels of confidence in the clubs' ability to operate within their benchmarks have increased markedly this year from 54% in 2008 to 78%. All EPL respondents will operate within their benchmarks as will 83% of EFLC and FL1 respondents.

How would you rate your club's current financial position?

	All%	EPL	EFLC	FL1	FL2	SPL	SFD
Very healthy	9	0	11	13	20	0	0
Could be better but not bad	71	100	67	50	80	80	67
In need of attention	18	0	22	25	0	20	33
A cause for grave concern/ on verge of administration	3	0	0	13	0	0	0

While there has been a decline in the percentage of clubs saying that their financial position is very healthy – down from 24% in 2008 to 9% – there has also been a corresponding rise from 62% in 2008 to 71% this year of clubs saying that their financial position is 'not bad'.

However, 38% of FL1 respondents say that their club's finance are in need of attention or a cause for grave concern while a third of SFD respondents say that their finances are 'in need of attention'.

The next rating evaluation is due to take place next season on 1 April 2010. How do you regard the current level of business rates for which you are responsible?

	All%	EPL	EFLC	FL1	FL2	SPL	SFD
Excessive	15	50	11	13	0	0	33
High	47	50	56	38	20	60	67
Fair and reasonable	29	0	22	50	40	40	0
Modest	9	0	11	0	40	0	0

Just under two thirds (62%) regard the level of business rates for their club as 'excessive' or 'high'. This percentage rises to 100% of EPL and SFD respondents.

However, 38% of all respondents consider the current level of business rates to be either 'fair and reasonable' or 'modest'. This figure rises to 80% of FL2 respondents.

Analysis of key findings 2009 continued

Player costs

In your budget for 2009/2010 will your first team squad size be the same, smaller or greater than last season?

	All%	EPL	EFLC	FL1	FL2	SPL	SFD
Greater	12	0	22	13	20	0	0
The same	27	75	0	25	40	20	33
Smaller	62	25	78	63	40	80	67

Control over the squad size has tightened for the third year running. Nearly two thirds (62%) plan to have a smaller squad size this year compared with 35% in 2008 and just 25% in 2007.

In your budget for 2009/10, will you spend more, the same or less on the payroll cost of the first team squad than last season?

	All%	EPL	EFLC	FL1	FL2	SPL	SFD
More	32	75	44	25	40	0	0
The same	18	0	0	13	60	0	67
Less	50	25	56	63	0	100	33

Half the respondents will be spending less on the first team payroll next season – compared with just 19% in 2008. This is the first time that the trend for increasing the payroll has been reversed.

The EPL clubs' restraint, however, does not extend to payroll costs, with 75% budgeting for a larger payroll, perhaps indicating a strategy to concentrate on quality rather than quantity.

The overall trend appears to be that clubs are cutting down on the size of their squad in order to spend more on their 'star' players. In particular, none of the EPL respondents are increasing the size of their first team squad but three quarters of them will be spending more on their payroll.

“Most clubs expect to reduce player costs in 2009/10. That coincides with reports of highly paid players demanding more money to compensate for the 50% tax rate being introduced next year as well as tax saving schemes being developed to find ways around paying the new higher rate. With this in mind, we can expect more scrutiny by HMRC of football clubs and the arrangements in place for rewarding players.”

– John Cassidy, Tax Partner, Football Industry Group

Will you be increasing or reducing your transfer budget this year?

	All%	EPL	EFLC	FL1	FL2	SPL	SFD
Increase	15	25	11	25	0	0	0
The same	59	75	56	38	100	80	33
Reduce	27	0	33	38	0	20	67

While nearly six out of ten respondents will be keeping their transfer budget the same this year, the percentage of clubs that will be reducing it has increased to 27% this year from 19% in 2008. Again, the Scottish clubs are the most prudent with neither of the Scottish leagues increasing their transfer budgets.

Do your players have clauses in their contracts stipulating that their wages will be cut if the club is relegated?

	All%	EPL	EFLC	FL1	FL2	SPL	SFD
Yes	53	25	67	75	40	40	33
No	47	75	33	25	60	60	67

Only just over half of the respondents have clauses in their contracts to cut players' wages if the club is relegated – a considerable drop from last year's figure of 73%. The most dramatic change is the reversal of last year's results for the EPL when 78% of players' contracts had relegation clauses. This could be because Premiership players would not wish to stay with a club that is relegated to the EFLC and would not sign a contract with such a clause within it.

Analysis of key findings 2009 continued

Investing in the club

What intentions do you have for your ground over the next five years?

	All%	EPL	EFLC	FL1	FL2	SPL	SFD
Redevelop (hotel/offices/ conference facilities/retail etc)	38	25	33	25	40	60	67
Do nothing	35	75	44	38	20	0	33
Move ground	27	0	22	38	40	40	0
Ground share	0	0	0	0	0	0	0

Two thirds of all respondents intend to redevelop or move ground over the next five years suggesting that, in spite of the downturn, clubs are still looking for ways to invest in their main capital asset. All SPL respondents are planning a change to their grounds while the EPL clubs are the least likely to make any changes. With the exception of the SPL, there appears to be a correlation between club size and inertia: the larger the club the less likely they are to make further changes to their ground.

Given the potential cost savings of ground sharing, it is somewhat surprising that none of them are considering this option for their ground.

How important is it to your club to attract significant investment from external investors and what are the main reasons for doing so?

	All%	EPL	EFLC	FL1	FL2	SPL	SFD
Very important	27	0	11	50	20	0	100
Quite important	18	25	33	0	20	20	0
Neither important nor unimportant	29	25	33	25	40	40	0
Not important	21	0	22	25	20	40	0
Not at all important	6	50	0	0	0	0	0

The importance of attracting significant investment from external investors has fallen sharply from 68% of respondents in 2008 to just 45% this year. Although all the SFD respondents consider it very important, the majority of respondents in the other leagues do not appear to consider external investment in their clubs to be important.

For the 45% of respondents for whom it is important to attract external investment, the main three reasons are for infrastructure investment in their stadium (67%); investment in their players (44%) and to reduce debt and gearing (39%).

Do you think the trend in football takeovers will continue?

	All%	EPL	EFLC	FL1	FL2	SPL	SFD
Yes	47	50	67	38	20	60	33
No	18	25	11	38	0	0	33
Don't know	35	25	22	25	80	40	33

There is much less certainty than last year that the trend in football takeovers will continue. Fewer than half (47%) of all respondents think that it will while 18% do not think it will and over a third (35%) do not know.

Do you believe that the concept of a 10 point reduction is fair to all League members for clubs entering insolvency? If not, what changes would you suggest?

	All%	EPL	EFLC	FL1	FL2	SPL	SFD
Yes it is fair	59	50	67	50	60	60	33
Automatic relegation	15	25	11	25	20	0	0
More points deducted	9	0	0	13	20	20	0
Sanctions against directors	6	0	22	0	0	0	0
Other	12	25	0	13	0	20	67

More than half of respondents (59%) agree that a 10 point reduction is fair for clubs entering insolvency. Of those that did not agree, the most popular alternative was automatic relegation cited by 15% of respondents.

Analysis of key findings 2009 continued

What are your two biggest concerns for the sector over the next 12 months?

	All%	EPL	EFLC	FL1	FL2	SPL	SFD
Loss of income due to relegation	41	25	56	0	40	40	33
Potential fall in TV income	41	25	56	0	40	100	33
The inflexibility of players' salaries	38	50	44	63	20	20	0
Ability to attract sponsorship	32	50	22	25	40	20	67
Ability to raise new capital	18	0	22	25	20	0	33
Season ticket pricing	12	0	0	13	40	20	0

In contrast to the last few years when players' salaries and the ability to attract sponsorship have been the biggest concerns, the two big issues for the overall sample this year are relegation and its impact on club income – particularly from TV deals. Given that the survey was undertaken during the time of the collapse of Setanta in the UK, it is not surprising that all SPL respondents and 56% of EFLC are most concerned about the potential fall in TV income.

The overall level of concern about the inflexibility of players' salaries has fallen from 51% in 2008 to 38% this year while the proportion of those worried about attracting sponsorship has also fallen from just over half in 2008 to a third.

However, the inflexibility of players' salaries and the ability to attract sponsorship are still the EPL's biggest concerns while 63% of FL1 are also most worried about salaries. Two thirds of SFD respondents cite sponsorship as their biggest concern while the FL2 clubs are equally worried about relegation, loss of TV income, attracting sponsorship and season ticket pricing.

PKF services to football clubs

PKF (UK) LLP has considerable experience of advising football clubs within the UK.

We have three regional centres of football advisory expertise, centred in London, the North and Scotland. Our team of advisers provides the following services and advice to the football sector:

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