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**Begbies Traynor**

## **8% of English football clubs facing ‘financial relegation’**

**Troubled clubs look to fan-owned company structures to survive**



Flat-lining attendances and rising costs are blamed for locking six English league clubs into a cycle of serious financial distress, a report issued today warns.

The Begbies Traynor Red Flag Alert Football Distress Report monitors the financial distress in football clubs every six months. The latest figures show that a total of six clubs (one in twelve) in the Championship and Leagues One and Two are facing ‘critical’ financial pressure at the end of October 2013. The number of clubs in serious trouble represents 8 per cent of the 72 clubs that make up the leagues.

In addition, the report highlights barely rising average attendances and season ticket revenues across the three divisions, which despite increasing consumer and leisure spending are compounding the misery of clubs which are experiencing rising running costs.

The report highlights the emerging trend of the community interest company (CIC) structure as key to the future stability of the weaker clubs.

Gerald Krasner is a partner at Begbies Traynor and an expert in football finance, who has in the past been a joint administrator of both AFC Bournemouth and Port Vale Football Club. Commenting on the



media relations and profile

survey results, he said: "The relative fortunes of those at the very top and those at the foot of the league are getting further and further apart. The weaker clubs that are just staggering through the season are now locked into an inevitable downward spiral, and most clubs won't attract a foreign billionaire to bankroll them out of their financial mess.

"Darlington, Eastbourne and Stenhousemuir in Scotland have all looked towards a CIC format to put down a stable, long term ownership and funding structure. The best example of fan-owned clubs is Barcelona, which has proved that a more mutual approach can still bring big spending and success. There is no doubt that the trickle of clubs that have become majority owned by the fans here in England will become a steady flow over the coming few seasons," he added.

The number of distressed clubs includes Coventry City, following its well-publicised failure in June this year, and is unchanged since the last survey was conducted in March this year. However, football club coffers are typically at their healthiest at the start of the season, indicating that there is likely to be more serious problems for more clubs by early next year.

"If these clubs are cash strapped now, then they are likely to be in more trouble after the next transfer window, when the bank balances are at their lowest, unless directors show prudence and continue to curb the spending and manage costs sensibly," said Mr Krasner.

Attendances across the English league showed little improvement so far this season when averaged across all divisions, rising just two per cent. The average gate at a Premier League fixture increased by three per cent to nearly 36,500. The Championship clubs have reported average attendances falling by seven per cent to just over 16,000. This was largely due to the relegation of Wolves, whose strong supporter base has also boosted average gates by 20 per cent so far in League One. League Two attendances were also up by six per cent to almost 4,500 on average.

"The underlying picture is of a wider divide between the strongest and weakest clubs, but there is evidence that good financial management is being adopted by more football club boards. That said, the number of clubs that are propped up by generous and often increasing director loans, and inter-company transactions is masking a lot of the problems. Aside from finding an overseas benefactor, community ownership is the only viable long-term solution for many clubs that want to press the 'reset' button and put finances in order, and we are seeing more and more interest in these structures that have some support at present with government and HMRC incentives," added Mr Krasner.

Link: [www.begbies-traynorgroup.com/begbies-traynor/football\\_club\\_insolvency\\_distress\\_nov2013\\_england.aspx](http://www.begbies-traynorgroup.com/begbies-traynor/football_club_insolvency_distress_nov2013_england.aspx)

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**Photography:** Gerald Krasner, partner at Begbies Traynor

**Contacts:** Gerald Krasner at Begbies Traynor on 07836 607782

Paul Snape at Appeal PR [paul@appealpr.com](mailto:paul@appealpr.com) on 01423 56 99 99

Appeal PR Ltd  
Tel: 01423 569 999  
[www.appealpr.com](http://www.appealpr.com)