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Begbies Traynor

Four English football clubs in danger of failure - club distress rates climb despite rising attendances



New annual data released by corporate recovery expert Begbies Traynor reveals that a 'hot spot' of football distress has developed in the country's third highest professional league.

The rise in clubs displaying signs of distress coincides with an average attendance rise of 4% across the four English leagues, and the highest attendances since the survey began in 2012.

The combined effect of increased TV money and good housekeeping, forced by the Football League and HMRC, had all but eliminated business distress in English football when the data was last released in April 2016.

But despite rising attendances this season, the number of clubs showing signs of financial distress in the English leagues has doubled to four since a year ago, including three in League One at the end of March 2017. At the same time average gates in League One were up by 10% to 7,749, the highest level since the survey began in 2012.

None of the Premier and Championship league clubs are financially distressed, but in League Two (where attendances slid back by 4%) one club is also displaying signs of financial distress, taking the total number of distressed clubs in March 2017 to four, almost 6% of all English league clubs.

Although distress levels have effectively risen 100% since the last survey data was revealed, the figures still represent a dramatic decrease in distressed clubs from a peak in 2012, when 18% of all clubs were in financial difficulties.

“As an industry, football has cleaned up its act significantly in the last five years, partly with the help of the FA's rules, and partly through its own good management. That said, the last 12 months has seen a reversal of the steady reductions in distress and that's a concern for the sport in England, especially when attendances are climbing nicely in most leagues,” said football finance expert Gerald Krasner, a partner at Begbies Traynor.

“The clubs in Scotland, where just one club showed distress, seem to have been managing their budgets better,” he added.

In March 2012 a total of 13 English clubs faced significant financial distress, and several, including Portsmouth, Port Vale and Coventry City, subsequently entered administration.

The ownership of clubs has shifted dramatically since the launch of the Premier League in the 1990s, with more overseas individuals and investment groups snapping up established clubs. As the English leagues have gained profile globally, they have generated an increasing proportion of club revenues from TV money and sponsorships, rather than ticket sales and the cultivation of talent that was once a mainstay of football club income.

The introduction of UEFA's Financial Fair Play rules in England and Wales in 2012 has helped force clubs to live within their means, and has limited losses that swelled in the noughties with billionaire owners supporting huge player wage bills and boards gambling on promotion to the globally lucrative Premier League.

"There is no doubt the business of football has changed completely in the last 20 years. In any industry there will be winners and losers, and well run and badly run businesses, and football is no exception. The main difference is that when poor performances on the pitch lead to a slide down the leagues, the majority of the revenues evaporate quickly and decimate the club's ability to trade soundly," said Mr Krasner.

"We could see a handful of very long-established clubs, who have weathered the storms of the recession, face financial relegation if they don't quickly reverse their trading losses, either by improving their share of TV revenues, or by saving significantly on wage bills," he added.

More information and the full report can be downloaded [here](#).

Photo: Gerald Krasner, Begbies Traynor