

# FAIR GAME BRIEFING

## NEW ANALYSIS STRENGTHENS CASE FOR REFORM TO FOOTBALL'S FAILED FINANCIAL FLOW

*Embargoed: 00.01hrs Monday 22 April 2024*

**ON TUESDAY 23 April, the Football Governance Bill will have its Second Reading in the House of Commons.**

Today Fair Game reveals the results of months of hard work analysing the financial flow in our National Game in this brand new briefing. The results paint a bleak picture.

The No 1 objective of the Bill is to protect and promote the sustainability of English football.

Yet the Bill as it stands does not address the issue of parachute payments, and gives next to no powers to the regulator to end the growing financial divides in our National Game and provides little support to the crumbling football pyramid.

And at the same time the financial divides in football are getting wider.

This briefing uses publicly available data from Companies House.

**Niall Couper, CEO of Fair Game, said:**

“Our experts have looked at the data going back over 20 years and the picture is bleak.

“The football pyramid is crumbling before our very eyes. At every level it is falling apart.

“The gaps between the haves and have nots in football are growing. And the only bodies that can currently reverse the trend are controlled by the “haves”.

“The status quo is not acceptable. If the proposed football regulator is to achieve its No 1 objective of securing the financial sustainability of the game we love then it must take full control of football's financial flow.

“Leaving it in the hands of the current football authorities will not solve the problem.”

**Adam Davis, Fair Game's finance analyst, added:**

“The data is undeniable. The current distribution of football's finances is making the game financially unsustainable.

“To move up the pyramid clubs are having to spend more and more each year. Choosing to prioritise competition today over sustainability tomorrow through an over extension of the ‘club credit card’ and increasing reliance on benefactors. This runs the risk of the club collapsing if that benefactor can no longer prop them up, leaves, or gets bored.

“It is a myth that administration is just a passing moment. When a club goes into administration it is the local businesses that go under, and that has a significant impact on the club’s local community through direct and indirect economic and social hardship.”

## **KEY FINDINGS**

- The current broadcasting deal is worth around £3.19bn a year.
- The current financial distribution does not reflect the distribution of attendances.
- The divide in terms of revenue and wage spend between divisions is growing throughout the pyramid.
- The importance of parachute payments is growing. In each of the last four seasons, two of the three promoted clubs were in receipt of parachute payments. In the 11 seasons before that only 10 parachute payment clubs were promoted.
- The number of clubs becoming technically insolvent is on the rise.
- The voting structures of the bodies that can address the gaps all favour those who benefit from the growing divide.
- Financial decisions for the Premier League and the EFL can only happen if they are supported by clubs qualifying for Europe or clubs in the Championship.
- The Premier League needs a two thirds majority to approve commercial deals.
- The EFL’s financial distribution is set out in their articles of association. However, the split does not reflect divisional average attendances and are unlikely to change as they require 75% of clubs to support the change - meaning only 19 clubs are required to block it.
- Average attendances have been rising at similar rates across all of the top five divisions in the English pyramid and as such are unlikely to play any significant part in comparative revenue changes between divisions.

## **Fair Game’s proposals**

- Make sure that the Bill’s No 1 objective to protect and promote the sustainability of the English football pyramid is at the heart of all financial distributions in football.
- Enhance the powers of the Bill’s proposed “Independent Panel of Experts”.
- Give the Panel the power to set parameters that financial proposals (including broadcast deals and parachute and solidarity payments) must meet.
- These parameters must include measures to close the growing financial gaps, rewarding clubs that are financially sustainable, and supporting community and grassroots initiatives.
- Giving the Independent Regulator the power to impose a deal if these parameters are not met.

## **STATISTICS**

Fair Game analysed 14 different sets of clubs over the last 20 years.

- Champions League
- Europe
- Other Premier League
- Parachute Payments Y1
- Parachute Payments Y2
- Parachute Payments Y3
- Other Championship
- Promoted to Championship
- Other League One
- Relegated to League Two
- Promoted to League One
- Other League Two
- Relegated to National League
- Promoted to League Two

We looked at revenue, wage spend, league position, points total and average attendances.

### **Current financial distribution of broadcasting deal**

The distribution of the current financial deal is weighted heavily towards football's elite clubs, sidelining the clubs at the lower end of the pyramid.

Currently, for every £1000 a Premier League club gets from broadcast revenue:

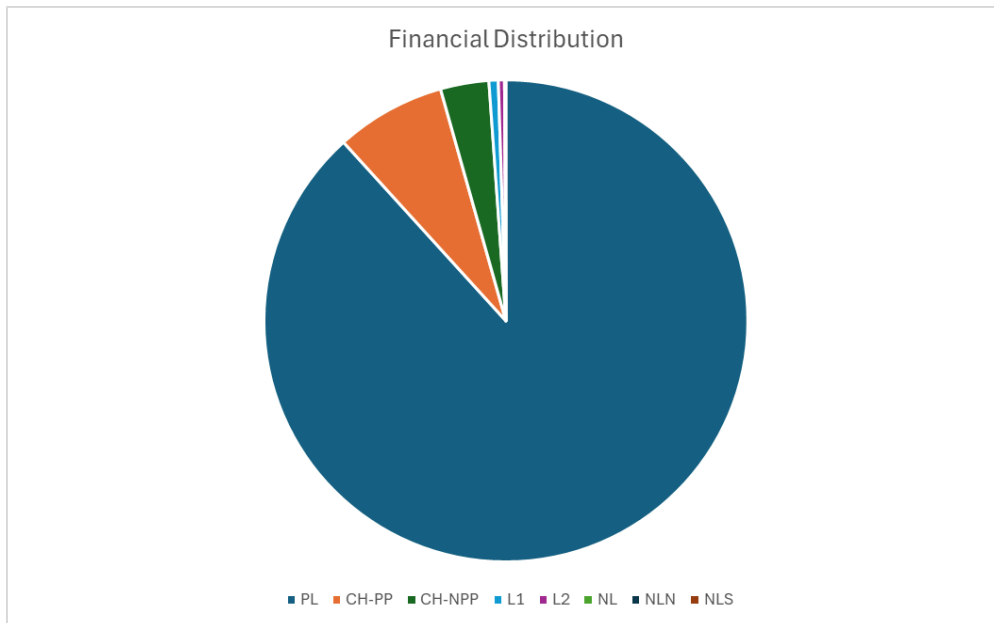
- £313.27 goes to a Championship club in receipt of first year parachute payments
- £256.31 to a Championship club in receipt of second year parachute payments
- £34.17 to a Championship club not in receipt of parachute payments
- £5.13 to a League One club
- £3.42 to a League Two club
- £0.57 to a National League club
- £0.14 to a National League North club
- £0.14 to a National League South club

The average attendance distribution amongst these leagues is wildly different to their financial allocation. For every 1000 people attending a Premier League match during the 2022/23 season:

- 471 people will be at a Championship match
- 264 at a League One match
- 145 at a League two match
- 85 at a National League match
- 26 at a National League North match
- 22 at a National League South match

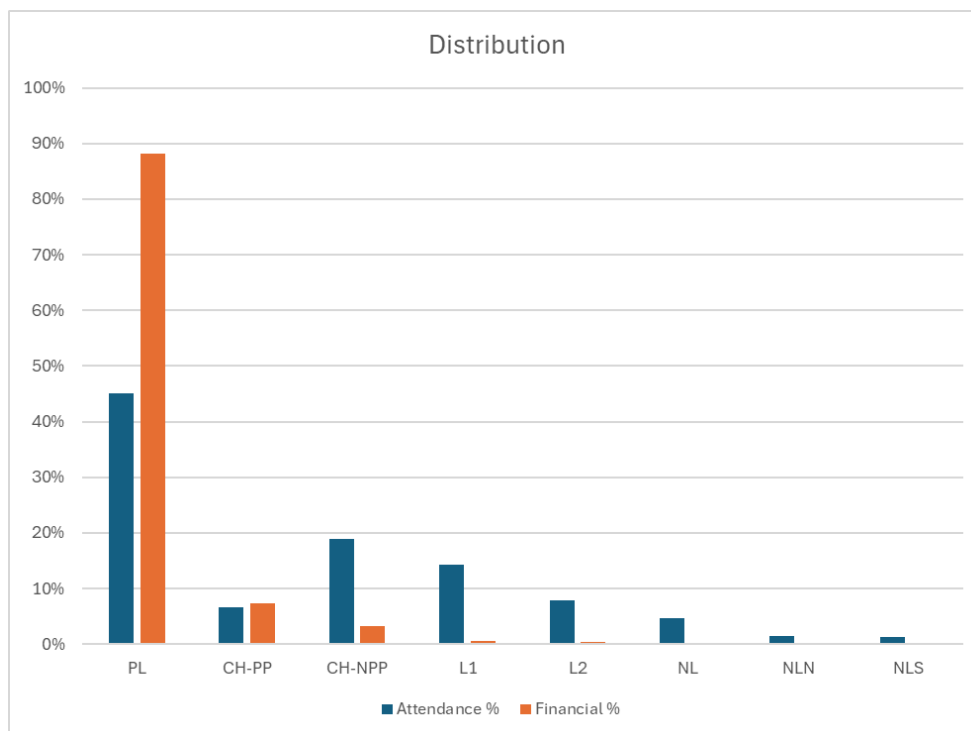
Currently for every £1000 for the broadcasting deal:

- £882.42 goes to Premier League clubs
- £73.48 to Championship clubs in receipt of parachute payments
- £32.85 to Championship clubs not in receipt of parachute payments
- £6.22 to League One clubs
- £4.15 to League Two clubs
- £0.58 to National League clubs
- £0.15 to National League North clubs
- £0.15 to National League South clubs



The average attendance distribution amongst these leagues is wildly different to their financial allocation. For every 1000 people attending a football match during the 2022/23 season:

- 497 people will be at Premier League match
- 234 at a Championship match
- 131 at a League One match
- 72 at a League two match
- 42 at a National League match
- 13 at a National League North match
- 11 at a National League South match

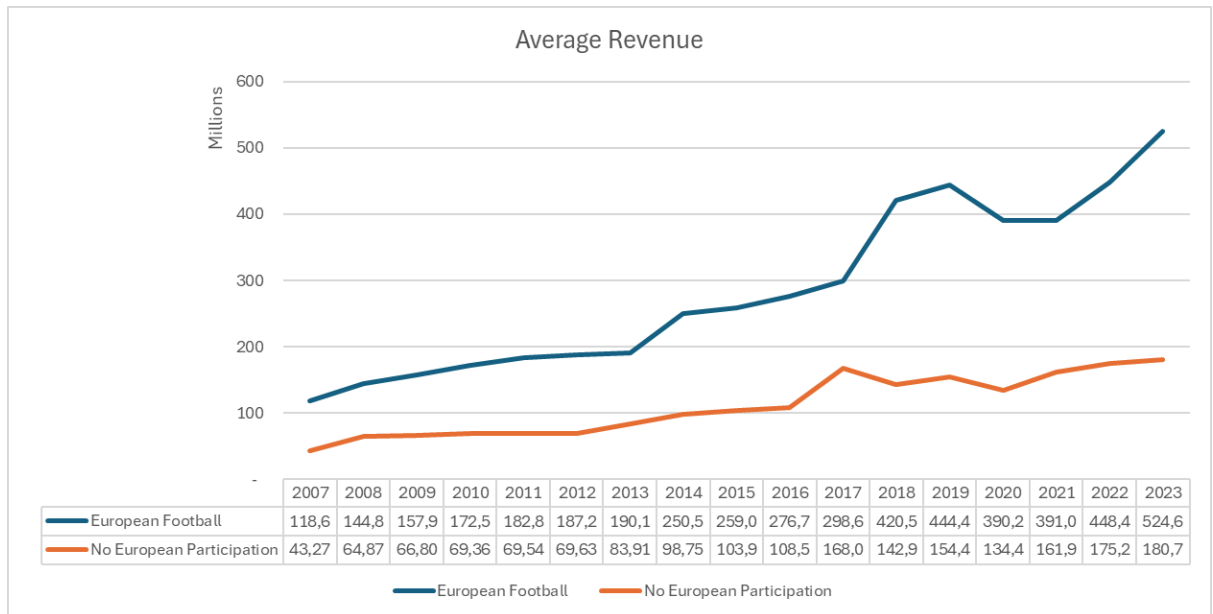




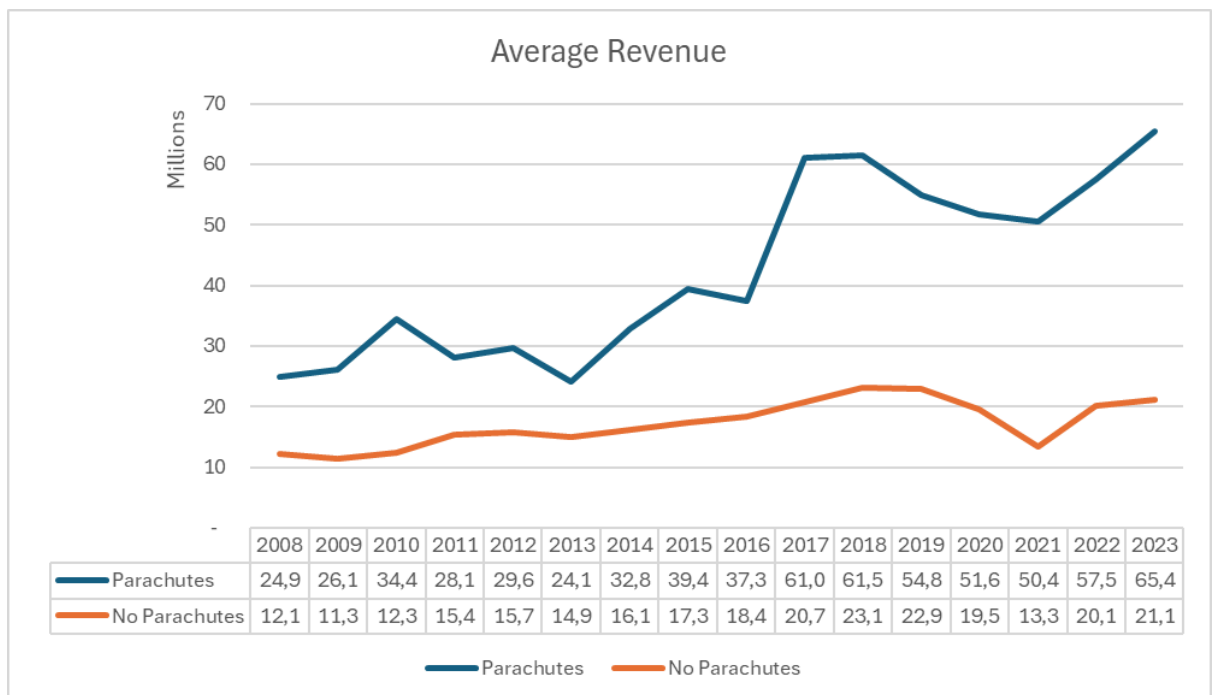
## Revenue

At every level of the English football pyramid the difference between average revenue is widening. This is highlighted by the growing gap between the two lines on each of the graphs below.

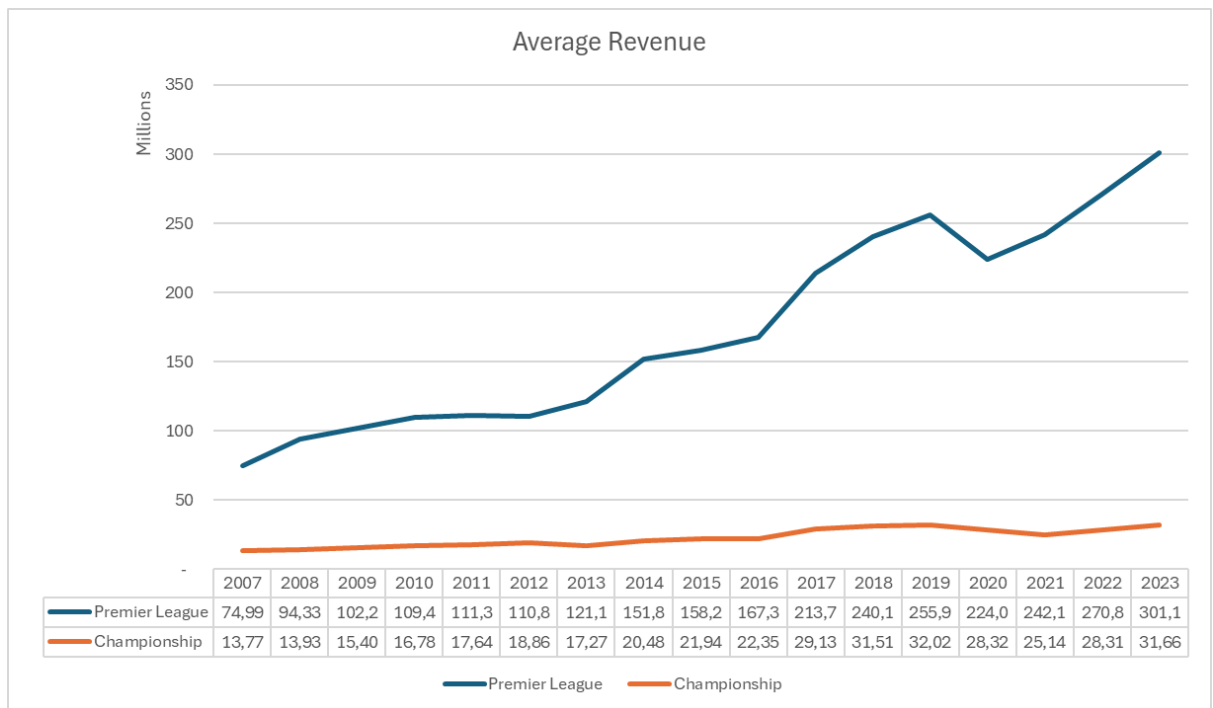
### Clubs playing in Europe v Rest of the Premier League



### Clubs getting parachute payments v rest of the championship

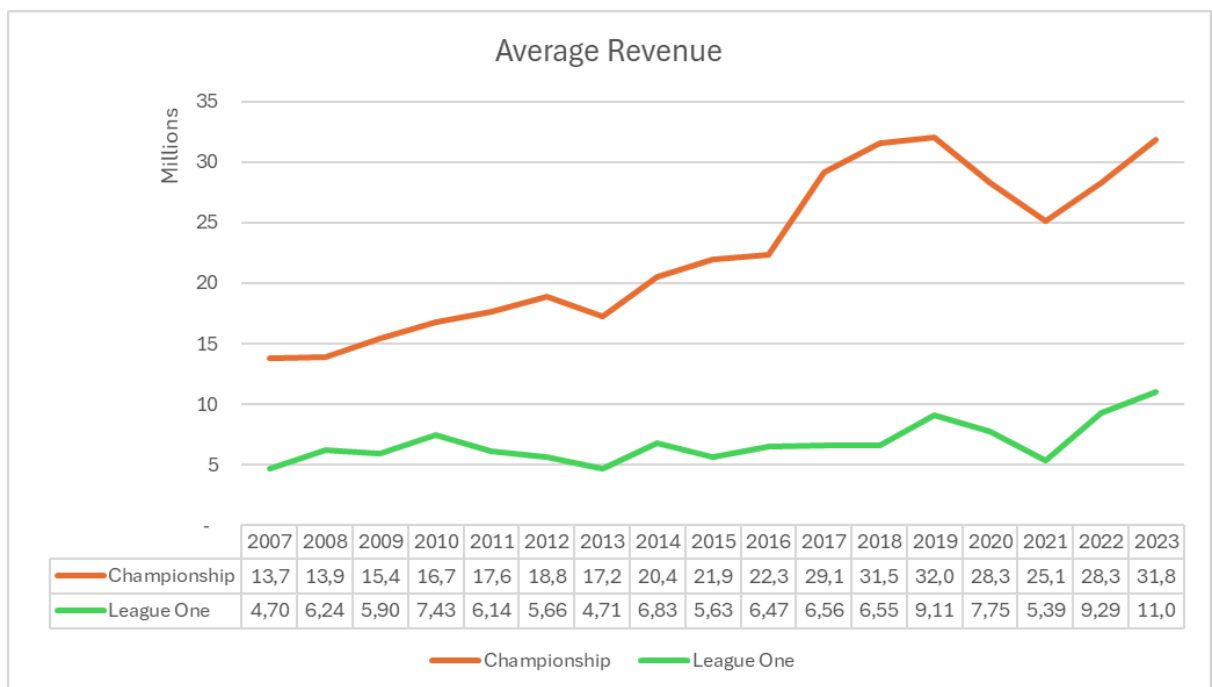


## Clubs in Premier League v clubs in Championship



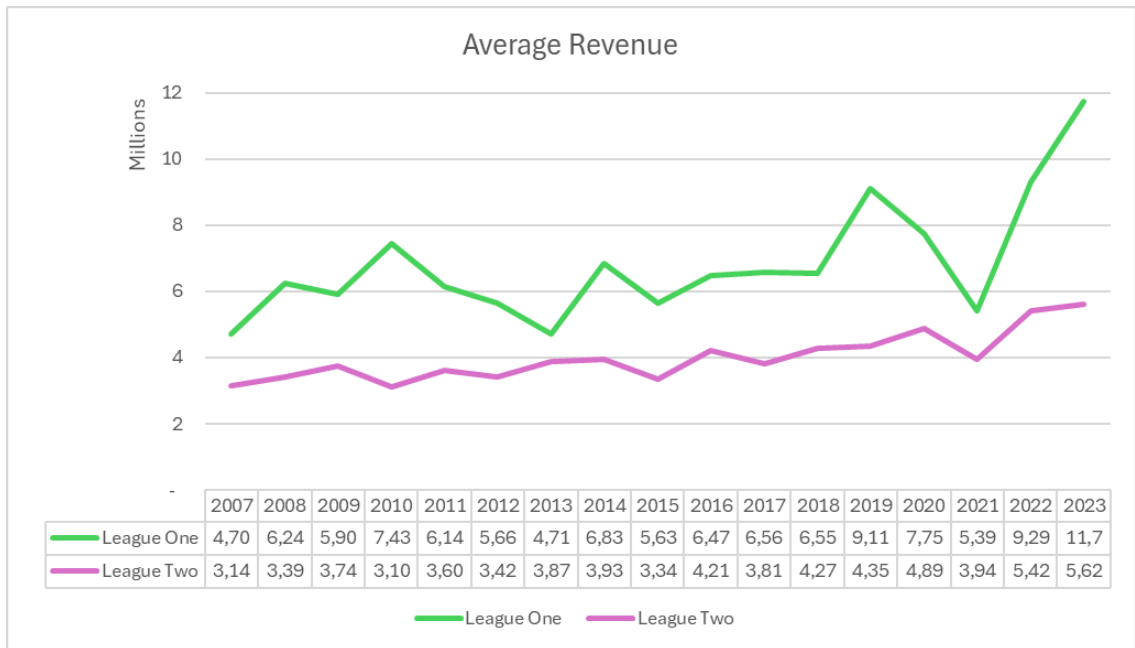
Ratio in 2007 was 5.44 but has risen significantly to 9.51 in 2023

## Clubs in Championship v clubs in League One





## Clubs in League One v clubs in League Two



### **Wage spend per point**

Looking at the period from the 2013/14 season to the 2022/23 season, the average wage spend per point in the Premier League was **£2.35m**. The median was £2.22m per year. To finish in the top seven, on average you would have to spend at least £188.5m a year on wages at £2.57m per point.

For the 22/23 season the average wage spend per point was **£3.45m** and the median was £3.22m.

In the Championship, the average wage spend per point from 2013 to 2023 was **£402k**. The median is £371k per point. Clubs who gained promotion to the Premier League spent on average £46.2m per year on wages. Non-promoted sides (who weren't relegated to League One) spent on average £23.6m per year on wages.

For the 22/23 season the average spend per point was **£407k** and the median was £393k

In League One, from 2013 to 2023, the average wage spend per point was **£94k**. The median wage spend for a club is £4.65m per year at £81k per point. Promoted clubs spent on average £9.17m per year on wages at £102k per point.

For the 22/23 season the average wage spend per point was **£120k** and the median was £101k.

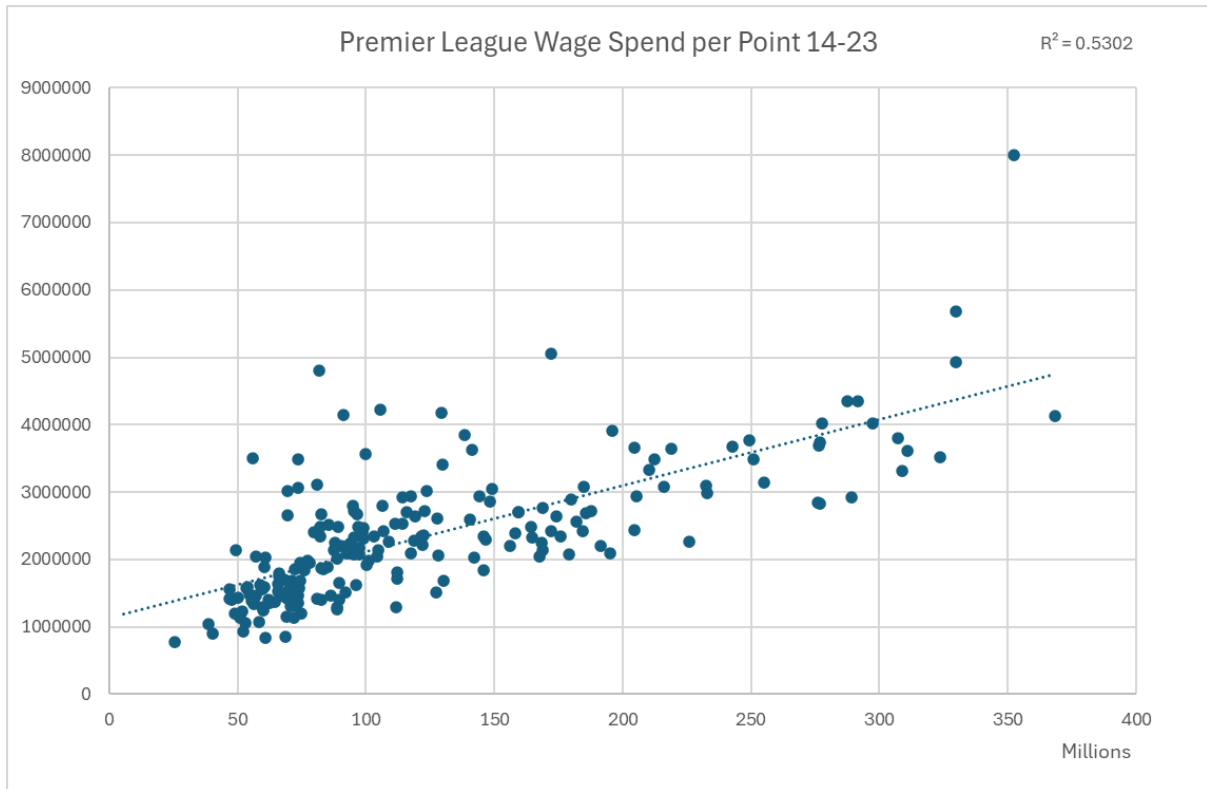
In League Two, from 2013 to 2023 the average wage spend per point was **£49k** per year. The median wage spend was £3m per year at £46k per point. Promoted clubs spent on average £3.33m per year on wages at an average of £42k per point.

For the 21/22 season the average wage spend per point was **£51k** and the median was £47k. There is insufficient data available for the 22/23 season.

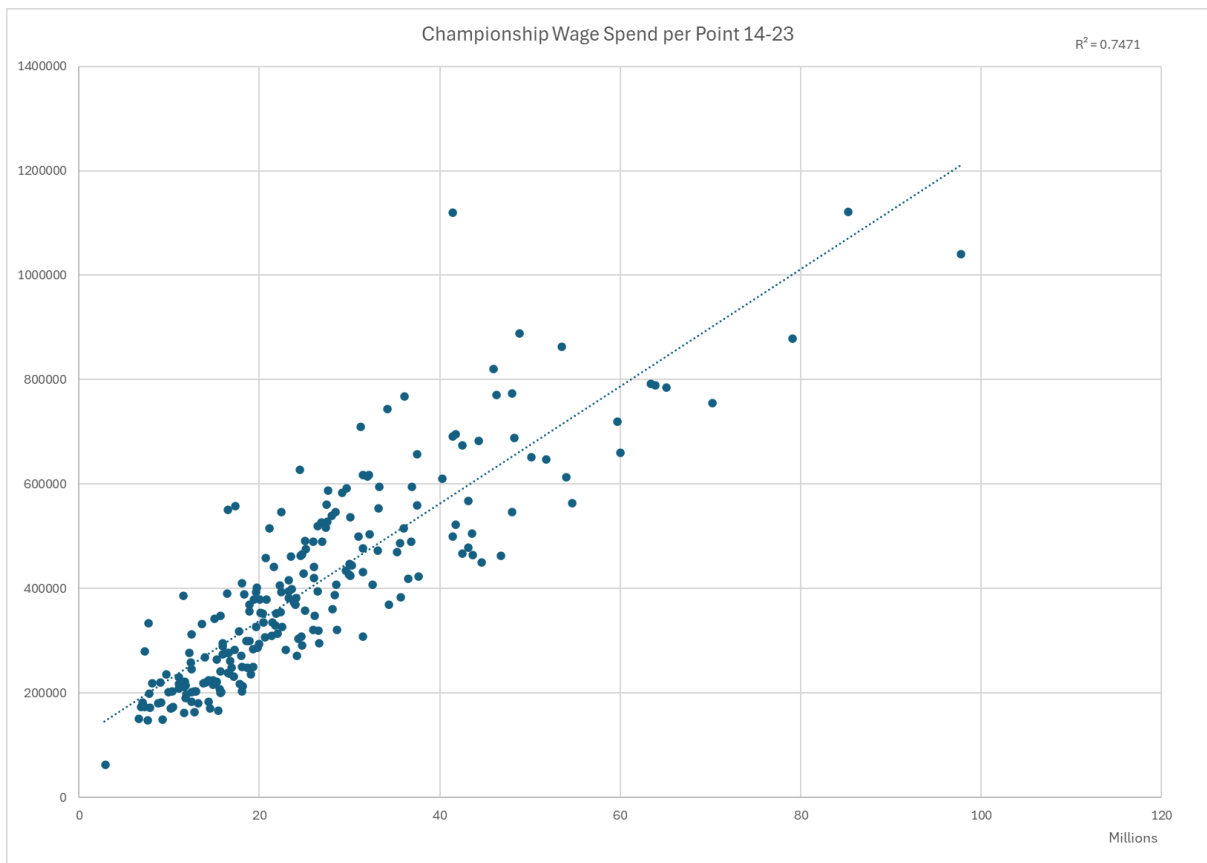
### Wage spend to league position

The correlation between wage spend and league position and points tally is incredibly strong. The steeper the line on the graphs below the stronger the correlation. The strongest correlation is in the Championship.

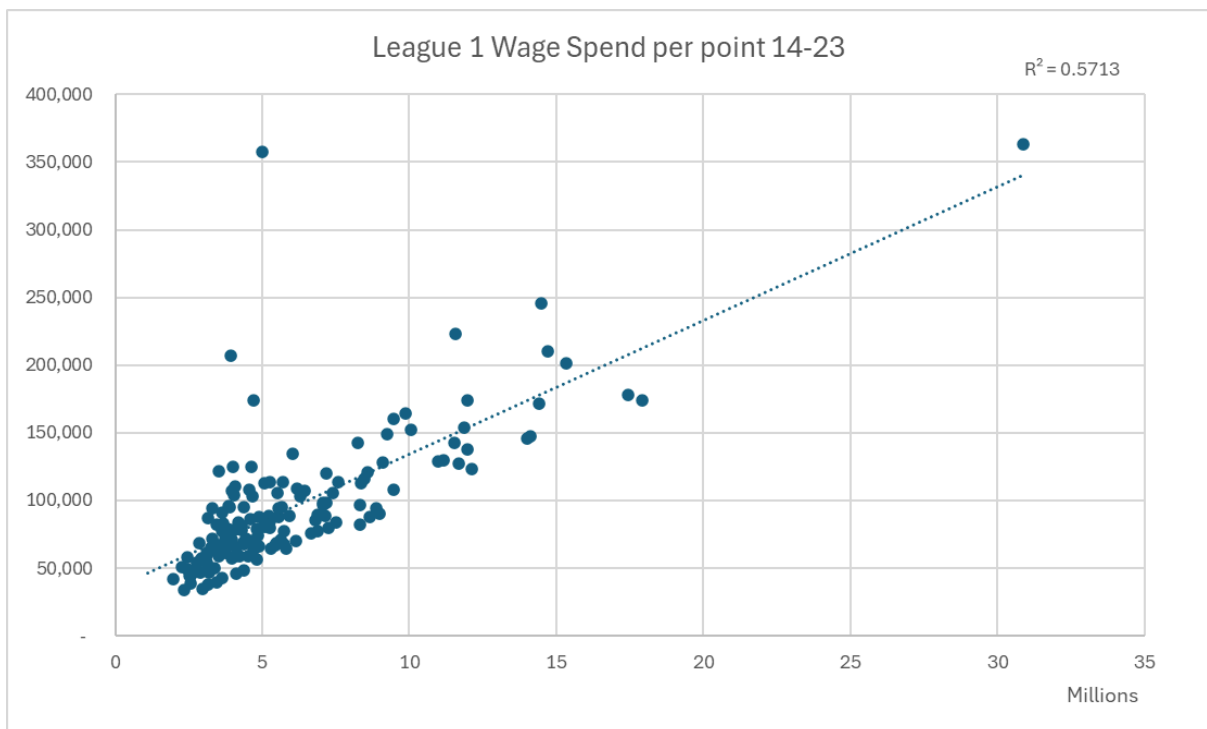
### **Premier League (correlation 0.5302)**



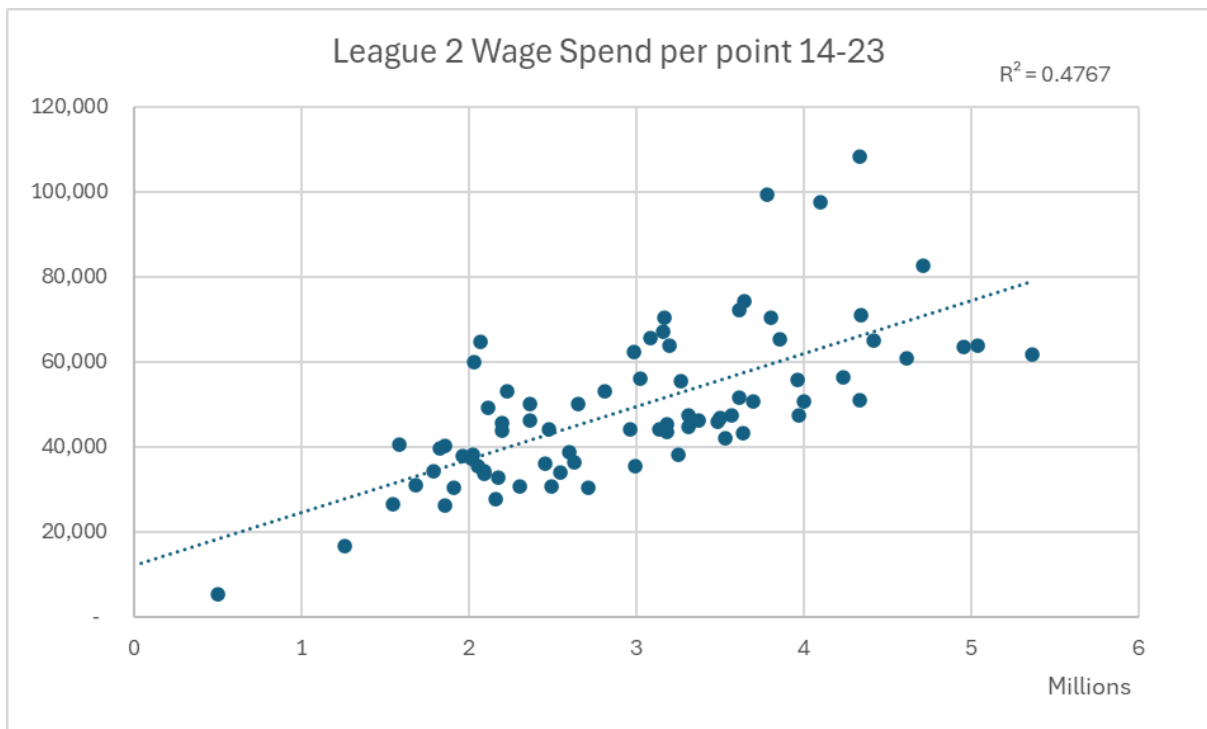
### Championship (correlation 0.7471)



### League One (correlation 0.5713)



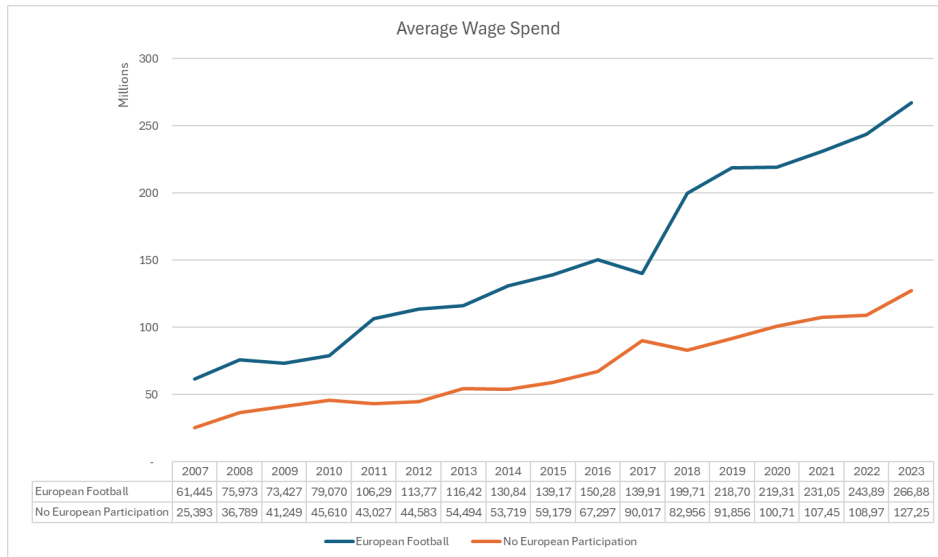
**League Two (correlation 0.4767)**



## Divisional comparison of wage spend

At every level of the English football pyramid the difference between wage spend is also widening. This is highlighted by the growing gap between the two lines on each of the graphs below.

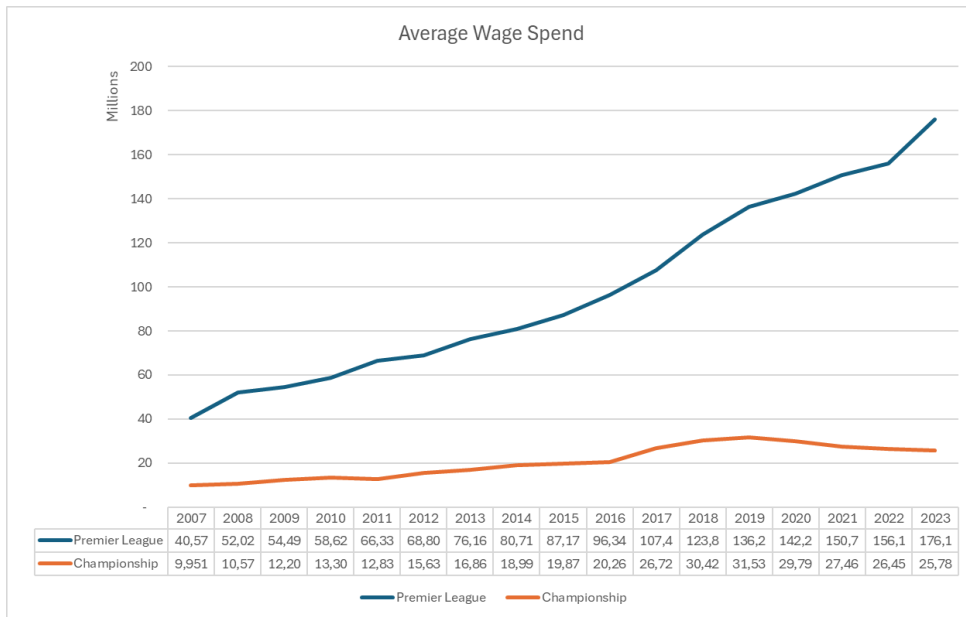
### Clubs playing in Europe v Rest of the Premier League



### Clubs getting parachute payments v rest of the championship

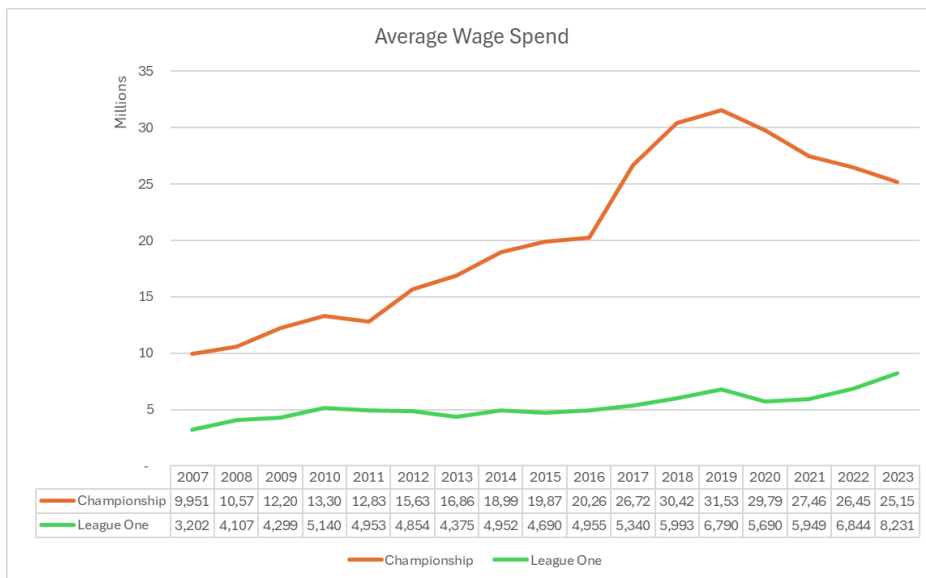


## Clubs in Premier League v clubs in Championship



Ratio in 2007 was 4.08 but has risen to 6.83 in 2023

## Clubs in Championship v clubs in League One



## Clubs in League One v clubs in League Two



Data up to 2022 due to a lack of credible data for clubs in League Two for 22/23. Only four clubs have submitted wage data for this season and therefore is unlikely to paint an authentic picture of the state of wage spending.



### **Revenue v Wage Spend**

Listing mean wage spend and revenue for each of the 14 groups shows what is needed for a club to progress.

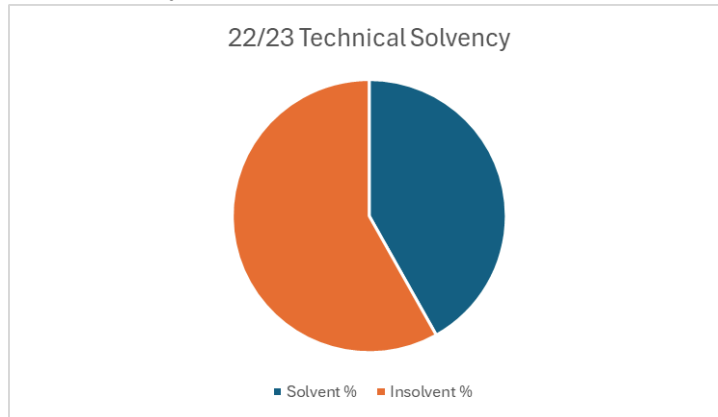
<b>Pre-season status</b>	<b>Average Revenue from 2013/14 to 2022/23</b> (Revenue for 22/23 and percentage above average)	<b>Average Wage Spend from 2013/14 to 2022/23</b> (Wage spend for 22/23 and percentage above average)
Champions League	£437.05m (£592.18m up 36%)	£228.13m (£317.36m, up 39%)
Europe	£281.61m (£434.61m up 54%)	£148.44m (£199.58m, up 34%)
Other Premier League	£142.91m (£180.79m, up 27%)	£88.94m (£127.26m, up 43%)
Parachute Payments Y1	£58.19m (£68.91m, up 19%)	£45.08m (£45.74m, up 2%)
Parachute Payments Y2	£44.88 million (£60.34 million, up 35%)	£36.44 million (£41.36 million, up 13%)
Parachute Payments Y3	£34.18 million (N/a)	£36.67 million (N/a)
Other Championship	£20.15 million (£21.86 million, up 8%)	£22.08 million (£20.84 million, down 6%)
Promoted to Championship	£14.37 million (£15.78 million, up 10%)	£11.54 million (£14.88 million, up 29%)
Relegated from Championship	£11.67 million (£13.51 million, up 16%)	£9.19 million (£10.18 million, up 11%)
Other League One	£6.93 million (£11.42 million, up 65%)	£5.56 million (£8.32 million, up 48%)
Promoted to League One	£6.13 million (£7.82 million, up 28%)	£4.16 million (£4.7m, up 13%)
Relegated to League Two	£5.07m (£5.62m, up 11%)	£3.34m (insufficient data)
Other League Two	£4.24m (£5.63m, up 33%)	£2.82m (insufficient data)
Promoted to League Two	£4.48 million (N/a)	£3.34 million (N/a)

<b>League</b>	<b>Average Revenue from 2013/14 to 2022/23</b> (Revenue for 22/23 and percentage above average)	<b>Average Wage Spend from 2013/14 to 2022/23</b> (Wage spend for 22/23 and percentage above average)
Premier League	£222.54 million (£301.14 million, up 35%)	£125.70 million (176.13 million, up 40%)
Championship	£26.98 million (£31.67 million, up 17%)	£25.61 million (£25.79 million, up 1%)
League 1	£7.52 million (£10.56 million, up 40%)	£5.96 million (£8.01 million, up 34%)
League 2	£4.42 million (£5.63 million, up 27%)	£3.11 million (£3.70 million, up 19%)

## **Technical insolvency**

Technical insolvency is a simple balance sheet insolvency test that adds up all a company's assets and takes away its liabilities.

The latest set of accounts filed at Companies House have revealed 50 of the 86 clubs in the top four divisions are technically insolvent (58%).

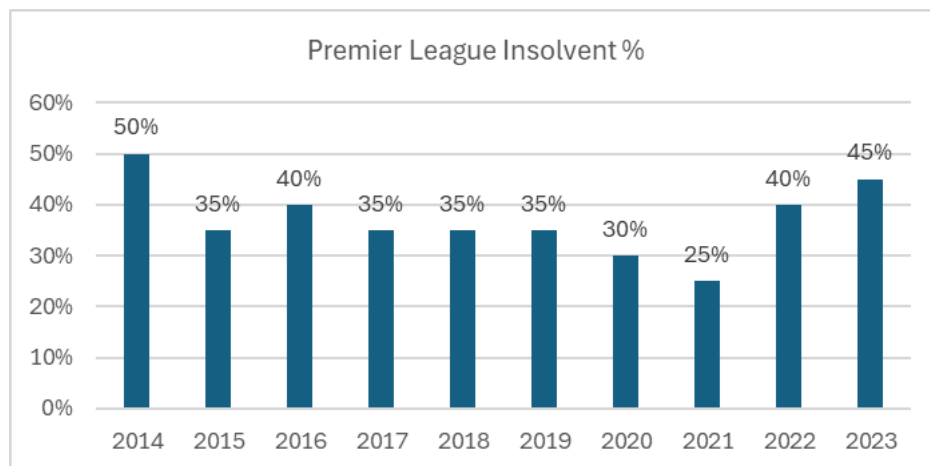


This figure has grown from 2020 when [52% were technically insolvent](#).

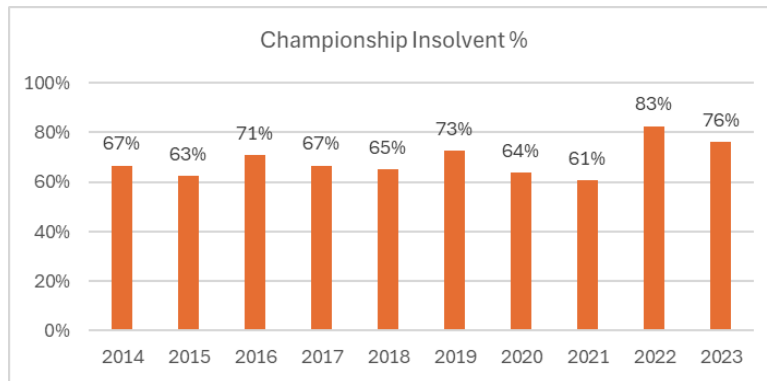
## **Premier League Technical insolvency**

Of the clubs who competed in the 22/23 Premier League season, nine (45%) were technically insolvent. These clubs were:

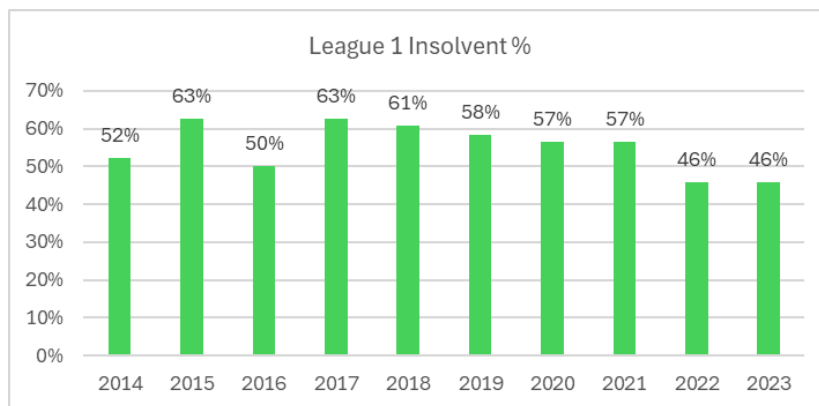
- Manchester United
- Brighton & Hove Albion
- Crystal Palace
- Wolverhampton Wanderers
- West Ham United
- AFC Bournemouth
- Nottingham Forest
- Leeds United
- Southampton



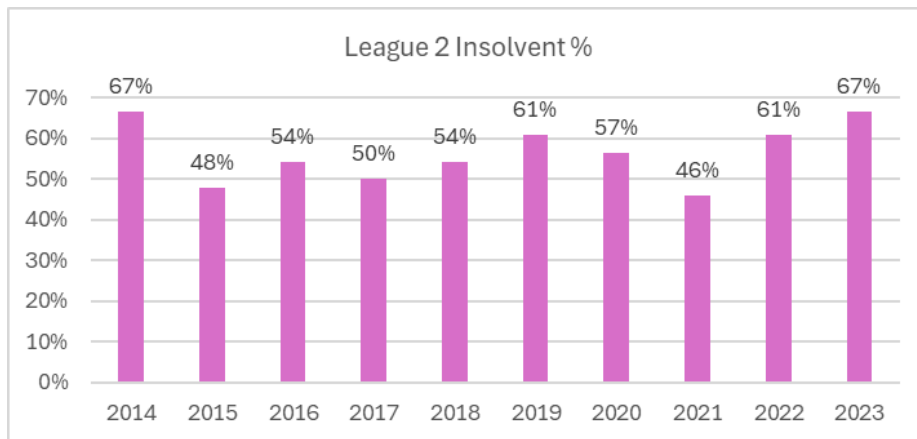
### Championship technical insolvency



### League One technical insolvency



### League Two technical insolvency



## **Parachute and solidarity payments**

Parachute and solidarity payments are given out directly by the Premier League to EFL Clubs.

- Parachute payments go to clubs that have been relegated from the Premier League in the last three years.
- Solidarity payments go to every other EFL club not in receipt of parachute payments.

Parachute and solidarity payments are a set percentage of the “basic equal share” given to Premier League clubs. The Basic Equal share is calculated as a percentage of domestic and international broadcast rights.

### **For 21/22 season basic equal share was:**

UK Rights: £31.81m

International Rights: £48.89m

**TOTAL: £80.70m**

*Premier League Clubs also get merit payments (for league position) and facility fees (for their matches being broadcast) on top of that.*

**The percentage of the basic equal share given to clubs each year is as follows:**

### **Parachute payments**

- 55% - to clubs in the first year in the Championship after being relegated
- 45% - to clubs in the second year in the EFL after being relegated from the Premier League
- 20% - to clubs in the third year in the EFL after being relegated from the Premier League

### **Solidarity payments**

- 6% - to clubs in the Championship not in receipt of Parachute Payments
- 0.9% - to clubs in League One not in receipt of Parachute Payments
- 0.6% - to clubs in League Two

*Note: While the Premier League controls the distribution of parachute and solidarity payments - the weighting of solidarity payments does reflect the EFL's 80:12:8 ratio of distribution through their divisions.*

The importance of parachute payments is growing. In each of the last four seasons, two of the three promoted clubs were in receipt of parachute payments. In the 11 seasons before that only 10 parachute payment clubs were promoted.

In total there have been 12 clubs, on 18 occasions, who have been promoted back to the Premier League who were in receipt of parachute payments. These clubs are:

- Birmingham City (08/09)
- Newcastle United (09/10, 16/17)
- West Bromwich Albion (09/10, 19/20)
- Hull City (12/13, 15/16)
- Queens Park Rangers (13/14)
- Norwich City (14/15, 20/21)
- Burnley (15/16, 22/23)
- Aston Villa (18/19)
- Fulham (19/20, 21/22)
- Watford (20/21)
- Bournemouth (21/22)
- Sheffield United (22/23)



## Voting structures

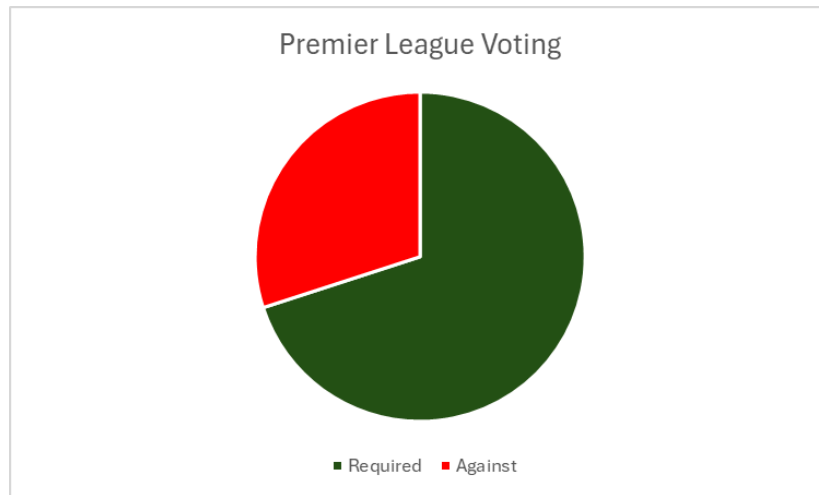
The voting structures of England's two main football leagues are stacked heavily against meaningful reform.

### **Premier League**

The Premier League is a private company wholly owned by its 20 Member Clubs who make up the League at any one time.

Each of the 20 clubs are a Shareholder in the Premier League.

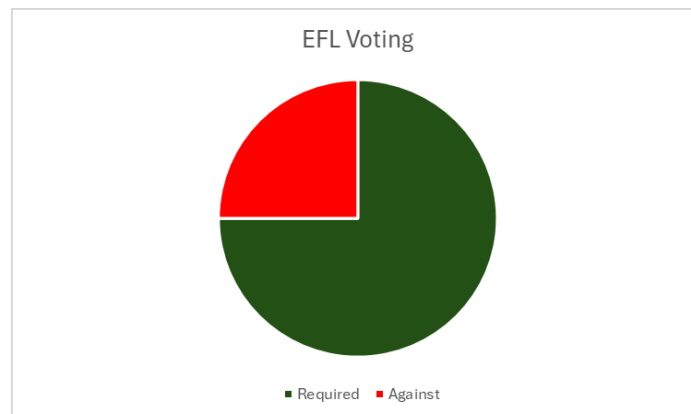
Clubs have the opportunity to propose new rules or amendments at the Shareholder meeting. Each Member Club is entitled to one vote and all rule changes and major commercial contracts require the support of at least a two-thirds vote, or 14 clubs, to be agreed. Each year there are currently seven clubs that qualify for European competition.



### **The EFL**

The EFL's articles of association stipulate how the central pot of money from the broadcasting deal is divided.

To change the articles of association, as per company law, requires 75% of clubs to vote for it. This means it needs 19 clubs to block any change. There are 24 clubs in the Championship.



## **EFL articles of association**

The [EFL's articles of association](#) spell out clearly how any funds in its central Pool Account should be allocated. It strongly favours the clubs in the Championship.

### **Divisional Allocations**

Payments from the Pool Account in respect of any Season shall be allocated to each Division in accordance with the following provisions:

Sums up to £33m in any Season shall be allocated to each Division:

- Championship: 59.6%
- League One: 23.9%
- League Two: 16.5%

Sums up to £67m

- Championship: 80%
- League One: 12%
- League Two: 8%

Sums over £67m

- Championship: 90%
- League One: 6%
- League Two: 4%

### **Divisional attendances**

In 2022/23, 847,858 watched matches in the EFL

- 53.6% (453,690) went to Championship matches
- 30% (254,979) went to League One matches
- 16.4% (139,189) went to League Two matches



## **Attendances**

In the Premier League, the average attendance has risen from 21,181 in 1992/93 to 40,233 in 2022/23. The trend over the same period suggests a rise of 2.16% per year. The median figures have risen from 18,794 in 1992/93 to **37,879** in 2022/23, with the trend indicating a 2.36% rise per year.

In the Championship, average attendances have gone from 10,625 to 18,904, with the median figures going from 8,376 to **18,476**. Trend increases of 1.94% and 2.67% per year respectively.

In League One, average attendances have gone from 6,310 to 10,624, with the median figures going from 5,439 to **8,402**. Trend increases of 1.75% and 1.46% per year respectively.

In League Two, average attendances have gone from 3,339 to 5,800, with the median figures going from 3,268 to **5,545**. Trend increases of 1.86% and 1.77% per year respectively.

In the National League, the average attendance has risen from 1,802 in 2005/06 to 3,417 in 2022/23. The trend over the same period suggests a rise of 3.84% per year. The median figures have risen from 1,737 in 2005/06 to **2,282** in 2022/23, with the trend indicating a 1.62% rise per year.