

Module 3. Financial Mismanagement. Debt in Sport

Unit 3.1

As we said at the beginning of this course, financial management looks at a simple equation, income or revenue, minus costs or expenses. The result of this equation is simple: if revenues are higher than the expenses, then we end up with a profit; if the expenses are higher than the revenue, then we end up with a loss.

Revenue - expenses = profit when Revenue > Expenses

Revenue - expenses = loss when Expenses > Revenue

This simple equation is a fundamental truth behind financial management. In simple terms, financial management looks at this equation, and it is believed to be successful if profit is being generated, year after year (Matthew, 2016). If, unfortunately, loss is the result of the equation year after year, then we have what we call financial mismanagement, resulting in the accumulation of debt.

What we have looked at so far in this course is the income. So, in module one, we looked at the funding streams in commercial sport, and in module two we looked at the modern systems of central funding and government support in sport, thus covering the main revenue sources of sport overall, both commercial and non-commercial.

In this module, we will look at the second part of the equation: costs. We will therefore focus on what is being deducted from all this revenue we discussed in the previous modules. Now, as the title alludes, financial mismanagement is often the case in sport in which, after the costs are deducted from the profit, we are not met with a positive sign of profit, but instead we are being led into debt.



In this module, we will therefore focus on debt in sport, a significant–yet sometimes ignored–issue that shapes the need for financial management and financial sustainability in sport.

Unit 3.2 Income vs. Profit

Despite the significant amount of income, professional sports tend to accumulate debt; it is unfortunate to see that the management of such income has not been that successful (Matthew, 2016). Over the years, we have noticed that loss is being created year after year, leading into the creation and accumulation of debt in sport.

Unfortunately, that is often not the topic of discussion, leading people to believe that sport is more often than not a profitable business. This misconception is based on the confusion one might have between income or revenue and profit.

For example, when one looks at the report that Deloitte produces on the revenue of the big five European leagues (the Premier League in England, the Bundesliga in Germany, La Liga in Spain, Serie A in Italy, and Ligue 1 in France), it is possible to see the revenue generated is significantly high (Deloitte, 2020). In figure one below, we can see, for example, the revenue generated by the big five European Leagues' clubs from the 2016/17 to the 2020/21 seasons. In the figure, it is clear that the revenue generated is continuously growing.

The dip noted in the 1920 season is because of COVID, so it is safer to examine the actual numbers noted before and including the 2018/19 season. At that time, we can see that the English Premier League managed to achieve a steady revenue that increased, while also already exceeding the impressive 5 billion euros mark. The figure below clearly shows that, in the season 2018/19, the English Premier League clubs collectively managed to achieve a revenue of 5.9 billion euros, approaching the even more impressive 6 billion euros mark.

At the same time, the German and the Spanish top leagues were also able to increase their revenue year after year, managing in the 2018/19 season to achieve an income exceeding the 3 billion euros mark. The German league was also slowly improving its income, achieving a revenue of 2.5 billion euros in the season 2018/19. Finally, the French league was about to break into the 2 billion euros mark in the season 2018/19, when they

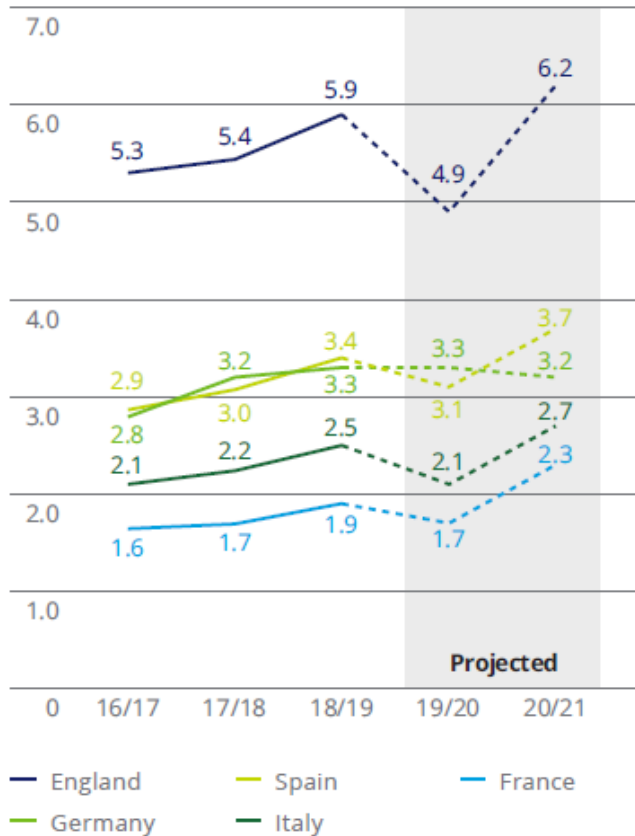


managed to achieve an income of 1.9 billion euros (Deloitte, 2020).

These numbers are, of course, impressive, especially bearing in mind that they were projected to recover if not improve after COVID as well. However, once again, these numbers refer to the revenue and not to the profit of the leagues and their respective clubs.

Figure 1. Big five European League clubs' Revenue from 2016/17 to 2020/21 in Billion Euros

Chart 3: 'Big five' European league clubs' revenue - 2016/17 to 2020/21 (€ billion)



Source: Leagues; Deloitte analysis.



Source: Deloitte, 2020, p. 10.

These numbers therefore do not capture the full picture. As we all know, the equation does not look only at the revenue when it comes to financial management. Instead, it also looks at what we end up with after all the expenses are being deducted from those impressive revenue numbers. This result of the deduction (revenue minus expenses) is better illustrated in figure 2 below, which is also included in the detailed report Deloitte produced.

According to Deloitte (2020), the big five European Leagues' clubs' profitability between the seasons 2009/10 and 2018/19, depicted in figure 2 below, presents an entirely different picture.

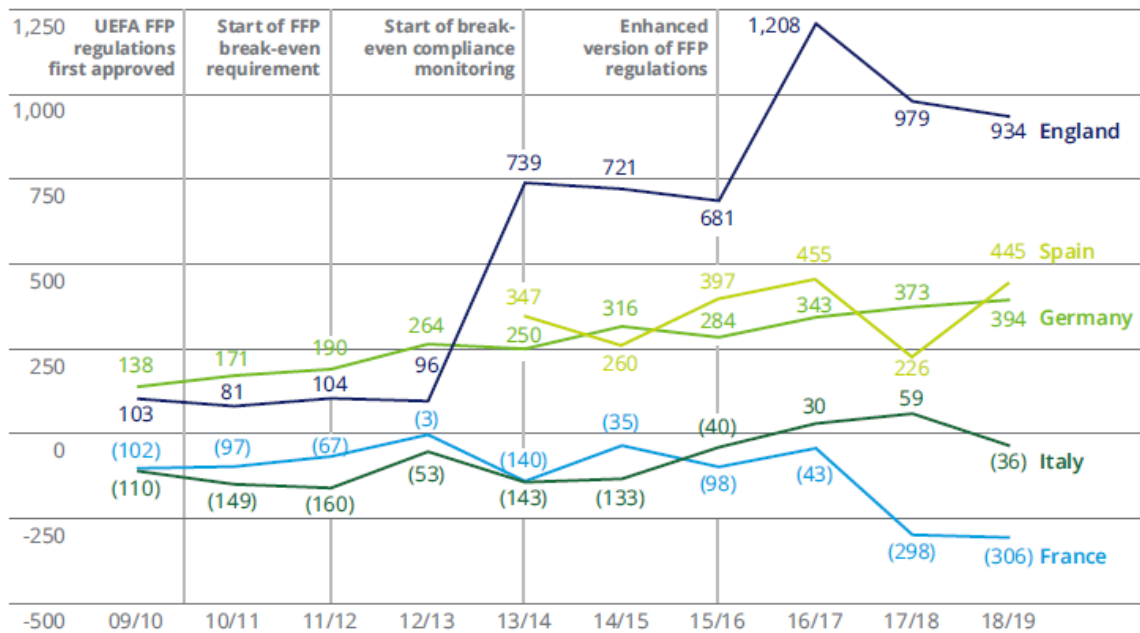
In the figure, we can clearly see that the English Premier League is producing some profit, but that profit is nowhere near the revenue they managed to achieve, as we discussed above. In more detail, the English Premier League in the season 2018/19 managed to produce 934 million euros of profit, slightly below the profit they noted the previous two seasons. This profit seems to be following an odd pattern in which a spike in the form of an increase is noted for a season, often followed by a deduction of the profit in the seasons after.

The Spanish league seems to also have a rather odd result in terms of the profit generated, where the end profit of every season seems to fluctuate. At the end of the 2018/19 season, they were nonetheless able to produce 445 million euros of profit. At the same time, the German League was unable to reach the 400 million euros mark, achieving 395 million euros for the 2018/19 season (Deloitte, 2020). Interestingly, the German league seems to follow a very steady pattern of increase, which significantly smaller spikes between different seasons.

Figure 2. Big five European League clubs' Profitability from 2009/10 to 2018/19 in Million Euros



Chart 5: 'Big five' European league clubs' profitability - 2009/10 to 2018/19 (€m)



Source: Deloitte, 2020, p. 12.

It becomes even more interesting when we look at the Italian and French league, however. The Italian league—arguably one of the biggest football leagues in the world—despite the revenue that was able to produce season after season, as we discussed earlier on, was unfortunately not able to produce any profit. Indeed, for all the seasons examined in the figure above, we can see that the Italian league was able to produce profit in only the two seasons, with all the remaining seasons accounting for loss for the clubs involved in the league (Deloitte, 2020).

In particular, in the 2018/19 season, we can see that the Italian league, despite the revenues they had achieved, were only able to account for 36 million euros of loss, meaning that not only profit was not generated, but also that debt had to be created based on the financial management of the season in question.

On a less successful curve, the French league appears to be following the worst course year after year, with increasing debt being created for the clubs. As such, and despite the profit noted above, in the season 2018/19 they accumulated a total of 306 million euros of loss or, in other words, debt, due to the significant number of expenses that occurred that year (Deloitte, 2020). Unfortunately, the French league seems to be following a relatively decreasing curve, unlike the remaining leagues that we see in the figure above.



What the figures and analysis here shows is that, unfortunately, the image of modern sport is different from what is often discussed. As such, despite the big revenues noted, we can see that mismanagement of funds occurs, further emphasising why the discussion around financial management and, in fact, financial sustainability, so managing finance in a successful and sustainable way should be further conducted while focusing more on the profit and not the revenue that sport is generating.

Unit 3.3 Income vs. Player Wages

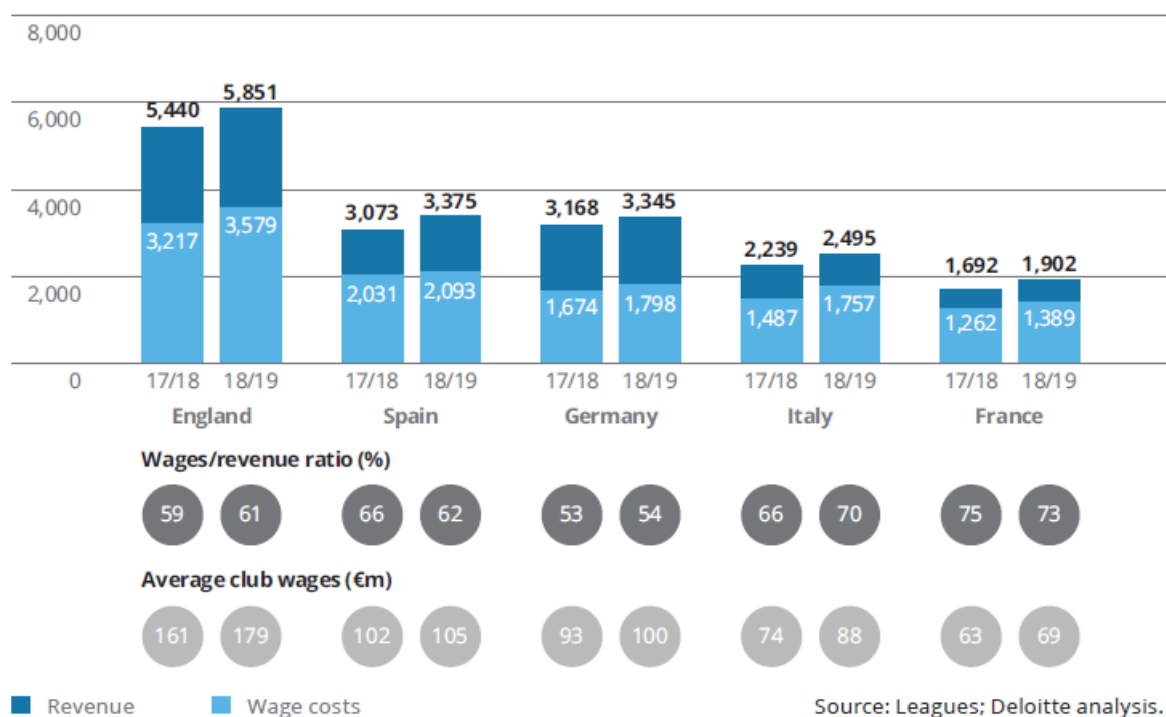
At this point, and following on from the above discussion between income and profit, the question one might ask is why or how sport cannot achieve profit or achieve minimum profit even though they can generate such high revenues. The answer to this question lies, once again, in the fundamental equation: revenue minus expenses. It might be worth thus looking into this part of the equation, expenses, and in particular to focus on the highest expense these sport organisations have: player wages.

Once again, a figure illustrating this key and significant cost can help us better showcase the problem behind financial mismanagement and debt in sport.

Figure 3. Big Five European League Clubs' Revenue and Wage Costs from 2017/18 to 2018/19 in Million Euros



Chart 4: 'Big five' European league clubs' revenue and wage costs – 2017/18 and 2018/19 (€m)



Source: Deloitte, 2020, p. 11.

The figure above shows the big five European leagues' clubs, and juxtapositions the revenue they generate each season, alongside the wage costs they each have for the seasons 2017/18 and 2018/19 (Deloitte, 2020). What we see in this figure is that, despite the very high revenue generated by the clubs, the wages they each have to pay each season are also found to be very high.

In the case of the English Premier League, players' wages account for approximately 60% of the total revenue generated. Similarly, in the Spanish league, players' wages account for more than 60% of the revenue generated. The German league appears to be able to keep players' wages at about 50% of the revenue generated (Deloitte, 2020).

Unfortunately, however, the Italian and the French leagues seem to be managing this expense differently. The former, the Italian top league, appears to have players' wages accounting for 70% or slightly less of the total revenue generated, while the latter, the French league, appears to have players' wages reaching the significant percentage of 75% of the total revenue generated. In other words, we can see that, in the top division of French football for the season 2017/18, the players playing in the league had to be paid $\frac{3}{4}$ of the total revenue generated



by the football clubs of the league, leaving the clubs with a mere 25%, or $\frac{1}{4}$ of the total revenue generated to cover all other expenses of the season (Deloitte, 2020).

An interesting point to make is that the actual wages clubs have to pay differ vastly with, for example, clubs in the English Premier League paying their players on average more than double the amount that French clubs in the top division of the country do. This is interesting since, while the actual amounts paid are significant and, indeed, impressive, it is more important at this point to focus on the ratio between the income generated and the biggest source of expense the clubs have, better showcasing how in this case financial management in English Premier League clubs appears to be better than in French League 1 clubs.

In both cases, however, we are being given a clear illustration of how bad financial management or mismanagement can be, with one vast expense accounting for more than half of the overall revenue generated by the sport organisations. While other expenses are then added in the equation, it might not surprise us to see that debt can indeed be created in sport.

Unit 3.4 Debt in Professional Sport

An additional thing to consider to better grasp the existence of debt in professional sport is what is happening in the wider sport ecosystem. Since we have so far focused on uber-commercialised leagues and sports, it is thus worth discussing what the financial situation is regarding other professionals, yet less commercialised sports that are in the same ecosystem.

For example, if we were to focus on UK professional football, but not on the English Premier League, which is until now the most commercialised league in the world, we could focus on the following division, the English Championship or English Football League. The league bears many similarities with the English Premier League that we discussed above, bearing in mind that they both operate in the same macroeconomic conditions.

In the following table, we can see that clubs playing in the second top division in the country, unfortunately, in all cases, also end up generating a loss. That is because the expenses they have are always higher than the revenue they produce.



Table 1. Operating Loss (before profit on player trading) of UK Championship Clubs

Operating loss (excluding/before profit on player trading):	
Wolves - 64,818,000	Sheffield United - 10,204,143
Fulham - 59,140,000	Ipswich - 8,391,000
Aston Villa - 54,017,000	Preston - 7,059,000
Derby - 46,662,814	Norwich -5,074,000
Birmingham - 38,570,167	Hull City - 4,556,341
Cardiff - 34,026,000	Millwall - 3,833,000
Reading - 28,721,317	Barnsley - 1,403,156
Bristol City - 23,796,310	Burton - 292,71
QPR - 22,407,000	Total operating loss for 22 clubs:
Leeds - 20,709,259	-512,948,114
Nottingham Forest - 20,324,000	£513m
Sunderland - 20,273,000	Average operating loss for 22 clubs:
Middlesbrough - 20,186,000	-23315823.36
Brentford - 18,483,896	£23m

Source: Lambert, 2019, <http://bit.ly/43pXJ62>.

As we can see in the table above, all clubs in the English Football League generate an operating loss, with the total operating loss for all 22 clubs being around £513 million and the average operating loss between them being over £23 million.



Taking all the above into consideration, we can see that, in professional sport, financial loss is being generated year after year, which in turn results in the creation of debt that seems to be increasing year after year.

It is worth noting at this point that, while this debt is increasing, mismanagement continues to occur because we could argue that the individuals working within sport also seem eager to ignore it (Matthew, 2016). Since the issue of financial loss and debt seems to be occurring annually, and yet we see a reluctance to manage the finance of sport better, we can argue that financial mismanagement might occur because we have yet to recognise the problem and adequately address it. Financial management or mismanagement has to therefore look closely at the people in charge of managing the finance of sport organisations, which is something we will address in the following section of this module.

Unit 3.5 Financial Directors' Insights

Getting insights that are often uncovered or inaccessible to most, coming directly from the football finance directors, can allow us a better grasp of financial management or mismanagement in sport. The individuals included in the annual survey of football finance directors come from the top four divisions of English football: the English Premier League, the English Football League or Championship, Football League One and Football League Two (DBO, 2022).

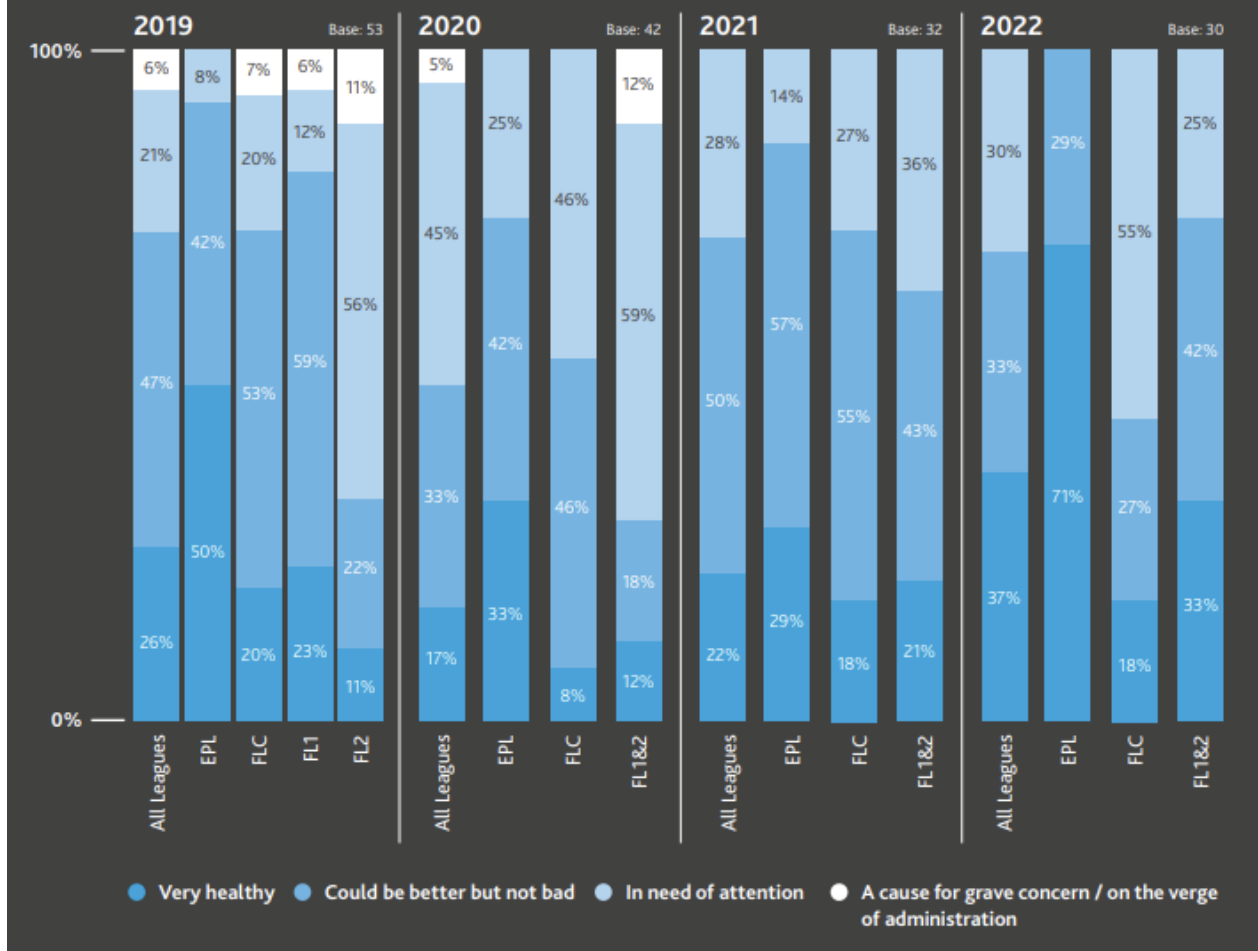
What the report allows us an insight to is, firstly, an answer to the question that everyone involved in and around sport has asked: has the financial health of the clubs in question been restored to pre-COVID-19 levels? That is because—as we are all aware—COVID-19 has brought with it a number of sport leagues being stopped and matches being played behind closed doors, with the 2021/22 season being the first “normal” season since the season 2018/19, before COVID-19 entered our lives.



Figure 4. How Do Football Finance Directors Rate Their Club's Financial Position



HOW WOULD YOU RATE YOUR CLUB'S CURRENT FINANCIAL POSITION?



Source: DBO, 2022, p. 4.

The answer to this question can be therefore seen in the figure presented above. It is clearly seen in it that EPL clubs appear to be doing better, with more clubs arguing that their financial position is 'very healthy' or 'could be better, but not bad'. Clubs in leagues 1 and 2 also appear to be better financially, with more clubs falling under the above-mentioned two categories and fewer clubs suggesting that their financial position is 'in need of attention' (DBO, 2022).

Unfortunately, however, what the report details—and is also shown in the figure above—is that football league clubs appear to be in a worse position than they were before the pandemic, with fewer clubs in a 'very healthy' and a 'could be better, but not bad' financial position, and more clubs falling under the 'in need of attention' financial position.

Therefore, the response given by the finance directors to this question, according to their overall responses over the years,

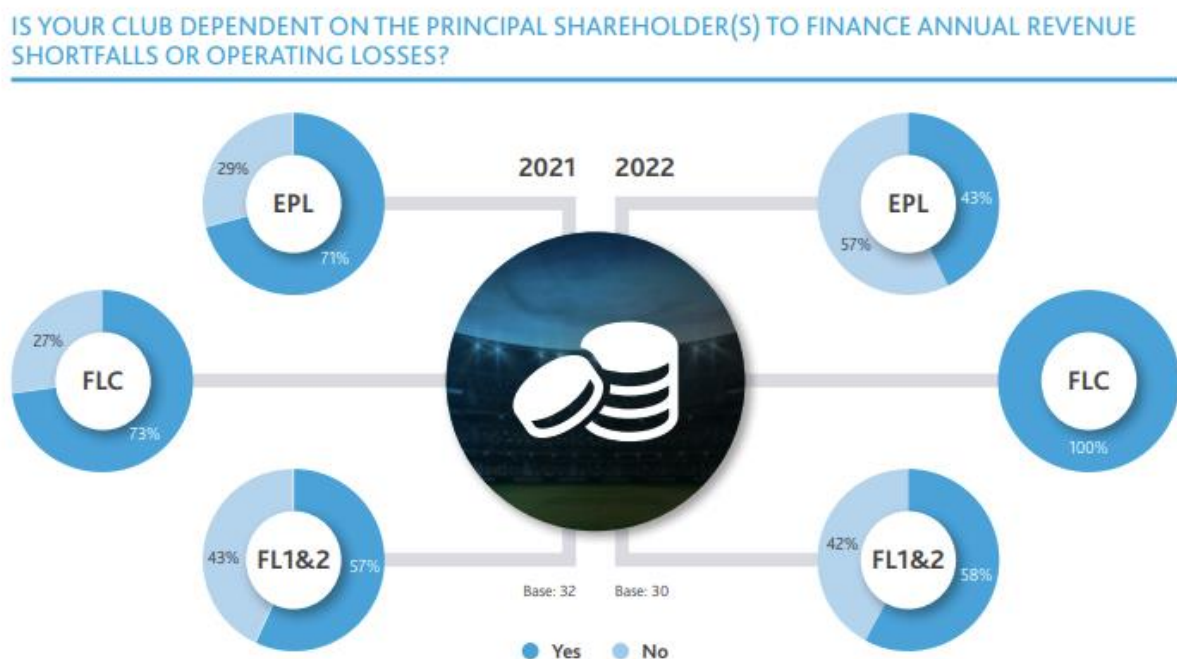


appears to be different depending on the league. In the case of the most commercialised league of all, the English Premier League, the finance directors argue that most clubs' financial position is, indeed, very healthy, while less commercialised sport leagues in which less commercialised sport organisations operate, appear not to be this optimistic. They argue that their financial health could be better and is, in fact, in need of attention more often than not, suggesting that more needs to be done to more efficiently manage their finance (DBO, 2022).

The figure presented above allows us to also highlight two important issues regarding the financial management in sport. First, at the end of the 2021/22 season, no clubs appeared to suggest that their financial health was 'a cause for grave concern' or that they were on the verge of administration. This means that no clubs are about to face bankruptcy due to their financial mismanagement and the accumulation of debt they cannot support.

At the same time, however, we can also see that, out of the leagues examined, clubs that are playing in the second division of professional football in England, the Football League, require attention when it comes to their financial position. This is because operating losses are being generated by these clubs, as we discussed earlier in this module, since their expenses outweigh the revenue they generate annually.

Figure 5. Who Covers the Losses of a Football Club?



Source: DBO, 2022, p. 5.

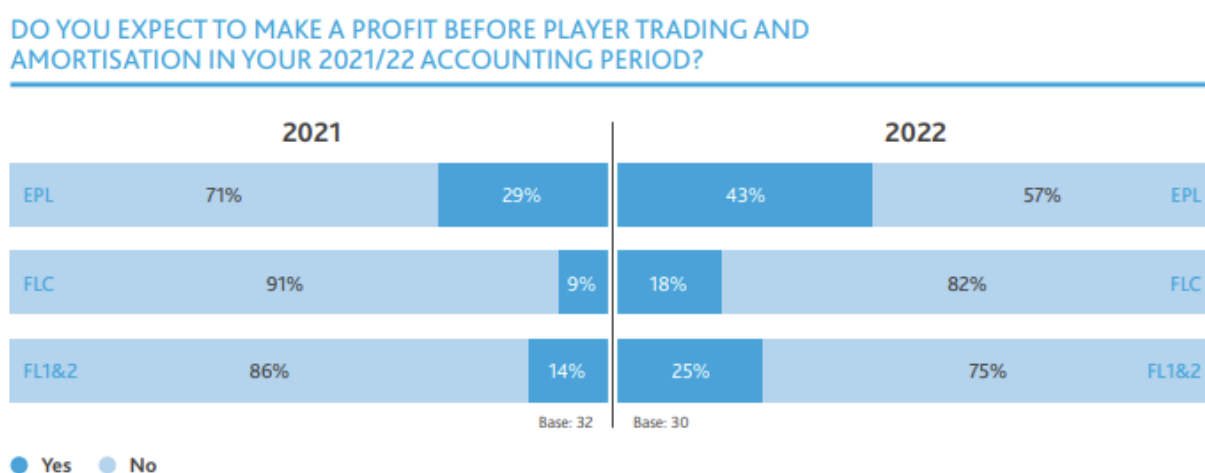
How these losses are being covered is then a key issue, which is also addressed in the report providing us insights on football finance directors.

As it is argued and illustrated clearly in the above figure, all football league clubs claimed an increased reliance on their owners and various shareholders to finance operating losses. According to the report, this now represents 100% of the data sample, compared to previous numbers that were around 73% (DBO, 2022). In other words, all football league, or second division, clubs that are commercialised professional sport organisations rely on their shareholder(s) to cover the operating losses they might generate, suggesting that the shareholder(s) might be losing money by investing in them.

The same figure allows us to see that no particular differences exist in the reliance on shareholders that Football League 1 and 2 clubs show, while an improvement in the reliance, in this case reduction in the reliance on shareholder(s), can be seen in the case of English Premier League clubs.

The question that one might ask at this point is how many of these sport organisations are expecting to make a profit or end up with a loss after the end of the 2021/22 season, which coincides with the 2021/22 accounting period. The answer to this question can be then seen in figure 6 below.

Figure 6. Will Clubs Make a Profit in the 2021/22



Source: DBO, 2022, p. 6.



As we can clearly see in the figure, it is believed that more than half of the English Premier League clubs are not expecting to make profit, even though they represent the sport organisations participating in the most commercialised league in the world, which, as we discussed earlier on in this module, generates significant amounts of revenue, accounting to many billion pounds. Unfortunately, however, and due to the way in which their finances are being managed, most of these clubs are not expecting to make a profit in the season 2021/22. Interestingly, when these numbers are compared to the previous season, we can see a notable improvement in the number of English Premier League clubs that are expecting to make a profit before player trading and amortisation (DBO, 2022).

When we look into the English Football League, the second division of professional football in the country, an even more worrisome image is drawn, since—as the finance directors argue—82% of the clubs in which they work for are not expected to make a profit, with only 18% of the overall clubs of the league, so less than 1/5 of the league, expecting to actually make a profit at the end of the 2021/22 season. This is, again, despite the revenue these clubs managed to generate that is significant, as it was discussed earlier in this module. Again, it is interesting to see that an improvement appears to exist in the league, since in the season 2020/21, 91% of the Football League clubs said that they were not expecting to make a profit (DBO, 2022).

Finally, an improvement can also be seen in Football League 1 and 2 clubs with an improved financial position seen in the season 2021/22, without, nevertheless, signifying that the overall financial position of the clubs was healthy, bearing in mind that 75% of the Football League 1 and 2 clubs argued that they do not expect to make a profit before player trading and amortisation in the 2021/22 accounting period (DBO, 2022).

Taking all these results into consideration, it can be clearly seen that the financial position of professional sports organisations is not particularly healthy, arguing that, despite the revenues generated, they appear to be unable to control their expenses, resulting in losses being generated year after year, which—as we argued earlier—will respond to an increasing debt. Financial management in this case can be therefore presented as financial mismanagement, in which debt is being generated, and sports organisations have to rely on external influxes of money to cover said losses to survive.



This all suggests that more attention needs to be paid to the financial sustainability of commercialised organisations, since the image we see through these valuable insights from finance directors suggests that commercialised professional sports do not succeed in achieving financial sustainability.

Unit 3.6 Tax Debt in Commercial Sports

An additional expense to consider—that often results in significant debt accumulation—is tax or liabilities towards the government. Whilst taxation varies in different geographic areas around the world, it tends to be calculated based on the revenue an organisation or individual is producing. This tax then makes the organisation liable for money to be paid to the government at the end of each accounting season (Matthew, 2016).

Commercialised sports, as we discussed earlier in the module, tend to generate high revenues. On these revenues, taxes are being calculated, which have to be paid by the sport organisations at the end of each accounting year.

What we do see in commercial sports, however, is that, despite the high revenues generated, high expenses also tend to exist, leaving the sport organisations with little if any profits at the end of each season/accounting year. The result of these very low or inexistent profits is that sport organisations are, unfortunately, at times unable to pay their tax liabilities to the government, resulting in the accumulation of tax debt.

Since the government tends to be more lenient than other creditors, tax debt can begin to accumulate year after year, creating pressures to sport organisations and illustrating that financial sustainability needs to exist within them in order for all potential expenses and liabilities to be considered, without relying on each sport organisation's shareholders to provide continuous financial assistance (Matthew, 2016).

To better illustrate this issue of tax debt, we are going to focus on another popular sport: rugby. In the case of rugby in the UK, which represents one of the most popular sports in the country, we are told that premiership clubs, rugby clubs, that play in the top division in England, have collectively achieved to accumulate a debt of more than £500 million (Dineen and Miller, 2022). Out of this, more than £36 million is tax debt,



with only two of all the clubs playing in the league having managed to settle their debt with the government.

We are told that the total amount of tax debt for the previous season (2020/21) was £24 million, even though all clubs had received substantial government COVID loans to assist them with the financial setback created from COVID and the measures taken to fight the pandemic. The actual amount calculated in terms of total debt seems to be £509 million for all clubs, with a combined net debt of £105 million after all assets are considered (Dineen and Miller, 2022).

Figure 7. The Total and Tax Debt of Premiership Rugby Clubs

RUGBY'S IN THE RED		
	Tax debt*	Total debt
Wasps	£9.5m	£112.3m
Bristol	In credit	£51.2m
Saracens	£3.3m	£40.8m
Newcastle	£0.2m	£39m
Bath	£0.5m	£37.3m
London Irish	In credit	£37.5m
Quins	£1.6m	£33.7m
Leicester	£8.4m	£31m
Sale	£1.9m	£30.9m
Worcester	£2.4m	£28.3m
Northampton	£3.6m	£26.5m
Gloucester	£3m	£27m
Exeter	£1.4m	£13m
Total	£35.8m	£508.5m

*Figures refer to deferred tax

Source: Dineen and Miller, 2022, <http://bit.ly/3zS01xj>.

As the above figure shows, all clubs appear to have collected significant debt, with the lowest figure being £13 million generated by Exeter rugby club, based on their accounts for the season 2021/22. Wasps rugby club appears to have generated the highest amount of debt of all clubs, with their debt accounting for £112.3 million for the same season, followed by Bristol

rugby club, with an overall debt of £51.2 million (Dineen and Miller, 2022).

When we focus on the tax debt, we can see an equally alarming image, with clubs such as Wasps and Leicester owing £9.5 and £8.4 million to the government. While deferred tax or tax debt appears to be the case in most clubs playing in the top division of rugby in the country, it is worth noting that the club with the second-highest overall debt, Bristol rugby club, have, in fact, settled their tax liabilities with the government, potentially indicating that a different financial management model is adopted in the club (Dineen and Miller, 2022).

The alarming amount of debt that Wasps have accumulated, as it is shown in the figure, required the club to raise £35 million through a retail bond to assist with the financial needs of the club and assist in the purchase of a 32,000-seater stadium in Coventry. It has now been reported that a refinancing offer is being chased from the club to allow them to repay the bondholders. The club itself suggests that their owner will provide financial assistance for the foreseeable future once again, suggesting that assistance is being required regularly in order for the club to remain operational. Financial mismanagement therefore seems to occur in this club, suggesting that financial sustainability is far from being achieved (Dineen and Miller, 2022).

Indeed, it is argued that only five clubs managed to make a profit in the season we are examining, and amongst them are those that have received a large amount from the government to assist with financial recovery after the pandemic. This loan, however, provided by the government, needs to be repaid, and, as such, it is expected that £800,000 are to be repaid to do so. The clubs were given some years to do so, with the first repayment instalment expected to be in 2025, allowing them enough time in the short term to recover and be able to pay the money back. It is, after all, a 20-year loan, giving them enough time to pay back the government for their assistance (Dineen and Miller, 2022).

This example is worth looking further because, according to Newcastle rugby club, the owner of the club is the first to come forward and say that they will not cover the liabilities of the club, raising questions on what assistance can be found to secure the club's future. The lack of financial stability of the club was, in fact, referenced in the official statement from the



club, suggesting that the uncertainties surrounding the operational profitability and cash flows indicate the existence of a material uncertainty, which can cast an overall doubt on the ability of the owners to continue to support the club.

London Irish rugby club also suggested that the company is reliant upon the support of the shareholders, while highlighting that material uncertainty exists into the club's ability to continue. These clubs have been open about their fears of the financial sustainability of the clubs and thus the viability that they can have (Dineen and Miller, 2022).

Similarly, Worcester rugby club, that are battling to avoid administration, emphasise this lack of financial sustainability, suggesting that the continuous loss they report year after year has resulted in a significant amount of debt towards both the government and beyond, which they might not be able to cover.

Taking all the above into consideration, we are once again presented with the argument that financial sustainability does not appear to exist in commercial, professional sport.

Unit 3.7 Debt in Non-professional Sport

Having examined professional and commercial sports in this module, it is worth now focusing on non-commercial sport. That is because whilst they represent approximately 30% of the sport industry, they capture a wider potential population in terms of sport participation (Matthew, 2016).

Unfortunately, the image we see in them is not that dissimilar in terms of financial sustainability, but this time for different reasons. In the case of non-commercial sports, the issue tends to be not the financial management in terms of limiting the expenses, to adhere to the revenue generated. Instead, the problem tends to be the generation of revenues.

So, if we focus on non-commercialised sports, we often note that financial losses and debt is created in them, but this time for different reasons. Non commercialised competitive sport still reports that more than 90% of its revenue comes from the government (Berry and Manoli, 2018).

This would suggest that, while changes are afoot in a number of countries around the world, indicating that uncertainty for the future is coming, alongside imminent reduction to the amount of



money invested by the government, non-commercialised sports have yet to identify alternative sources of revenue that would allow them to cover their expenses (Berry and Manoli, 2018).

In other words, and whilst research suggests that alternative revenue sources are being explored by non-commercialised sport, we can still argue that financial mismanagement tends to occur in them as well, due to their inability to generate revenue, leading to the unfortunate situation in which uncertainty for the financial sustainability of the sports also occurs (Berry and Manoli, 2018).

This phenomenon has also been seen in international events in which athletes of non-commercial sports participate, such as the Olympic Games, in which some athletes had to crowdfund themselves, or join fundraising campaigns to allow them to participate in the events, and thus be able to represent their own countries. This, in turn, indicates that any occurring expenses had to be either covered by themselves or by a sponsor they were able to secure, in the unlikely and successful event.

Unfortunately, this does not represent a long-term financial management solution, with athletes over suggesting that they had to drop out of a particular tournament or their sport altogether because they could not cover the costs.

Similarly, as research of non-commercialised sports has argued (Berry and Manoli, 2018), a common practice to increase revenue is to turn within, and thus charge members for registration to the sport, or individuals who practice the sport to self-fund, through charging for equipment, facility renting, and expenses. This, in turn, is believed to be a reason why sport participation numbers go down in these sports, since the individuals who are interested in playing them might not be able to afford it.

This can then clearly demonstrate how the lack of financial sustainability in sport can result in a direct threat to the future of the sport.

Summary

In this module, we focused on financial mismanagement or debt in sport. We did that by first distinguishing between income and profit, and, through this, we were able to identify that focusing on the expenses part of the equation is significant in terms of the financial sustainability of a sport. We then focused on one of the biggest expenses in sport: income wages. By appreciating the importance of this expense, we were able to delve deeper



into the current debt in professional sport, and how financial directors' insights can help us better understand the importance of financial sustainability, as well as the current image of commercial sport. We then looked into tax debt in commercial sport, a topic that often escapes public discussion. Following this, we looked into debt in commercial sport by identifying not only the expenses that can cause issue in terms of financial stability, but also the challenges in generating revenue.

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