



Irish  
Supporters  
Network

# Financial Stability

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# What is Financial Sustainability?

- Absence of long-run deficit
- Not necessarily a balanced budget every year
- Structural deficit versus temporary deficit



# Sustainable Finance

- Employing staff is a risk
- Getting people on the board of management who understand numbers is difficult
- Success is transient
- Do not just plan for success – have a plan B
- Achieve on and off the pitch
- Plan off-field success more than on-field success
  - However on-pitch success is usually important to achieve the off-pitch success



# Basic Economic Dilemma

- Higher wages brings sporting success
  - according to research
- Problem:
  - Higher wages compared with opposition
  - Only one team will win the league
  - Get a loan – buy success – go bust in 3 years
  - Short term incentive to overspend
  - Fans are impatient: now – now – now
  - Board can think that way too – it can be a mistake



# An Ideal View

- Without stable finances there is no long term success on or off the pitch
- Budget planning starts very early in the year
- Develop Key Performance Indicators
  - Monitor them closely



# An Ideal View

- Long term financial stability – top priority
- Focus on cash flow as well as budget balance
  - Usually a cash flow crisis before solvency crisis
- Budget balances over cycles of several years which is more important than a strict balance each year



# An Ideal View

- Some income is large and temporary (Europe)
- Have regular budget reviews
  - Commentary, not just numbers
- This ideal strategy requires a large reserve of capital



# Challenges in Planning

- Keep an honest appraisal of finances over time
  - never rely on luck
  - KPIs
- Maintain focus on keeping costs down
  - Purchase order control
- Scope for taking economic risk in order to increase long term income
- Keep risk at the correct level





# Challenges in Planning

- Have a plan to reduce costs if necessary
- Sell or lose players if no European qualification
- Have a cash flow for short term challenges
- If there is money to spend without a long term plan, the money will get spent...



# Challenges in Planning

- We all believe our responsibilities are the most important, i.e. we will be more willing to put money into areas that are under our responsibility
  - be very careful to have a balanced viewpoint
- Long term planning can be difficult
- European qualification
- Player sales
  - Within Ireland
  - Overseas



# A Risk Story

- In 2013 Malmo FF sold their top player
- Financial gain on player sold
- Risk of not winning games, losing fans, etc.
- Fans were enraged
  - 24,000 dropped to 9,000 at one point, average 17,000
- Malmo won the league in any case



# Economic Reports

- Regular checks at every board meeting:
  - Cash flow
  - Forecast
  - Comprehensive overview
  - Where we are versus budget
- Beware of increase in costs
- Keep strict control on who is spending money
  - Purchase order control



# Economic Reports

- Mid-year audit report
- Member's report once a year
- If a surplus is reported players want more money, media coverage gets skewed.
- If a shortfall is recorded the media tell stories of having to sell in order to survive
- Transparency in moderation



# Managing Income

- Make income less dependent on sporting success
  - Gate receipts
  - Sponsors
- Plan to deal with temporary income
  - European income
  - Prize money
  - Player transfer fees



# Investing Temporary Income

- Infrastructure
  - Reduced costs
  - Improved gates
  - Potential for income
- Youth development
  - Less accommodation costs
  - Less wages initially
  - Potential transfer fees
  - Home fan loyalty



# Risking Temporary Income

- Increase player budget
  - Improve results
  - Better league position
  - Higher gates
  - Merchandise sales
  - European qualification
  - Prize money
- Have an exit plan
  - Watch for the signs to activate plan B





# Warning Signs

- Higher wages
- More bonuses
- Higher profile players & transfers
- Loans
- Predicted losses
- Planning for lower league finish / relegation
- Lack of clarity on numbers



# Summary

- Regular financial reports not an annual report
- Accountant commentary not just numbers
- Develop Key Performance Indicators
- Purchase order control
- Plan for temporary income
- Risk, but have a plan B
  - Watch for the warning signs
  - Trigger plan B before alarm bells go off