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EXPERT COMMENT: Everton FC lost ten valuable points for breaking financial rules – but football fans may eventually consider it a win

In an article written for The Conversation*, Mark Middling, Assistant Professor of Accounting at Northumbria University discusses the impact of Everton FC's recent ten point deduction for breaking financial rules.

On November 16 2023, fans of Everton FC may have been reasonably satisfied about how the football season was shaping up. They were 14th in the English Premier League, and had recently [recorded wins](#) against West Ham and Crystal Palace.

Then on November 17 everything changed. The club were [docked ten points](#) for breaching the league's "[profitability and sustainability](#)" rules, pushing them down to [19th place](#) and into the relegation zone.

The rules that Everton broke are designed to force clubs into being financially sustainable businesses, by allowing them to build up footballing losses (separate to spending on things like infrastructure or community projects) of no more than £105 million over a three-year period.

Everton were found to have exceeded this limit by [£19.5 million](#), with relevant losses of £124.5 million to the end of the 2021-2022 season. At this time Everton had the largest Premier League wage bill [in proportion to revenue](#) and failed to achieve desired returns when trying to [sell unwanted players](#).

Everton originally filed returns showing [£87 million of losses](#), well within the limit. However, an [independent commission](#) decided that this figure was lower than the true value.

Everton also claimed there were mitigating circumstances, including losses on “player X” who was arrested in 2021 and ultimately had his contract terminated, additional losses due to an inability to sell players because of COVID-19, and the war in Ukraine affecting the club’s [sponsorship deals](#) with [Russian companies](#). But the excuses were dismissed by the commission which said the breach was of Everton’s “own making” and due to “mismanagement”.

Everton are reportedly “[fuming](#)” with what they call an “[unprecedented and disproportionate](#)” decision, which they are [expected to appeal](#).

Everton said in a statement: “The club believes that the commission has imposed a wholly disproportionate and unjust sporting sanction.”

It added: “Both the harshness and severity of the sanction imposed by the commission are neither a fair nor a reasonable reflection of the evidence submitted.” The severity of the punishment has even been [debated in parliament](#).

Yet some consider Everton to have been [lucky](#). If the points deduction had been applied last season, when Everton were in a tense [relegation battle](#), they almost certainly would have been demoted to the Championship. This season, under new [manager Sean Dyche](#), they still have a decent chance of staying in the Premier League, despite the points deduction.

But if Everton are relegated, the financial consequences could be severe. The club’s annual revenue, last listed as [£181 million](#), would fall significantly due to massively reduced broadcast income (and despite the so-called “[parachute prepayments](#)” that clubs demoted from the top flight receive).

Then there’s the cost of the new [£760 million](#) 53,000 seater stadium, which is due to be completed in [2024](#), and possible [legal claims](#) for damages of up to [£300 million](#) by six clubs, including Burnley, Leeds and Leicester, who were recently relegated from the Premier League while Everton clung on.

Sticky situation for the toffees

In effect, Everton's rule-breaking loss of £19.5 million over the limit may lead to much bigger losses further down the line. And this could well act as a [strong deterrent](#) to other clubs thinking of pushing football's financial boundaries.

It may also be a show of force by the Premier League to try and limit the scope of the soon-to-be appointed independent football regulator, which some in the league consider to be [an intervention too far](#) into the business of football. Perhaps the Premier League is trying to demonstrate that [regulatory powers should be limited](#) and that it is perfectly capable of governing itself.

Of course, [the fan-led review](#) of English football came to a very different conclusion, which is why a regulator is part of the UK [government's plans](#). Its aims are to prevent breakaway leagues, limit undesirable club owners, and further reduce [financial unsustainability in English football](#), including making clubs more resilient to [financial shocks](#) such as the one engendered by [COVID](#).

One MP has [argued](#) that the severity of Everton's punishment is a clear indication that an independent regulator is needed – sentiments that have been echoed by the [Football Supporters Association](#). It is entirely plausible to argue that if an independent regulator had been in place for the past five years, Everton may not have found itself in this position in the first place. The future regulator could, for example, operate a licensing system in which clubs have to prove they are being run within certain financial criteria – or risk having their licence revoked.

For now, the exact details of the regulator's remit are yet to be decided. But a floodgate of financial sustainability controls seems to have been opened, with punishments and deterrents a key part of the sport's future culture. It may not be what Everton wants – but it could just be what English football needs.

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