A brief supporter guide to understanding UEFA's Squad Cost Ratio's Intent.

UEFA Football Sustainability Regulations (FSR) Made Simple

The purpose of what follows is not to argue for more spending or less spending on the Celtic playing squad.

It is to explain how UEFA's Financial Sustainability Regulations have changed the financial decisions every club competing in European football now has to make.

I hope the following analogy helps increase understanding so supporters can better assess what both Celtic and Rangers are doing to improve their squads.

The information published in club accounts is only part of the picture. When a club applies for a UEFA Licence, the SFA and UEFA require detailed financial information which is not made publicly available. The figures submitted for UEFA monitoring provide a much more detailed picture of squad costs than supporters normally see.

At present, Rangers' accounts provide a clearer breakdown of football costs, including player-related costs, separately from administration costs. Celtic's accounts combine some of these costs, which means estimates have to be made when trying to assess the player squad wage bill.

However, the important point is that UEFA's Financial Sustainability Regulations have changed the question supporters should be asking.

The debate is moving away from:

"How much cash does Celtic have in the bank?"

towards:

"How much of Celtic's permitted Squad Cost Ratio capacity is the club choosing to use?"

The following analogy is regulation-free. Its purpose is simply to explain the principle behind UEFA's Squad Cost Ratio in a way that anyone can understand.

Imagine two families.

One earns £100,000 a year. The other earns £60,000.

The first family could choose to live on £50,000 and save the rest. That's perfectly sensible.

But if there is a rule that says "You may spend up to 70% of your income on your house and living costs," the first family can legally spend £70,000, while the second can spend only £42,000.

If the first family still spends only £50,000, they have given away much of the advantage their higher income provides.

That is essentially how UEFA's Squad Cost Ratio works.

Celtic's higher football earnings allow UEFA to permit a higher level of sustainable spending on players' wages, transfer amortisation and agents' fees than clubs with lower football earnings.

If Celtic consistently spend well below that limit while rivals spend close to theirs, Celtic are not making full use of the competitive wage advantage their stronger finances have earned.

This does not mean Celtic should spend recklessly or right up to the limit every season. A sensible safety margin is important in case European income falls or transfer profits are lower than expected.

But it does mean that simply building up larger and larger cash reserves does not, by itself, strengthen the team. It also leads supporters to ask whether more of the club's permitted Squad Cost Ratio capacity could be used to strengthen the playing squad.

In summary:

"In summary, under UEFA's Financial Sustainability Regulations, the real competitive advantage comes from converting sustainable football earnings into competitive squad investment that, if managed prudently, should produce a stronger playing squad."

To put it another way:

Cash reserves are a sign of financial strength.

Squad Cost Ratio capacity is a measure of footballing opportunity.

Cash in the bank wins admiration from accountants.

Squad-cost capacity, used wisely, wins football matches.

For years, many supporters judged ambition by asking, **"How much cash is in the bank?"** Under UEFA's FSR, the more important question has become:

"How much of our permitted squad-cost capacity are we using?"

That shifts the debate from wealth to deployment.

UEFA no longer rewards clubs for being rich. It rewards clubs for turning sustainable income into a sustainable squad.

Disclaimer: The Squad Cost Ratio is not the only requirement within UEFA's Financial Sustainability Regulations. Clubs must also comply with other provisions, including the Football Earnings Rule and the Overdue Payables Rule. However, the Squad Cost Ratio is the regulation that most directly governs the level of spending on the playing squad.

Reminder: *The purpose of this paper is not to tell Celtic how much to spend. It is simply to explain how UEFA's Financial Sustainability Regulations have changed the way every club competing in Europe now has to think about spending.*

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