

23.10.03

2 Deputy R.S. Kovacs of St. Saviour of the Minister for Economic Development, Tourism, Sport and Culture regarding regarding the levels of funding provided to Jersey sports clubs (OQ.186/2023)

Given the recent success of the Jersey team at the Worlds Bowls Championships, alongside other sports clubs securing medals at world class championships, will the Minister confirm if clubs that represent the Island on a high level are awarded the same level of funding as Jersey Reds; and will he further provide a breakdown of what the £370,000 provided to Jersey Reds was intended for?"

Deputy K.F. Morel of St. John, St. Lawrence and Trinity (The Minister for Economic Development, Tourism, Sport and Culture):

Deputy Stephenson will act as rapporteur on this question.

Deputy L. Stephenson of St. Mary, St. Ouen and St. Peter (Assistant Minister for Economic Development, Tourism, Sport and Culture - rapporteur):

Jersey has some incredible local athletes who represent the Island in many sports around the world and put Jersey on the map. But the simple answer to this question is that, no, they are not all treated the same, and certainly not the same as Jersey Reds have been in the past. It is an area of frustration for me personally, and Members will be aware that I have committed to a review of Government's delivery of sports policy, and that will be published later this year. This will identify where delivery of sport can be improved to better support clubs and athletes across many, and all, sporting disciplines. We will also be producing an elite sports strategy, which will seek to identify how we can support and fund pathways for local athletes in a fair and even way across sports. Turning to the second part of the question about Jersey Reds. Two payments were made during 2023; the first was in June and consisted of £130,000 to meet June's wage costs, when an additional £90,000 provided for other immediate costs. A further payment of £150,000 was made directly by government in August to meet the club's urgent cash flow constraints and underwrite operations until September. The Council of Ministers considered further requests for funding during September and concluded it was not in the best interests of the Island to provide further support.

3.2.1 Deputy R.S. Kovacs:

Does the Minister consider that what the last funding was intended for Jersey Red has been achieved and were the Council of Ministers aware, at the time of funding being agreed, that the club's financial position is at risk of collapsing?

Deputy L. Stephenson:

Can I ask the questioner if she means the emergency payments that we have just referred to?

Deputy R.S. Kovas:

The last funding that was agreed at that time.

The Bailiff:

The last funding that was agreed so, therefore, the payments to which you have just made reference, I believe.

Deputy L. Stephenson:

Yes, those fundings were emergency payments, as I said, to meet those emergency costs in that instance to pay wages and the other immediate costs. The Government made it very clear that

Jersey Reds' directors should be working to find more sustainable continued ways to fund the club going forward.

3.2.2 Deputy L.J. Farnham:

Having provided essential emergency funding for the Jersey Reds, why did the Government then decide to effectively write off that emergency funding by not providing further funding and, furthermore, not informing the club that they were not going to provide that emergency funding until 8 days after the Council of Ministers made a decision; that is just one day before the club's deadline?

Deputy L. Stephenson:

The emergency payments were given at what we recognise was a difficult time for the club and were designed to prevent an unstructured collapse of Jersey Reds. We were very conscious that there were people's jobs and livelihoods depending on these wages. At that moment in time it became clear that there was an opportunity to look at a potential way forward, in the hope that there may be a sustainable way forward. Some work was completed to look at what that could amount to, which the Deputy himself has now shared some of that work from Santander who are joined to his proposition. A decision was taken that those payments gave us the opportunity to not just pay the wages of those players and prevent that unstructured collapse, it gave the club time to consider where else it may get funding from as well. Also it gave Government time to assess that work that was being completed, looking at future business models. Government then made a decision based on that evidence. It was a very clear decision around the Council of Ministers' table and I think there are many, many holes in that business plan that we will come on to later today. There was a second part of the question, which I have now forgotten. Apologies.

Deputy L.J. Farnham:

It was just to ask why, given the urgency of the situation and the full knowledge that the Reds were in financial difficulty, the decision was not communicated until 8 days after it was taken by the Council of Ministers.

Deputy L. Stephenson:

As soon as the decision was made, efforts were undertaken to try to contact one of the main parties in these discussions who had been liaising with Government on this matter. Unfortunately, that person was away, I believe. Teams calls were offered and reached out but that meeting could not happen until the following Wednesday, due to their diary commitments.

3.2.3 Deputy L.J. Farnham:

In follow up to that, claiming that the Government were not able to get hold of anybody from the Jersey Reds, I would have to suggest that the Deputy is inadvertently misleading the Assembly. But I would say that the chairman and the management of the Jersey Reds trading company, the company that are responsible and receive the ...

The Bailiff:

Deputy, this has to be a supplemental question. So far you are giving information to the Assembly, and you are not asking a question.

Deputy L.J. Farnham:

Were on standby on tenterhooks, I believe, for all of that week and were not contacted at all. Why was the chairman of the club, the person responsible for this, not contacted?

The Bailiff:

Why was the chairman of the club not contacted?

Deputy L. Stephenson:

I do not have all the details of how officials reached out to those individuals. What I would say is that there is a pattern of behaviour over the past year of finding it very difficult to sometimes get hold of some of these individuals involved and to have discussions with them. One of the individuals who the discussion was to take place with could not be there and wanted to be there face to face, is my understanding. I cannot say any more than that. What I would add is that the Government's position on future long-term funding amounting to hundreds of thousands of pounds has been very clear for a year ... since November last year, so almost a year. When I sat in a meeting with 2 of the directors of that club I made my position clear. There have since been formal letters to that effect and numerous correspondence on the matter. It was no surprise to the directors of Jersey Reds that this Council of Ministers would not be supporting their repeated requests for government public funding. [Approbation]

[10:00]

The Bailiff:

I have Deputies Southern, Mezéc, Tadier, Feltham and Scott. I will not take any more after that because that would take us well over the time limit.

3.2.4 Deputy G.P. Southern of St. Helier Central:

At the time of the emergency payment, as it is described, did the Minister have sight, in any way, a viable business plan?

Deputy L. Stephenson:

The emergency payment ... well, no, because there is no viable business plan. It is a very simple answer. [Approbation]

3.2.5 Deputy G.P. Southern:

So, in effect, the Minister was throwing good money after bad.

Deputy L. Stephenson:

What the Government was seeking to do was to prevent an unstructured collapse of a very well-loved organisation that means an awful lot to Jersey, and there is no denying that. We have seen an awful lot of outpouring of support, passion, and love for Jersey Reds. There are benefits socially and economically, although we may not all agree on what those figures may be to the Island. There were also people's jobs at stake here. We believed, at that moment in time, that we were acting responsibly with public money to try to look at what the options could have been. We made very, very clear our Government position on that and where we would be going with it, but it was a very justified decision.

3.2.6 Deputy S.Y. Mézec of St. Helier South:

In respect of the emergency funding, which was agreed and was paid, can the Assistant Minister inform the Assembly whether or not all of the objective financial advice from Treasury officials that the Government received was in support of those payments being made?

Deputy L. Stephenson:

The advice that Ministers received from officers was that we could go ahead with the payments as we wanted to in that situation. I believe there is a letter of instruction that is being put together from an accounting officer. There were 2 different departments involved - Treasury and Economic Development - and the Economic Development accounting officer ... there is a letter of instruction that relates to one of the payments, and forgive me if I have confused which one it may be. The Minister for Economic Development, Tourism, Sport and Culture will be able to provide more information on that.

3.2.7 Deputy S.Y. Mézec:

The question was not about whether payments could be made. Of course, they could. It was about whether they should be. If letters of instruction were issued, that sounds to me like advice was given by officers that payments should not be made and that politicians had to formally overrule those officials on that. So can the Assistant Minister confirm whether or not the objective advice given from those Treasury officials or government officials, who were given letters of instruction, was that the Government should not proceed with providing that emergency funding?

Deputy L. Stephenson:

Yes, the very nature of a letter of instruction means that that accounting officer was not comfortable with that decision. But it is well within the rights of Ministers to be able to make decisions beyond that.

3.2.8 Deputy M. Tadier:

I have recorded the words that Government basically agreed to pay the wages of players to prevent an unstructured collapse of the club. So I am tempted to ask whether the Government were happy to see a structured collapse of the club? I do not know why they were so interested in what kind of collapse the club had, so long as it did collapse. But my question is: to what extent does the Assistant Minister think that this sets a precedent. So what we have got here is Government has decided to pay a business, the wages of the employees of that business, to stop it collapsing, but then say: "But we are not going to give you any more money because we do not think we should be funding you." Does that set a precedent to other businesses and potentially other sports clubs in Jersey who might find themselves in that situation in future?

Deputy L. Stephenson:

In relation to the Deputy's first comments, which were not actually part of any question as far as I could work out, one of the conditions that, I was very keen to ensure, these emergency payments helped to provide was to separate the amateur club from the Jersey Reds. We learned in the process of these discussions that that had not happened yet. Despite they were maybe working in that way, the legal documents had not been signed. It was to be a condition of that. I am frustrated to learn this morning that despite that being a condition it has still not happened. Regarding a precedent being set; I believe, as I said at the beginning, the answer to this question, the way Jersey Reds have been treated by previous Governments over many years has been a very unique situation all through setting all kinds of precedence. We are yet to see others achieve any kind of funding at similar levels as well.

3.2.9 Deputy M. Tadier:

I suppose it is a question of where the Government sees its political policy and ideology with regards to the funding of what we have seen as a very successful sport club, which many think has brought elite sport to Jersey, economic benefit, and also an ability for people to watch high quality sport in the Island, maybe those who are too poor to travel. So does this Government see itself as an interventionist Government, or laissez-faire Government, when it comes to the funding of sport or perhaps more generally?

Deputy L. Stephenson:

This Government has made its position very clear over the past year that it does not see its place as being to fund a private business, whether that is a sporting business or otherwise in this way. Previous grant documents relating to payments under the previous Government actually refer to grants being to secure Championship rugby in Jersey. Now I am not sure how a Government can secure anything like that, and I would question the wording of those documents. They also refer to needing to find a sustainable model. The last grant agreement refers to it being the final payment that Jersey Reds can expect.

3.2.10 Deputy L.V. Feltham:

In the Assistant Minister's original answer, she referred to the development of an elite sports strategy. Could she inform the Assembly what the purpose and the intended outcomes of that strategy are?

Deputy L. Stephenson:

Absolutely. The strategy is in development at the moment, but it is basically looking at how we support and find pathways for our local athletes to ensure that we reduce some of the inequalities that currently exist in the system and ensure that people who are competing in Jersey or have the potential to compete at higher levels have the support systems around them that they need. There is currently a large gap with regards to this, and we can help to build a better support system around them, from looking at their nutrition and their mental health right the way through to their strength and conditioning, and enabling a more joined-up way of working across lots of sports and different pathways.

3.2.11 Deputy L.V. Feltham:

Does the Minister agree that the Jersey Reds does provide some of that support system that she just referred to?

Deputy L. Stephenson:

No. Jersey Reds is a professional club and brings professional players to the Island to work in jobs at Jersey Reds. Obviously all of those players are going through a very tough time at the moment, and I would never want to speak negatively about them. They have brought some great rugby to Jersey and been an important part of that, but they are not players from Jersey, I think with the exception of one player from Jersey who I believe has not played for a long time. But the strategy is focusing on providing opportunities for local people, for our local young people, growing up in Jersey and being able to see opportunities and achieve their potential at an elite level of sport if they are able to.

3.2.12 Deputy M.R. Scott of St. Brelade:

Will the Assistant Minister please advise, did she consider briefing the relevant Scrutiny Panel on the payments that she was giving to avoid the unstructured collapse, and what measures were considered at the time such as ... other than buying time, such as having a Treasury rep on the board, changing the chair or having a member of the business community on the board as conditions in order to, perhaps, take better control of the management of the club.

Deputy L. Stephenson:

There were lots of scenarios played out and questioned and challenged throughout the conversations. This is not a decision either to grant the emergency payments or to not provide further funding that was taken lightly or quickly. There was an awful lot of work carried out. We discussed all of those points. I even raised things like crowdfunding and others. To be perfectly honest, the reaction from those involved with the club was lukewarm at best. But being quite frank, there was no appetite for any kind of change at all.

Deputy M.R. Scott:

Part of my question has not been responded to.

The Bailiff:

Which part?

Deputy M.R. Scott:

About briefing Scrutiny.

The Bailiff:

Yes, briefing Scrutiny.

Deputy L. Stephenson:

Yes, absolutely. More than happy to brief Scrutiny.

The Bailiff:

But was consideration given to briefing Scrutiny?

Deputy L. Stephenson:

Apologies, I do not know but I will find out the answer to that and let you know.

3.2.13 Deputy M.R. Scott:

With respect to the impact on the amateur club, can I please just confirm: is the Assistant Minister saying that the assurances given that the amateur club has been protected from this financial chaos is not based on anything solid?

Deputy L. Stephenson:

My understanding is that the legal structures that are currently in place, the formal signing of the document to officially remove the amateur club from any link to Jersey Reds at all, has not been actioned despite it being a condition of that first emergency payment. What I have done is sought to find out what this means for the amateur club. I am very confident, and the club is confident, that it is a satisfactory situation currently, even if the Jersey Reds company does go into liquidation. They are confident that it would not have an impact on them. My understanding is that the structure, the company that Jersey Reds is linked to that links to the amateur club, only holds immovable assets. So it is things like rugby balls, for example. The fixed assets of the amateur club, which let us remember is all of the assets for the rugby club; the pitch, the clubhouse, the land, et cetera, is all in a separate company, which has no link into the Jersey Reds.

[Additional information provided by Deputy L. Stephenson to States Members after the conclusion of this Oral Question, is included below for completeness]

Members Information

Jersey Rugby Football Club is an association incorporated under the "Loi (1862) sur les teneures en fideicommiss et l'incorporation d'associations". The Club's constitution is in regard to this and as per the AGM the elected officials are:

Chairman: Daniel McAlister

Treasurer: Andrew Allan

Secretary: Thomas Ellis

The Committee as often referred to is the Committee of Jersey Rugby Football Club (JRFC) the incorporated association.

- RFC is the members club.
- Pitches 4 & 5 (Field 789) often referred to as the back pitches are crown owned land for which Jersey Rugby Football Club extended the lease in the Royal Court on Friday 14th July 2023 until June 2055.
- Jersey Rugby Football Club Holdings Limited owns the Land (Pitches 1 & 2) and Buildings of Jersey Rugby Football Club.

Jersey Rugby Football Club the association is the owner of:

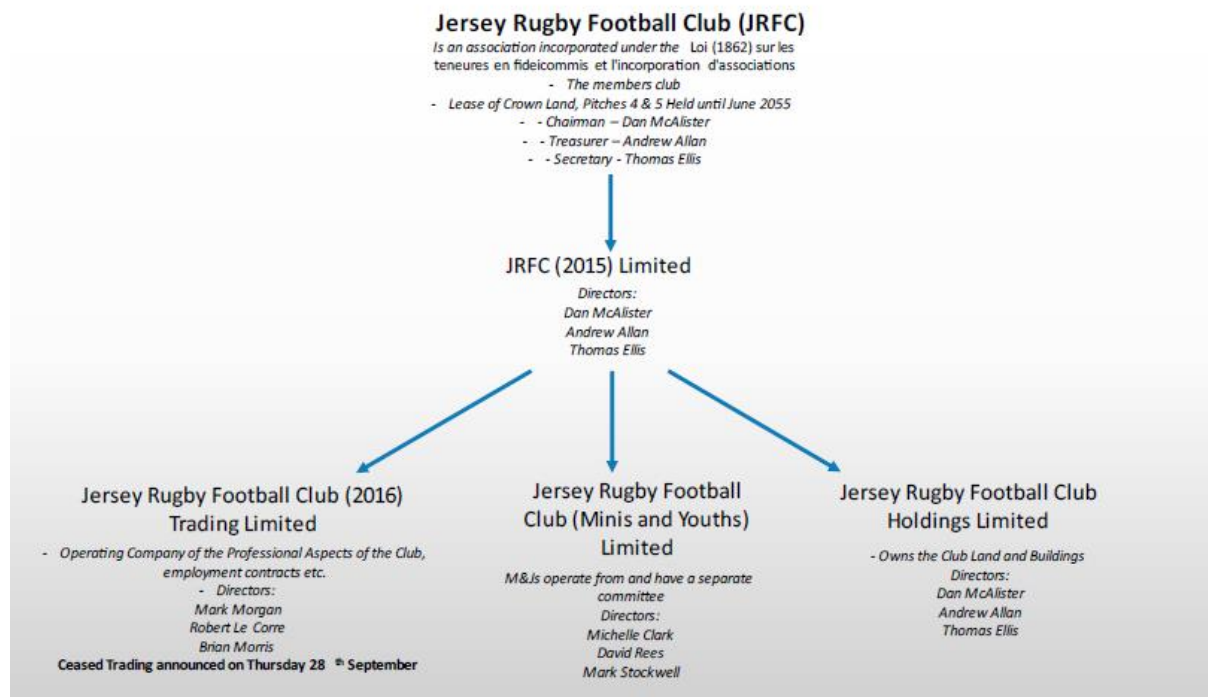
- Jersey Rugby Football Club (2015) Limited

Jersey Rugby Football Club (2015) Limited is the owner:

- Jersey Rugby Football Club (Minis and Youths) Limited - Company from which the Minis and Juniors operate and have a separate Committee and Board of Directors for the company.

- Jersey Rugby Football Club Holdings Limited - Company which own/holds the Land (Pitches 1 & 2) and Building.
- Jersey Rugby Football Club (2016) Trading Limited - Company which was carrying out the Jersey Reds professional operation in years gone by including Employment contracts etc.

(Directors Mark Morgan, Robert Le Corre and Brian Morris) Company announced as ceasing trading on Thursday 28th September 2023. Jersey Rugby Football Club was not informed of this information until the morning of Thursday 28th September in line with when the information went into the public domain.



Jersey Reds (2022) Limited was incorporated on 24/06/2022 and is not part of the above arrangements. Directors: Brian Morris, Mark Morgan, Mark Chown and Gordon Crawford.

All information above in terms of Entities and Directors is in the public domain and free to access from the JFSC Registry Website.

FAQ

Q: Are JRFC and Jersey Reds 2 separate Legal Entities?

A: Jersey Rugby Football Club (2016) Trading Limited and Jersey Reds 2022 Limited are the two entities under which Jersey Reds have been operating these are separate Legal Entities (Legal Persons) to that of Jersey Rugby Football Club which is made up of as below:

- Jersey Rugby Football Club (Fideicommiss) (JRFC) The members club
- Jersey Rugby Football Club (2015) Limited
- Jersey Rugby Football Club Holding Limited (Owner of the Land and Building)
- Jersey Rugby Football Club (Minis and Youths) Limited (The M&Js operating company).

This means Jersey Rugby Football Club can continue to operate. However, there are a significant number of facilities that were used by both parties and therefore several suppliers have had to be engaged/re contracted due to the Reds ceasing trading.

Q: Were JRFC involved in the proposition or information provided in the proposition being put before the states assembly tomorrow (3rd October 2023)?

A: JRFC has had no involvement or contact regarding the information being tabled in the proposition other than one email this morning asking for approximate number of current club membership, M&Js and number of RFU qualifications for a meeting being held with the Government (no mention of a potential proposition).

The Business Model Review document provided in the proposition disappointingly shows that conversations were had between the Jersey Reds Board and Santander in Late June 2023 with the review document and none of the information surrounding a potential unstructured collapse of the professional club communicated to JRFC.

The document also makes several assumptions which JRFC have not been involved in such as a 3G pitch to be funded by Santander and the assumption that if this was agreed that revenue from this would be solely for Jersey Reds.

Q: What does this mean for Membership Fees?

A: Membership fees are paid to JRFC (The members club) these are to support the local community rugby club. The membership remains as they have done at the start of the season. Membership fees are very important to the operations of JRFC, signing up as members is a very helpful way to support the club at this time and we would be grateful for any friends/family that may wish to join to show their support.

Q: What does this mean for Sponsors of the Jersey Reds?

A: We can not provide specific comment on this as this is up to the sponsors of Jersey Reds. JRFC is honoured to have a significant number of existing sponsors and will aim to continue to provide regular events at the club. We are incredibly grateful to all the sponsors involved in rugby in Jersey over the years.

Q: Are JRFC Finances Sound?

A: JRFC Committee who took over in July 2022 had originally planned to build cash reserves and increase income over the first 3 years with the aim to be able to be fully self-sustainable without the Reds if there was ever to be a time when that occurred. Nobody wanted or expected this to happen and unfortunately the devastating news on Thursday came as a surprise to JRFC. JRFC's committee is working on plans to ensure the long-term sustainability of the club, this will be achieved through increased sponsorship, membership, and income from events. We are pleased that we finished the 2022/23 season in at the time a strong financial position as presented at the AGM and will endeavour to work hard to maintain a strong financial position. JRFC are thankful for all the supportive messages from members, sponsors past and present as well as the Government.

Q: What can members do to help?

A: We ask members to continue doing as they have done already by coming up to the club and supporting local community rugby. It was great to see so many faces on Saturday and Sunday and this support is vital. We ask you to have patience as we know there will certainly be challenges over

the coming weeks and months and we may not get everything quite right, but we will aim to do our best and keep open and honest communication with members.

3.2.14 Deputy R.S. Kovacs:

As the Assistant Minister already agreed in her answers that Jersey Red's influences can also bring back to the economy. If the Government would be to commit to give further funding to save Jersey Reds, under what conditions from the club would the Assistant Minister agree with that?

Deputy L. Stephenson:

I do not agree with further funding being given to the club at all, so I do not believe I can answer the question apart from saying I do not agree with it.

The Connétable of St. Lawrence:

May I raise the défaut on the Constable of Trinity, please?

The Bailiff:

Yes. The défaut is raised on the Constable of Trinity.