

**STATEMENT TO BE MADE BY THE MINISTER FOR ECONOMIC  
DEVELOPMENT, TOURISM, SPORT AND CULTURE  
ON TUESDAY 3RD OCTOBER 2023**

**Jersey Reds**

Sir,

There can be no doubt that the Jersey Reds have been a source of great joy and pride for all islanders. In winning the RFU Championship, they achieved a feat that I, and I'm sure all members of this assembly could barely have dreamed possible. We are all grateful for this success but sadly, in my estimation, that success has come at the expense of the long-term sustainability of the professional club.

Last week's announcement that the Jersey Reds had ceased trading was a shock for many and distressing for the club's players, staff and supporters.

These are the people who have felt the most direct impact and I, like all members of this Assembly am thinking of them and sincerely wish that they and the club hadn't found themselves in these circumstances.

In making this statement, I want to provide States Members with the opportunity to ask questions and set out clearly why it was the view of the Council of Ministers that Government, which had given Jersey Reds financial support over many years, reluctantly, could no longer continue to do so.

The reality is that the Club had not been able to pay its way over the summer and it was public money that had been keeping the Reds solvent. The funds, amounting to £370,000 had been provided to the Reds in the form of two grants authorised by myself as minister for EDTSC and by the Treasury Minister.

These grants were intended to provide the Club's directors with the opportunity to find new investment and draw up a sustainable financial plan. Unfortunately, the plan that was offered, relied upon speculative monies from the RFU, showed income being gained from assets that are not the Reds and offered little in the way of cost-savings. Even if the RFU's funds were forthcoming, the plan would still have relied upon hundreds of thousands of pounds of government money, to keep the Reds afloat.

It was my view and, I believe, the view of other ministers that the Government had done everything it could to offer the Reds a lifeline but that given the enormous uncertainties in their plan, to continue providing public money to the Reds, would risk the Government becoming committed to funding of an unknown amount over an unknown period of time and that given the many competing demands on the public purse, to do so would not be a responsible use of taxpayers money.

In colloquial terms, I would liken the Reds finances to a financial 'black hole'. I came to this conclusion and I believe it is one shared by ministers, because despite knowing about their

financial problems, the Reds had consistently overspent and drawn down investors money at a much faster rate than expected. This inability to stick to a budget, meant that neither I nor the council of Ministers had confidence that the Reds board could move the club onto a sustainable financial footing.

The Reds Board was quite clearly aware that the likelihood of funding was low as I emphasised this to the Chair and other directors - as well as the sponsor's representatives - in a meeting on 30<sup>th</sup> August. I also repeatedly requested a meeting with the main investor.

After the Council of Ministers decision on 19<sup>th</sup> September, I immediately requested officers to arrange a meeting with the main investor, as I wanted to tell him of the decision in person and to have a conversation to explore whether an alternative method of saving the club was available. Officers made this request on 19<sup>th</sup> September, the day of the CoM decision, and said that it was urgent. Unfortunately, that person declined to meet until 27<sup>th</sup> September.

The Assembly should be aware that there have been long-standing financial issues at the Reds dating back to 2016. In 2019, an emergency request was made to Government for the sum of £125,000. The request was made in the knowledge that a failure to secure such funding would require Jersey Reds to move away from professional rugby.

More recently the Assistant Minister with responsibility for Sport, Deputy Stephenson, met the Reds, at their invitation, in November 2022, to understand the Club's long-term ambitions and financial position. Importantly there was no indication from the Club that they were in short-term financial difficulty. At that meeting, Deputy Stephenson made it clear that there was neither budget for further financial support for Jersey Reds, nor did she intend to make it a political priority to work to secure such funding.

Despite having mentioned nothing of financial concerns in November, the Jersey Reds subsequently approached Government's then CEO, Suzanne Wylie, in January 2023 with a request for urgent funding of £250,000 with a further £250,000 to follow later in 2023.

Deputy Stephenson responded to this request in a letter - circulated alongside this statement - by highlighting the previous government support and making it clear that it was not possible to underwrite further support.

Members will note that the Reds were urged to manage their expenditure appropriately and that Deputy Stephenson offered to meet in person, but this offer was not taken up.

In June of this year, the professional club again approached Government to request urgent funding from the Department for Treasury and Exchequer to prevent an imminent and unstructured collapse.

In view of the possible impact on livelihoods, player wellbeing and the amateur Club, Ministers approved a grant of £220,000 to meet wage costs and other expenses. In the interest of expediency this payment was advanced by Santander International with agreement that it would be re-imbursed by Government in due course.

Santander has now requested this reimbursement and I will be issuing a letter of instruction to effect this payment later this week.

It was also agreed that Santander and Government undertake a contemporary review of the Club's finances and consideration of its viability in the medium to long term. It allowed time for the directors of Jersey Reds to assess their options, raise new investors and present a valid case for support to Government.

In August, with continuing financial difficulties, Jersey Reds again approached Government to request a second urgent payment to meet their imminent wage costs. Ministers approved a grant of £150,000 to allow for the work assessing the Club's long-term viability to be completed and for the Council of Ministers to be able to assess the case, meet and make a final decision.

This brought total Government grants to £370,000 in three months – simply to meet wages and other essential costs.

It is fair to say that the Club was entirely unable to meet its wage obligations at this time and, had Government support not been provided, the Club would have ceased trading immediately. Despite not being able to pay wages, the Club announced in the media that it had hired a new member of the coaching staff at the beginning of September. I have to question such decision-making by the Club, when I believe it knew at the point of hiring, that it did not have the funds to pay salaries.

Following a third request for funding in as many months, the Council of Ministers met on 19 September. They considered the significant funding shortfall facing the Club and the continuing uncertainty over the future of funding from the RFU, the ability of the Reds to attract new private sponsorship, and whether identified savings targets could be met.

Ministers decided that it was not appropriate to provide further public funding because there was no evidence that the Reds would become financially sustainable in the future and, given these circumstances, that it was not justifiable to underwrite the operations of the professional club on an ongoing, indefinite, basis.

Sir, the grants this summer were just the most recent forms of financial support given by Government.

Since the establishment of Jersey Reds, successive Governments have provided significant financial support. I have set out those sums in an appendix to this statement so that Members can understand them in detail. Over the past two years, the Reds have been advised by ministers and officers that they cannot rely on Government funding and that they have to live within their means. Sadly, this was not advice that the Reds' Board has heeded.

Financial information compiled by Santander International shows financial losses in every financial year (from the year ending June 2017 through to the year ending June 2023).

This translates to a cumulative loss of £2.6 million, even after receiving Government and Covid support over that same period.

In addition since early 2023, Jersey Reds have been given extra time to pay outstanding Social Security, ITIS, GST and licence amounts. That debt is approximately £457,000.

It is deeply regrettable that despite this significant financial support, Jersey Reds have not been able to reach a stable financial footing.

Sir I also want to reference the economic impact of the Jersey Reds, which was independently assessed in 2016 by Via Analytics. This independent assessment determined that Jersey Reds made a contribution of £1.4 - £2.1m annually to Jersey's economy, a substantially different valuation to the £5m figure which Reds have claimed. This economic value is largely derived from tax on payroll and fans from visiting clubs travelling to watch their team play in Jersey.

It should be noted however that matchday spectator numbers have steadily fallen since 2016 when the valuation was undertaken and, that the professional Club has been unable to meet its ITIS payments, as I mentioned previously, and so it could be argued that the current economic value of Jersey Reds is less than the £2.1m it was valued at in 2016.

The level of economic return does not justify a level of financial support anywhere close to the levels sought now or in the future.

Sir, the sad demise of the Reds does not mean that this government doesn't support rugby and I'm pleased to have in Deputy Stephenson, an Assistant Minister who is passionate about delivering sport for islanders. She clearly recognises the positive social and community benefits sporting activity brings and I know that she will work to provide support to the amateur club so that grassroots rugby can flourish in the island.

Deputy Stephenson has already reached out to JRFC to offer our support as we work to try to mitigate the potential impact on them. So our commitment to sport, and to amateur rugby remains strong.

Sir, Deputy Stephenson, other ministers, and I have acted to give the Jersey Reds the best chance of survival but ultimately, the continuing inability of the club to operate within its means and its failure to offer a convincing case for the responsible continued provision of public funds meant that we couldn't continue to support further funding.

Some States Members may have a different view and so, I welcome the debate to come, but it remains the case that we are unable to be sure how much funding will be required and for how long, and to commit further funds to the Reds would mean funds not going elsewhere to deliver services that all islanders need.

Sir, thank you for the opportunity to make this statement and I'll be pleased to take any questions that members may have.

## Appendix 1 – Government support

Since the establishment of Jersey Reds, financial support has included:

<b>Financial Support provided by Government</b>	
<b>Year</b>	<b>Form and extent of support</b>
2019	GoJ grant of £125,000.
2020	GoJ grant of £250,000 (1st instalment of multi-year support totalling £450,000) For the purpose of "securing professional rugby in Jersey" - the purpose of this grant was to enable Jersey Reds to become financially sustainable over an extended three-year period after which no further Government support would be required.
2021	GoJ grant of £150,000 (2nd instalment).
2021	GoJ COVID-19 support – loan guarantee for 80% of a £500,000 loan to Jersey Reds from Santander International.
2022	GoJ grant of £50,000 (3rd instalment)
2023	Re-profile of ITIS debt repayment of £400k to now be repayable over 36 months rather than 12 months
2023 – June	Emergency payment of £220,000 to sustain operations sought and granted by decision of Ministers.
2023 – August	Emergency payment of £150,000 to sustain operations sought and granted by decision of Ministers

**Assistant Minister for  
Economic Development,  
Tourism, Sport and Culture**



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26 January 2023

Dear Mark,

Thank you for your email to Suzanne Wylie of the 23<sup>rd</sup> January.

I have discussed your request in detail with Deputy Morel and Government officers and I appreciate that a decision is a matter of urgency for you and your Board. As the Assistant Minister responsible for Sport I regret that at this point I am minded not to support your request for emergency funding and Deputy Morel is aligned to this decision.

As the records show, Government has historically been a strong financial supporter of Jersey Reds since your promotion to the Championship back in 2012. It is my understanding that the most recent grant of £450,000 was awarded to Jersey Reds for the purpose of "securing professional rugby in Jersey". The purpose of this grant was to enable Jersey Reds to become financially sustainable over an extended three-year period after which no further Government support would be required. These grants were very much made on account of the Government recognising the value that rugby brings to the island both socially and economically whilst also wishing to see your business achieve financial sustainability.

In addition to cash grants, Government has worked to support the Jersey Reds through the difficulties of the Covid period, where your fixtures were suspended and finances were impacted as a consequence. This support extended to guaranteeing a £500,000 small business loan with Santander through to deferring Social Security, GST and ITIS payments which currently account for a debt to Government of almost £300,000 for these items combined.

When we met with yourself and Mark Morgan on the 10th November 2022 you asked about the ability to access further grants and I explained that there was no funding allocated in the current Government Plan. In that meeting I was appraised of the Reds' desire to build a squad designed to win the Championship by 24/25, with aspirations to be promoted and play in the Premiership. You also updated me on your fundraising efforts with High Value Residents, the facility challenges the club was facing and the impending split from Jersey Rugby Club, formally separating the amateur and the professional clubs.

I left that meeting with no indication that there was an imminent financial crisis in the making and feedback at the closing of the meeting was a recommendation that Jersey Reds needed to

manage their spend appropriately; that Jersey Reds should continue to fundraise with HNW individuals and build their cash position, and: that Jersey Reds reconsider the timing of their ambition as the Premiership was in disarray and subject to significant restructuring in the season/s ahead.

I am aware of the structural issues that exist within professional rugby at present however I also need to be even-handed in my approach to the development of all sports in Jersey and what they are able to deliver back to community. It is increasingly difficult to support a single sport disproportionately and against a backdrop of a need for continued financial support. I am happy to meet in person to discuss the above if you feel that would be of benefit.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Lucy', written in a cursive style.

Deputy Lucy Stephenson  
Minister for Sport  
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