

STATES OF JERSEY



FUNDING FOR THE JERSEY REDS

Lodged au Greffe on 2nd October 2023
by Deputy L.J. Farnham of St. Mary, St. Ouen and St. Peter
Earliest date for debate: 7th November 2023

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion –

to request the Minister for Treasury and Resources to take the necessary steps to ensure that additional funding is provided by the States to the Jersey Reds to allow them to complete the 2023-2024 rugby season.

DEPUTY L.J. FARNHAM OF ST. MARY, ST. OUEN AND ST. PETER

REPORT

One of Jersey's greatest sporting success stories of all time has to be the rise of the Jersey Reds culminating in winning the RFU Championship title in April of this year.

In less than two decades the Jersey Reds have progressed from effectively playing park rugby to becoming the best national side outside of the RFU Premiership.

The business model review, compiled by Santander International (Jersey Reds bankers and main sponsors) is attached for Members' reference.

Further appendices, which set out important information as to the economic and social benefits that professional rugby provides to Jersey, will be provided as soon as possible as an addendum to this proposition.

Financial and staffing implications

There are minimal staffing implication related to this Proposition. With regards the financial costs, it is not possible to quantify the exact implications, however the implication of not progressing this proposition are clear - a loss to the Island of between £3million and £6 million in economic benefit

APPENDIX 1 –
JERSEY REDS – Business Model Review (Prepared by Santander International)

Jersey Reds

Business Model Review

July 2023

 Santander International



Purpose Of The Paper

Santander International (“Santander”) were notified on the 24th of June by the Chairman of Jersey Reds that they had insufficient funds to meet their end of month payroll commitments. Following urgent engagement with Ministers and Government Directors, Santander facilitated immediate funding in the maximum sum of £220,000 after Ministerial support was received to re-imburse the Bank within 21 days to avoid an unstructured collapse of the professional club.

Ministerial support was conditional upon the commencement of an immediate review of the Jersey Reds business model to be led by Santander. This review is intended to identify and make recommendations for the most appropriate long-term sustainable financial model for Jersey Reds and how changes could be implemented to stabilise the club. As part of this process, Santander were requested to provide weekly updates to Dan Houseago and Simon Hayward in Government’s Economy and Treasury & Exchequer departments, respectively.

Executive Summary

Santander have engaged Jersey Reds Board Members, Executives, Shareholders and Government Directors and as part of this process have identified and made recommendations for the most appropriate long-term sustainable financial model in the form of a three-year plan.

In 2022 / 2023 the club was split into a shareholder owned professional team (Jersey Reds) and a member-owned amateur team (JRFC).

Income

Since 2020, RFU and other government funding has reduced by ~£600k per season. Jersey Reds Shareholders have introduced equity of £936k in 2022 / 2023. Trading outlook is generally positive post-covid including trading surplus on bar accounts which is up 50%. Gate receipt income for 2022 / 2023 is at its highest in the last seven seasons.

Costs

In the past seven seasons combined player and coach salary spend has increased by 33%, broadly tracking Jersey annual RPI. Despite winning the Championship in the 2022 / 2023 season, Jersey Reds remain mid-table for player salary spend amongst Championship Clubs (behind Ealing at £4m and fourth placed Cornish Pirates at £2m). The average player salary is £26k.

Executive Summary - continued

Island Contribution

The economic value of Jersey Reds to the island is estimated at between £3m and £6m per annum. It has over 50 corporate sponsors who spend ~ £700k per annum. The expectation is that the restructure of the England Rugby Premiership and Championship will only increase UK exposure and economic benefit to the island. Television coverage of Premiership 2 games will offer prime opportunity for Visit Jersey and tourism growth.

Jersey Reds Events have brought over 20 rugby and non-rugby sporting celebrities to the island over the past two years as well as hosting two England Rugby training camps and the British & Irish Lions. Additionally, since the end of Covid restrictions, 4 Premiership teams have chosen Jersey for their pre-season camps; Leicester Tigers, Bath Rugby, London Irish and Sale Sharks.

Conclusion Of the Review

As part of the three-year plan, it has been supposed that the most appropriate long-term sustainable financial model for Jersey Reds is to engage in the new Professional Game Agreement (“PGA”) being negotiated with the RFU to take effect in the 2024 / 2025 season. The PGA would replace the current Premiership and Championship structure under a Premiership 1 and Premiership 2 model and generate an additional revenue stream for Premiership 2 clubs through television rights, substituting the funding support that has previously been provided by the RFU and Jersey Government.

In addition to the above, the three-year plan is based on the following assumptions:

2023 / 2024

- £50k to £150k reduction in salaries
- £590k government subsidy
- £600k further private investment

2024 / 2025

- PGA television rights and funding expected to be > £1m
- Final Government subsidy £300k, to be offset by new revenue stream to be supported by Santander
- 3G pitch to be funded by Santander from June 2025. The aim is to provide additional funding to support the Jersey Reds as well as providing a top-class facility for professional and amateur sport as well as schools etc.

Conclusion Of the Review - continued

Under the three-year plan the financial model for the Jersey Reds is self-sustaining by 2025, with Government support tapering from 2023 to nil by 2025. Economic value to the island under the new PGA model is expected to increase materially given support and profile of other Premiership 1 and Premiership 2 clubs, including regular television coverage of Jersey Reds fixtures providing opportunity to showcase the island and drive further tourism. Should the new PGA fail to materialise for the 2024 / 2025 season, it is recommended that a further review be undertaken, the outcome of which could include an orderly wind-up of the professional club.

The recommendation is to support the proposed three-year plan to keep all options on the table pending the confirmation of the new PGA, in conjunction with enhancements to Board composition to improve governance, transparency and communication. This is to include bi-annual independent financial reviews by Santander and disclosure of findings to Jersey Government (the first being reportable by December 2023).

Input Sought

Government are asked to consider whether they would be willing to support the £590k government subsidy for 2023 (including the approved £90k), to be paid quarter 3 2023, and a further £300k in 2024 (on confirmation of PGA funding and independent financial review by Santander). The alternative is an immediate unstructured collapse of Jersey Reds, loss of any future economic value to the island and write-off of the £500k Covid Support Loan and Social Security liability.

Jersey Reds 3yr Plan



Jersey Reds – 3 Year Plan

JRFC 3 Year Plan - Income Statement	Forecast			Actual						
	30.06.26	30.06.25	30.06.24	30.06.2023	30.06.2022	30.06.2021	30.06.2020	30.06.2019	30.06.2018	30.06.2017
	£	£	£	£	£	£	£	£	£	£
INCOME										
Sponsorship and Donations	899,393	817,630	743,300	690,070	873,094	554,532	827,069	867,866	789,035	886,108
RFU / Premier Rugby	1,000,000	1,000,000	145,833	145,833	159,091	150,322	649,594	653,949	656,815	564,184
Government Grant Requirement	-	300,000	590,000	180,000	-	150,000	250,000	200,000	-	-
Event Income	233,530	212,300	193,000	143,325	41,679	-	-	-	-	-
Other Income	69,712	116,513	75,008	75,008	102,990	155,687	106,056	185,321	67,999	127,626
Subscriptions	-	-	-	-	50,211	32,991	52,352	66,608	55,467	144,723
Debuture Seats	58,583	53,257	48,415	36,293	28,733	8,000	50,576	61,613	38,960	15,757
Gate Receipts	284,812	262,557	252,780	210,650	171,862	46,799	88,078	189,690	195,184	189,291
Investor Contribution	-	-	600,000	936,000	-	-	-	-	-	-
Artificial Grass Pitch Hire (Funded by Santander)	100,320	-	-	-	-	-	-	-	-	-
Bar and Food Sales (3G Pitch Bookings)	225,456	-	-	-	-	-	-	-	-	-
	2,871,806	2,762,256	2,648,337	2,417,180	1,427,660	1,098,331	2,023,725	2,225,047	1,803,460	1,927,689
Trading surplus on bar account	400,891	364,446	323,394	275,118	281,413	30,447	94,477	181,473	111,306	159,973
Trading deficit on food account	-	-	-	-	-	8,787	1,446	4,954	30,515	17,665
Trading surplus on merchandise account	4,087	4,087	4,087	4,087	4,801	4,692	7,173	12,681	17,533	1,759
Net Operating Income	3,276,784	3,130,790	2,975,818	2,696,385	1,713,875	1,124,683	2,123,929	2,424,155	1,901,784	2,071,756
Less: EXPENSES										
Staff costs										
Gross (See below)	2,250,347	2,196,296	2,148,197	2,138,346	1,871,901	1,605,099	1,572,520	1,549,086	1,407,625	1,401,978
Payroll Co-funding	-	-	-	-	31,326	765,455	180,369	-	-	-
Recommended Cost Challenge	(150,000)	(150,000)	(50,000)	-	-	-	-	-	-	-
Net	2,100,347	2,046,296	2,098,197	2,138,346	1,840,575	839,644	1,392,151	1,549,086	1,407,625	1,401,978
Playing costs	577,392	537,047	511,261	531,474	614,020	329,971	465,183	560,413	407,624	387,417
Establishment	161,777	153,300	145,593	148,655	147,276	113,978	164,623	181,647	252,926	274,555
Administration	158,164	141,967	127,243	123,461	128,339	118,200	155,353	138,733	152,264	206,650
Financial and depreciation	84,985	85,860	87,201	87,286	80,807	75,407	78,194	62,777	62,136	67,590
	3,082,665	2,964,470	2,969,494	3,029,221	2,811,017	1,477,200	2,255,503	2,492,656	2,282,575	2,338,190
PROFIT / LOSS FOR THE YEAR BEFORE TAXATION	194,118	166,320	6,324	(332,836)	(1,097,143)	(352,517)	(131,575)	(68,501)	(380,791)	(266,434)
Taxation - Note 1.15	-	-	-	-	847	1,325	-	-	4,250	-
PROFIT / LOSS FOR THE YEAR AFTER TAXATION	194,118	166,320	6,324	(332,836)	(1,097,990)	(351,192)	(131,575)	(68,501)	(385,041)	(266,434)

- Funding reduction from RFU and Government, reduces from £900k in 2020 to £300k 2021
- 2022/23 Government grant £180k received
- 2022/23 Investor contribution £936k (please note: Reds equity and not taken to P&L)
- 2023/24 grant £90k approved
- 2023/24 Funding requested
 - Jersey Government £500k
 - Private Funding £600k
- 2024/25 Funding requested £300k (subject to Santander bi-annual review)
- Positive trend for gate receipts post Covid 19 impact
- Strong trading surplus on bar account
- Building new event income stream 2022-2026
- Santander 3G pitch funding to generate sustainable income and remove Government funding requirement
- Costs challenge and salary review (£150k recommendation)

A photograph of a rugby scrum in progress on a field. The players are wearing dark blue and red kits. In the background, there is a large stadium building with a balcony full of spectators. The entire image has a red color overlay. A vertical white line is positioned to the right of the text.

Staff Costs

Jersey Reds – Staff Costs

JRFC 3 Year Plan - Income Statement	Forecast			Actual						
	30.06.26	30.06.25	30.06.24	30.06.2023	30.06.2022	30.06.2021	30.06.2020	30.06.2019	30.06.2018	30.06.2017
	£	£	£	£	£	£	£	£	£	£
Staff Costs										
Players	1,156,212	1,156,212	1,156,212	1,129,976	968,344	834,463	1,215,174	1,231,435	1,076,387	1,172,233
Coaches	507,012	482,869	459,875	434,227	396,995	368,416				
Administration	528,960	501,822	479,354	476,713	428,116	346,408	339,707	319,370	331,238	205,053
	<u>2,192,184</u>	<u>2,140,902</u>	<u>2,095,440</u>	<u>2,040,916</u>	<u>1,793,455</u>	<u>1,549,287</u>	<u>1,554,881</u>	<u>1,550,805</u>	<u>1,407,625</u>	<u>1,377,286</u>
Player rent costs	58,164	55,394	52,756	97,430	47,121	55,812	17,639	(1,719)		24,692
	<u>2,250,347</u>	<u>2,196,296</u>	<u>2,148,196</u>	<u>2,138,346</u>	<u>1,840,576</u>	<u>1,605,099</u>	<u>1,572,520</u>	<u>1,549,086</u>	<u>1,407,625</u>	<u>1,401,978</u>

Championship Player Salary Comparatives 2022/23

1. Ealing £4m plus
2. Coventry £2.5m plus
3. Doncaster £2m plus
4. Cornish Pirates £2m
5. **Reds £1.1m**

Jersey Reds – Staff Costs continued

2022–23 RFU Championship Table											V·T·E
	Club	Played	Won	Drawn	Lost	Points for	Points against	Points diff	Try bonus	Losing bonus	Points
1	Jersey Reds	22	20	1	1	804	391	413	18	0	100
2	Ealing Trailfinders	22	19	0	3	915	359	556	19	3	98
3	Coventry	22	17	1	4	733	523	210	18	1	88
4	Bedford Blues	22	12	0	10	697	619	78	16	3	67
5	Cornish Pirates	22	13	0	9	510	516	-6	7	2	61
6	Doncaster Knights	22	10	0	12	565	583	18	9	3	52
7	Hartpury	22	10	0	12	504	571	-67	7	3	50
8	Amphill	22	8	1	13	512	626	-114	10	3	47
9	Nottingham	22	7	0	15	548	655	-107	12	3	43
10	Caldy	22	7	0	15	452	721	-269	8	3	39
11	London Scottish	22	4	0	18	419	706	-287	5	5	26
R	Richmond	22	3	1	18	413	762	-389	5	4	21



3G Pitch

3G Pitch

- CSR contribution to the island, includes daily Community / Jersey Government use of 3G pitch (free of charge) and provision of the Jersey Reds players and coaching staff.
- 5-a-side football and touch rugby availability evenings.
- Pitch and facilities suitable and available for Muratti fixtures.
- Compliments Strive and facility requirements for UK professional rugby / football.
- Pavilion bar and food services offered to support 5-a-side, touch rugby and Mini & Juniors (parents).
- Sustainable income removes Government funding requirement in full for 2025/26 season.
- 3G pitch to be funded by Santander from June 2025 (ahead of 2025/2026 season)

3G Pitch continued

Day	Time												
	9-10	10-11	11-12	12-1	1-2	2-3	3-4	4-5	5-6	6-7	7-8	8-9	9-10
Monday	Jersey Reds training			Community / Jersey Government				5-a-side / Touch Rugby					
Tuesday													
Wednesday													
Thursday													
Friday													
Saturday	Jersey Reds / JRFC							5-a-side					
Sunday	Mini's and Juniors			JRFC									



Island Contribution



Jersey Reds – Island Contribution

- Jersey Reds support of Women's and age grade rugby. Providing 10 coaches for the 2022/23 season.
- Provides support for Jersey rugby through all grades, removing requirement for Government support.
- There are currently 10 Jersey residents employed by the club.
- Club expenditure with local breweries c. £200k per annum.
- c. 1,250 return flights per annum for players and supporters – contributing to the sustainability of Jersey routes.
- Average 1,500 people entertained per home fixture, including children (aqua splash, cinema, bowling at risk).
- The primary venue on the island for corporate hospitality, integral to the Jersey Finance industry for fostering business.
- Travelling supporters account for up to 10,000 hotel rooms and 9,000 one-way flights travel per annum in shoulder and low tourist season (likely to increase materially under PGA fixtures).
- Supporter travel to and from home fixtures provides a material revenue stream to the Jersey taxi companies.

Jersey Reds – Island Contribution continued

Jersey Reds (Events) have created a new revenue stream in the last 2 years where sporting celebrities are brought to the island for guest speaking events (hosted at the Jersey clubrooms). The events provide the island, across a wide range of sports, with insight and access to well known current and past sporting celebrities.

Speakers to visit the island include:

Rugby:

- Eddie Jones – twice over 3 nights
- Chris Robshaw – ex-England rugby captain
- Johnny Sexton – Ireland captain over 2 nights
- Richie McCaw – the best player the game has ever known over 2 nights
- Brian O’Driscoll – ex-Ireland rugby Captain and British and Irish Lion
- Rory Best – Ireland and B@I Lion
- Sean O Brien - Ireland and B@I Lion
- Nigel Owens – International rugby referee
- Sam Warburton - Wales and B@I Lion
- Mike Tindall – England international
- Lawrence Dallaglio - England and B@I Lion. World cup winner
- Gregor Townsend - Scotland and B@I Lion
- Matt Dawson - England and B@I Lion. World cup winner
- David Flatman – England

Non-rugby:

- Phil Tufnell – England cricket
- Sir Bradley Wiggins – first British winner of the Tour de France
- Jason Fox – ex-SAS and popular TV presenter
- Gabby Logan – renowned sports presenter and Olympian
- Frank Bruno – world champion heavyweight boxer
- Sir Chris Hoy (Oct 2023) – multiple Olympic and World champion cyclist

Thank you.

Our purpose is to help people and business prosper.

Our culture is based on believing that everything we do should be:

Simple Personal Fair

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM



FTSE4Good



Santander International

