

REPORT TO: Audit and Governance Committee
MEETING DATE: 17 September 2019
BY: General Manager
SUBJECT: Musselburgh Racing Associated Committee

11

1 PURPOSE

- 1.1 To provide commentary to the Audit & Governance Committee on the 2018-19 Racecourse audit process.
- 1.2 To report to the Audit & Governance Committee on the Racecourse performance to date and the likely financial position of the Musselburgh Racing Associated Committee (MRAC) after the conclusion of the tender process to appoint a 3rd party to operate the Racecourse.

2 RECOMMENDATIONS

- 2.1 The Audit & Governance Committee are asked to note the update on the audit process.
- 2.2 The Audit & Governance Committee are asked to note the likely financial position of the MRAC after the conclusion of the tender process to appoint a 3rd party to operate the Racecourse.

3 BACKGROUND

3.1 2018-19 Racecourse Audit

- The unaudited accounts show a profit for the year 2018-19 was £46,947
- Net Expenditure on Essential Maintenance and Capex Development Programmes was £31,558
- The Surplus before non-recurring, unbudgeted exceptional costs was £15,389
- The retained profit (reserves) at the beginning of the year was £187,317

- The retained profit (reserves) at the end of the year before non-recurring, unbudgeted exceptional costs was £202,706
- Non-recurring, unbudgeted exceptional costs were £352,306
- The net increase/decrease in retained profit (reserves) for the year was a decrease of £336,917
- The retained profit (reserves) at the end of the year was a deficit of £149,600

Commentary:

- The principle cause of the deficit is the allocation of costs (£295k) to the Racecourse by the Council for the legal fees incurred during the procurement process to appoint a 3rd party racecourse operator.
- Scott-Moncrieff, the Racecourse external auditors began their audit for the financial year ending on 31 March 2019 on 13 May 2019. Prior to the MRAC meeting on 25 June 2018, the 2018-19 audit process was on schedule for completion in July 2018. There was a racecourse audit sub-committee clearance meeting scheduled for 23 July 2019 with Scott-Moncrieff.
- On 25 June 2019 the MRAC disbanded the racecourse audit-sub-committee (membership Councillor Katie Mackie and Robert Miller-Bakewell). The MRAC agreed that the MRAC Chair and Council Officials will take forward the racecourse audit process.
- The meeting with the racecourse audit sub-committee and the external auditors on 23 July 2019 was postponed and the clearance meeting will now take place on 17 September 2019.
- The audit process is behind schedule and there remains some uncertainty over the allocation of the unbudgeted Pinsent Mason legal fees amounting to £295k.

3.2 2019 Financial Position of the MRAC

- The MRAC started the financial year on 1 April 2019 with a deficit on its balance sheet of £149,600 (unaudited position).
- The anticipated handover date to the 3rd party operator is 15th October 2019.
- The forecast profit for the period from 1 April to 15 October 2019 is £29,167, which is significantly less than £149,600 and it is anticipated that the MRAC will therefore carry over a deficit when it ceases to operate the Racecourse.
- At the previous Audit & Governance meeting the Racecourse General Manager informed the Committee that he would work with Council Officials to explore ways to address the possibility of a deficit.
- The current Racecourse License expires on 15 October 2019. Council Officials have started the license renewal application process for the period from 15 October 2019 to 31 December 2019 and the license application for the calendar year 2020.

4 POLICY IMPLICATIONS

4.1 None

5 EQUALITIES IMPACT ASSESSMENT

5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy

6 RESOURCE IMPLICATIONS

6.1 Financial – See above

6.2 Personnel - None

6.3 Other – None

7 BACKGROUND PAPERS

7.1 2018-19 Summary of Financial Statements

AUTHOR'S NAME	Bill Farnsworth
DESIGNATION	General Manager
CONTACT INFO	Tel 07710 536 134
DATE	Thursday, 12 September 2019

YEAR 2018/19

FINANCIAL STATEMENTS

for the year ended 31st March 2019

Required by

BRITISH HORSERACING AUTHORITY

In accordance with The Rules of Racing

=====

Name of Racecourse.....MUSSELBURGH.....

Any Communications respecting this Form should be addressed to -

**REGISTRY OFFICE OF THE BRITISH HORSERACING AUTHORITY
151 SHAFTESBURY AVENUE, LONDON WC2H 8AL**

**Musselburgh Racing Associated Committee
(formerly Musselburgh Joint Racing Committee)**

Profit and Loss Account

for the year to 31st March 2019

		2019		2018		
Profit directly relating to race days -	£	£	£	£		
Flat	461,644		515,329			
National Hunt	<u>480,389</u>		<u>429,009</u>			
		942,033		944,338		
Add - Fixed income		<u>932,712</u>		<u>970,309</u>		
		1,874,745		1,914,647		
Deduct - Fixed expenditure		1,827,798		1,683,530		
Profit for the year		<u>46,947</u>		<u>231,117</u>		
Donation to East Lothian Council in relation to capital expenditure	(31,558)	(45,427)
Exceptional Costs - (Note 2)	(352,306)	(55,769)
Retained (loss) / profit		<u><u>336,917</u></u>		<u><u>129,921</u></u>		

The notes on page 5 form part of the Financial Statements

**Musselburgh Racing Associated Committee
(formerly Musselburgh Joint Racing Committee)**

Balance Sheet at 31st March 2019

		2019		2018
	£	£	£	£
FIXED ASSETS				
Investments (Note 3)	<u>74,462</u>	74,462	<u>74,462</u>	74,462
 DEBTORS				
Debtors	1,035,879		901,113	
Balance on Racecourse Bank Account	<u>6,161</u>		<u>30,294</u>	
	<u>1,042,040</u>		<u>931,407</u>	
 CURRENT LIABILITIES				
CREDITORS :				
Balance on ELC Bank Account	(609,177)		(129,068)	
HBLB Loan	(-)		(51,713)	
Amounts falling due within one year (Note 4)	<u>(656,925)</u>		<u>(637,771)</u>	
	<u>1,266,102</u>		<u>818,552</u>	
NET CURRENT (LIABILITIES) / ASSETS		(224,062)		112,855
TOTAL ASSETS LESS CURRENT LIABILITIES		(<u>149,600</u>)		<u>187,317</u>
 CAPITAL AND RESERVES				
Other Reserves - Retained Profit (Note 5)		<u>(336,917)</u>		<u>187,317</u>
		<u>(336,917)</u>		<u>187,317</u>

The notes on pages 5 form part of the Financial Statements

Approved on

.....
Chairman

Musselburgh Racing Associated Committee
(formerly Musselburgh Joint Racing Committee)
Notes to the Financial Statements 31st March 2019

(1) ACCOUNTING POLICIES**Accounting convention**

The financial statements are prepared under the historical cost convention.

Going concern

The operational existence of the racecourse is dependent upon both having fixtures and a BHA licence. Fixtures for calendar 2019 have now been confirmed by the BHA. Whilst the current BHA licence only runs until mid October 2019, members of MRAC are confident that the BHA will issue further temporary licences, in the event the process for appointing a third party operator for the racecourse is not completed.

The Committee is in a net liabilities position, however, with the support of the East Lothian Council, and with regard to the circumstances outlined above, the members of MRAC have reasonable expectation that the racecourse has adequate resources to continue in operational existence until at least the end of calendar 2019.

Investments

Investments are initially recognised at cost are then determined at valuation annually.

Income

Profit directly relating to race days represents admission and other related income including sponsorship less direct race day expenditure and net prize money.

Fixed expenditure

Fixed expenditure represents the costs of running the racecourse which cannot be attributed directly to individual race days. These are recognised in the year in which they occur.

Taxation

The Committee is exempt from taxation.

(2) EXCEPTIONAL COSTS

	£
Tender Process - Legal Fees	295,189
Tender Process - General Costs	10,525
Tender Process - Open Day	19,191
Other Legal Fees - HR Advice	6,921
Other Legal Fees - Employee Claim	20,480
	<u>352,306</u>

(3) INVESTMENTS

	£
Cost or valuation	
Balance at beginning	74,462
Additions	-
At 31 March 2019	<u>74,462</u>

Investments at 31 March 2019 consist of a 1.6% stake in Britbet Racing LLP.

The value of the investment at the year-end is the value of the capital introduced into the LLP. The committee have considered the valuation of this at the year-end and are satisfied that no adjustment to the carrying value is required

(4) CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Other Creditors	656,925	637,771
	<u>656,925</u>	<u>637,771</u>

(5) RETAINED PROFIT

	2019	2018
	£	£
Balance at beginning	187,317	57,396
(Loss) / profit for the year	(336,917)	129,921
Balance at end	<u>(149,600)</u>	<u>187,317</u>