



**MINUTES OF THE MEETING OF
MUSSELBURGH RACING ASSOCIATED COMMITTEE**

**TUESDAY 23 APRIL 2019
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

Committee Members Present:

Councillor F O'Donnell (Chair)
Councillor A Forrest
Councillor K Mackie
Councillor S Currie
Mr R Miller-Bakewell
Mr R Anderson Green

In Attendance:

Mr B Farnsworth, Racecourse General Manager (Items 1-3)
Ms S Montgomery, Racecourse Commercial Manager (Items 1-3)
Mr D Kennedy, Racecourse Financial Controller (Items 1-3)
Mr A McCrorie, Depute Chief Executive (Resources and People Services), ELC
Mr C Grilli, Service Manager, Legal and Procurement, ELC

Clerk:

Ms S Birrell

Apologies

None

Declarations of Interest

None

Before the commencement of the main business of the meeting, Mr Anderson Green asked why the draft minute of the previous meeting had not been made available, as in terms of the Minute of Agreement said draft minutes should have been circulated within 21 days of a meeting date. The Chair apologised for the delay in circulating the draft minutes and assured Mr Anderson Green that they would be made available as soon as reasonably practicable.

1. APOLOGIES

There were no apologies.

2. FINANCE – QUARTER 1-4 – REVIEW 2018/19

A report had been submitted by the Racecourse General Manager and Financial Manager of Musselburgh Racecourse to update the Committee on the profit/loss forecast for the year from 1 April 2018 to 31 March 2019 at the end of the first and second quarter.

Mr Farnsworth advised that the Racecourse had forecast a loss of £35,351 for 2018/19 and forecast expenditure on Essential Maintenance and Capex Development was £31,558. Additional exceptional costs had led to an overall balance sheet position of minus £218,354 at the year end. It would be difficult to compare 2018/19 with other years for several reasons, including that media rights income had been less than predicted due to a downturn in the number of runners, a combination of heavy ground in the spring after the Beast from the East, and then a very dry summer. Also contributing to the year's pressures were five abandonments and four extra race meetings, which he described as extraordinary. There had been an increase in rent, and also necessary expenditure on buildings before the Racecourse's Open Day. Further unexpected costs related to maintenance due to a lack of spending in recent years, and increases in the Racecourse's overall operating costs. He highlighted that harness racing fixtures had not impacted the Racecourse's financial position, as income gained from events and the expenditure necessary to hold meetings had been similar. Mr Farnsworth drew comparisons between Musselburgh and Catterick Racecourses to illustrate the difficulties that Musselburgh had undergone during the previous year. He informed the Committee that since the report had been collated further income had been received and it was possible the Racecourse would finalise their accounts with a small profit of £10,000 for the year 2018/19.

The Chair thanked Mr Farnsworth for his report, and asked him to record her thanks to all of the staff at the Racecourse.

She asked whether it was an effective strategy to offer free admissions on extra racedays which are staged at very short notice following abandoned race days. Mr Farnsworth responded that it was a matter of maintaining goodwill, particularly with Heritage Portfolio, the company responsible for catering at the Racecourse. The caterers suffer losses as a result of abandonments and lose money again when crowds are small on extra racedays. The Racecourse makes money from extra racedays so free admission is a strategy to attract a crowd to minimise the loss incurred by the caterers. Income from admissions was a very small proportion of the Racecourse's income from extra racedays, and it was also important to create a good atmosphere on all race days, including extra racedays.

In response to further questions from the Chair, Mr Farnsworth clarified that reductions to prize money had been strategic, and were actioned as soon as staff realised the financial pressures of the year. Sponsorship had been lost as a result of the abandonment of the Cheltenham Trials, and more generally, corporate sponsorship had become difficult to

secure, even from racing-related companies. The Tote had provided a good deal of sponsorship at one time, but this was no longer the case.

The Chair asked where legal fees had been recorded in the budget papers and the Finance Manager directed her to the relevant column. He added that media rights finance would be allocated per fixture in the final report.

In response to questions from the Chair regarding harness racing, Mr Farnsworth explained that there were bio-security measures which had to be actioned relating to harness racing events, particularly if these events were held close to race meeting days. Musselburgh Racecourse had been obliged to apply to the BHA for special dispensation as one of their planned harness racing events was only three days before a race meeting. They had been required to carry out a deep clean of stable facilities.

The Chair asked whether accounts would be completed by June. Mr Kennedy responded that they were working on this basis, mindful of the requirement that accounts had to be sent for auditing by 10 May 2019.

Mr Miller-Bakewell noted his concerns over the Racecourse bearing the cost of advice from Pinsent Masons. The Chair responded that it was normal practice for East Lothian Council to recharge departments or other businesses for the costs of services it provided.

Mr Anderson Green supported Mr Miller-Bakewell's comments, and asked about the breakdown between the Pinsent Masons expenses and other legal fees. Mr Farnsworth confirmed that invoices from Pinsent Masons had totalled just under £300,000 to date. In response to further questions from Mr Anderson Green, Mr Grilli confirmed that all invoices had been paid by the Council and the money was recovered from the Racecourse. There were no instructions with Pinsent Masons for further work at this time.

Mr Anderson Green submitted that he was unhappy and uncomfortable with the expenditure incurred, and the lack of control placed upon said expenditure. He had been of the view that Carlo Grilli, as East Lothian Council's Head of Legal and Procurement, was familiar with public sector procurement process and did not understand why the Council had required such extensive expert legal advice. The Chair noted Mr Anderson Green's feelings on the matter but was not of the view that East Lothian Council had offered to cover these costs, or that the volume of work required was minimal. Mr Anderson Green repeated that he had been of the opinion that East Lothian Council had contributed less than he had been led to expect. The Chair agreed a good deal of work had been carried out, but that she was of the opinion it was important to manage the situation correctly and achieve certainty.

In response to a further question from Mr Anderson Green, Mr Grilli reminded the MRAC that questions regarding future rent costs for the Racecourse were not within the remit of the Committee. The Committee discussed current and recent rents. Mr Farnsworth confirmed that rent value had been established at £198,000 but the Racecourse currently paid £140,000, up from £121,000 prior to 2018. Mr Anderson Green stated it was important for the public to understand that rent for the Racecourse was within the MRAC budget. Mr Grilli warned Mr Anderson Green to be careful of prejudicing an ongoing procurement process.

Mr Anderson Green asked if money raised from the sale of plant, machinery, fixtures and fittings of the Racecourse would be included in the Racecourse balance sheet. Mr McCrorie confirmed that this would be the case. Mr Anderson Green noted his concerns that local press could report that the Racecourse was running at a cost to local tax and rate payers.

Councillor Currie stated that it had been clear to him from the outset that the Racecourse would bear the cost of advice from Pinsent Mason, and recommended members refrained from referring to the Racecourse in negative terms. He asked about capital expenditure, specifically whether there was value in forward planning, and years where there were fewer requirements for expenditure. Mr Farnsworth responded that there were ongoing costs year on year due to the nature of the business and the racecourse had a 10-year capex plan, which was in the Finance reports.

In response to further questions from Councillor Currie, Mr Farnsworth reported that there had not been detailed work carried out on the cost benefits and disadvantages to abandonments, which happened in 2018-19 because the abandonments were all out with the control of the Racecourse. He talked about the complexity of this issue: for example, that money would be saved on prize money, but lost on media rights. On balance he stated it was not positive in financial terms to lose a fixture. Mr Farnsworth also confirmed that the Racecourse were keen to diversify, but there were several barriers to this due to the nature of the facilities they were able to offer and the location of the racecourse in a residential conservation area.

Mr Miller-Bakewell pointed out that rent paid by Musselburgh Racecourse was significantly above average when compared with other racecourses. He asked for the Committee to return to the discussion on Pinsent Mason invoices, remarking that there had been a breakdown in the governance of the MRAC in terms of likely expenditure. The Chair noted her appreciation of his passion on the subject. There was further, brief discussion on rent, levels of prize money, the category of the Racecourse which was currently Category C, and inclusion of figures within the budget report.

Decision

The Committee agreed to note and approve the financial performance to date and the forecasts to the year ending 31 March 2019.

3. BUDGET REPORT 2019-20

A report had been submitted by the Racecourse General Manager and Financial Manager to present the draft of the 2019-20 budget to the MRAC for approval.

Mr Farnsworth presented the report, explaining that the balance sheet on 1 April 2019 before non-recurring exceptional costs will be £122,000. The Balance sheet on 1 April 2019 after non-recurring exceptional costs will be minus £218,354. Despite this, the Racecourse was forecasting to make a small profit of £83,000 by the end of the financial year, which would bring the overall balance to minus £140,000. A significant impact on the year had been the introduction of gambling legislation which was expected to bring about the closure of 1300 betting shops, with an estimated reduction on the Racecourse's betting income of £192,000.

The budget incorporated race-by-race data, and had calculated media rights income based on the number of runners per race. He had not included the Racecourse's share of contingency monies held by the RMG, which were currently £79,000, because this figure was subject to change if many courses abandoned race meetings through the year. He drew the Committee's attention to paragraph 3.4 of the report, pointing out that the balance between percentage of media rights income allocated to prizemoney was fairly narrow, as evidenced at paragraphs 3.4.2 and 3.4.3.

In response to a question from the Chair, Mr Farnsworth explained that the RMG held sufficient funding to cover 70 abandonments, but if there were more than this the £79,000

contingency fund would reduce. He added that last year there had only been 49 abandonments.

The Chair asked about the information included at paragraph 3.3.7 of the report. Mr Farnsworth explained that a new media rights deal included a new way of delivering pictures. The business that had previously delivered pictures, Turf TV, was part owned by Musselburgh Racecourse, and therefore a one-off dividend of £66,000 had been paid to them, once the Turf TV Company had been wound up. The new Alizeti/Britbet payment would be included in Racecourse income from April 2019 onwards.

Councillor Currie asked in terms of governance and scrutiny, whether Mr Farnsworth felt the level of prize money budgeted for the year 2019/20 was appropriate. Mr Farnsworth confirmed that there had been a decrease of £1000 per race meeting but was open to further suggestions from the Committee on this matter. He explained that prize money was 'locked in' very early in the race planning process, and was difficult to change at this stage, particularly in the first third of the racing year, which included Easter. In response to a further question from Councillor Currie, Mr Farnsworth highlighted that if the MRAC was continuing in its present form, he would have asked for the development of a three-year plan concerning prize money.

Councillor Currie asked Mr Farnsworth if he felt that the budget for 2019/20 was affordable and sustainable. Mr Farnsworth admitted that if the MRAC was planning to continue to run the Racecourse for the next three years, he would have requested a further reduction in prize money because the racecourse would not be making a large enough profit. But there was little potential to save money between now and the anticipated date of handover, and he was confident that the new operator could make the race programme work, particularly given that the Racecourse had not operated as it should have done for the last six years under the MJRC/MRAC.

In response to a question from Councillor Forrest, Mr Farnsworth confirmed that he had taken account of potential weather issues experienced last year when creating the budget for 2019/20, adding that a cautious budget had been prepared as it was not in the interests of the Racecourse to be over-optimistic. In response to further questions from Councillor Forrest, Mr Farnsworth assured the Committee that the correlation between figures at paragraphs 3.3.5 and 3.3.6 of the report were coincidental.

Councillor Forrest asked about maintenance costs. Mr Farnsworth reported that the Racecourse had been using a local workforce for track maintenance instead of a travelling service who were more expensive. There were issues over the management of a local workforce, but the cost implication had been prioritised.

The Chair noted her concerns over the competence of the MRAC to approve the budget at this time, and recommended that it should be remitted to Mr Farnsworth for completion. She also requested that Mr Farnsworth produce a seven-month, zero-balance budget, to cover the period before a new operator would be in place. Mr Farnsworth pointed out that there was a 7-month budget in the report showing a profit, which would take the MRAC up to the point of transfer to a new operator.

Decision

The Committee agreed:

- i) to remit the finalisation of the 2019/20 budget to the Racecourse General Manager, and
- ii) to remit to the Racecourse General Manager the preparation of a balanced seven month budget, to cover the time period until completion of the transfer of the Racecourse to a third party provider.

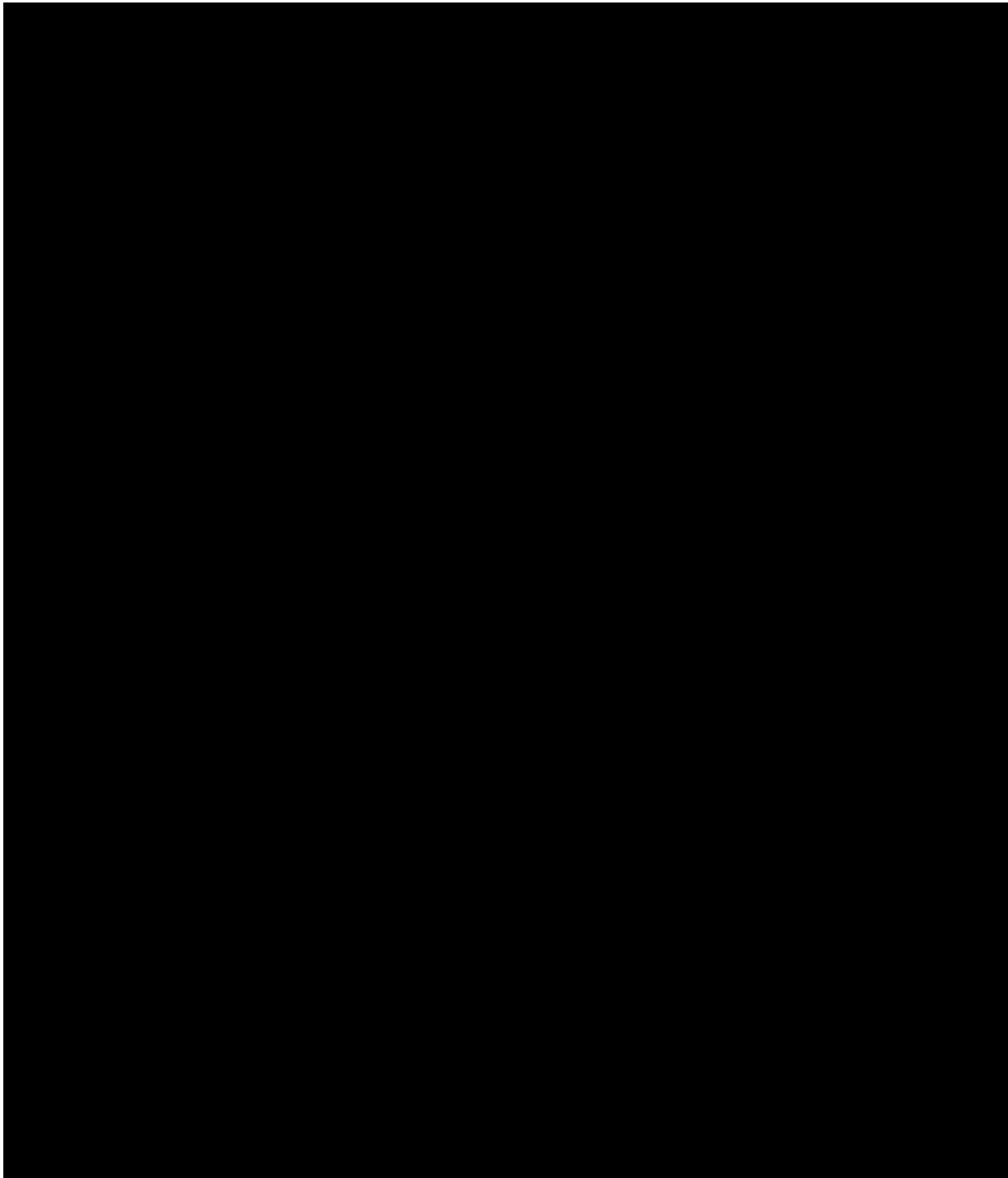
SUMMARY OF PROCEEDINGS – EXEMPT INFORMATION

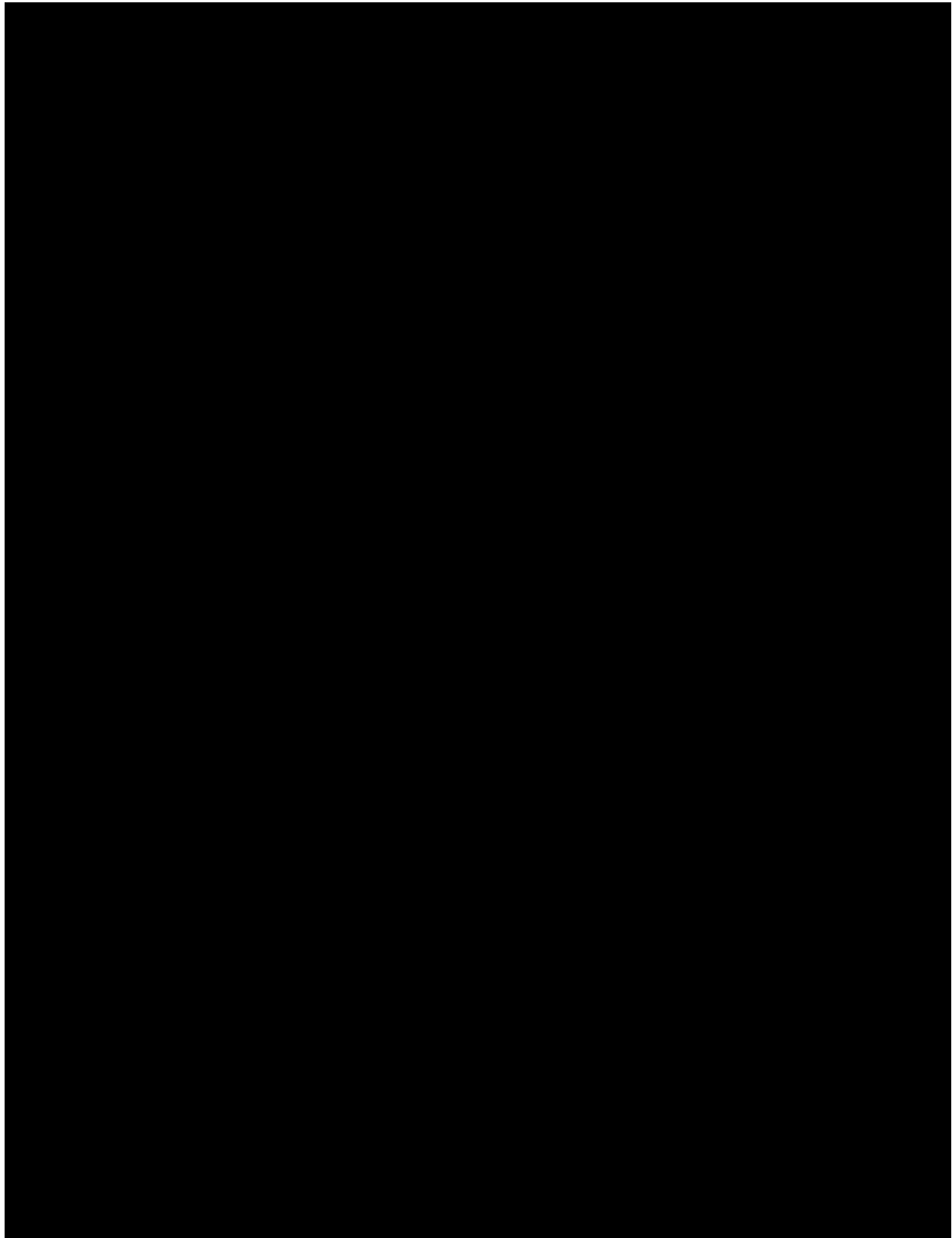
The Chair informed the MRAC that after a short break they would exclude the public from the following business containing exempt information by virtue of Paragraph 1 (information relating to particular employees of the authority) of Schedule 7A to the Local Government (Scotland) Act 1973.

Sederunt: Mr Farnsworth, Ms Montgomery and Mr Kennedy left the meeting.

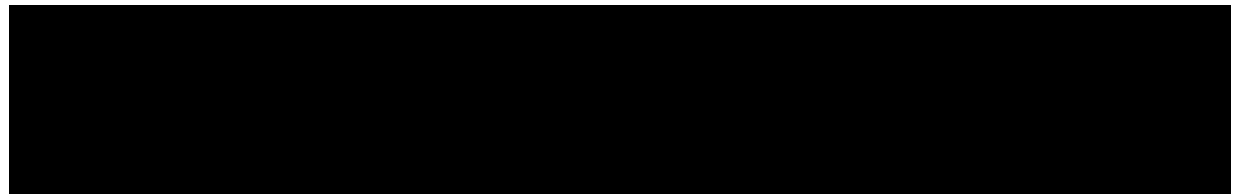
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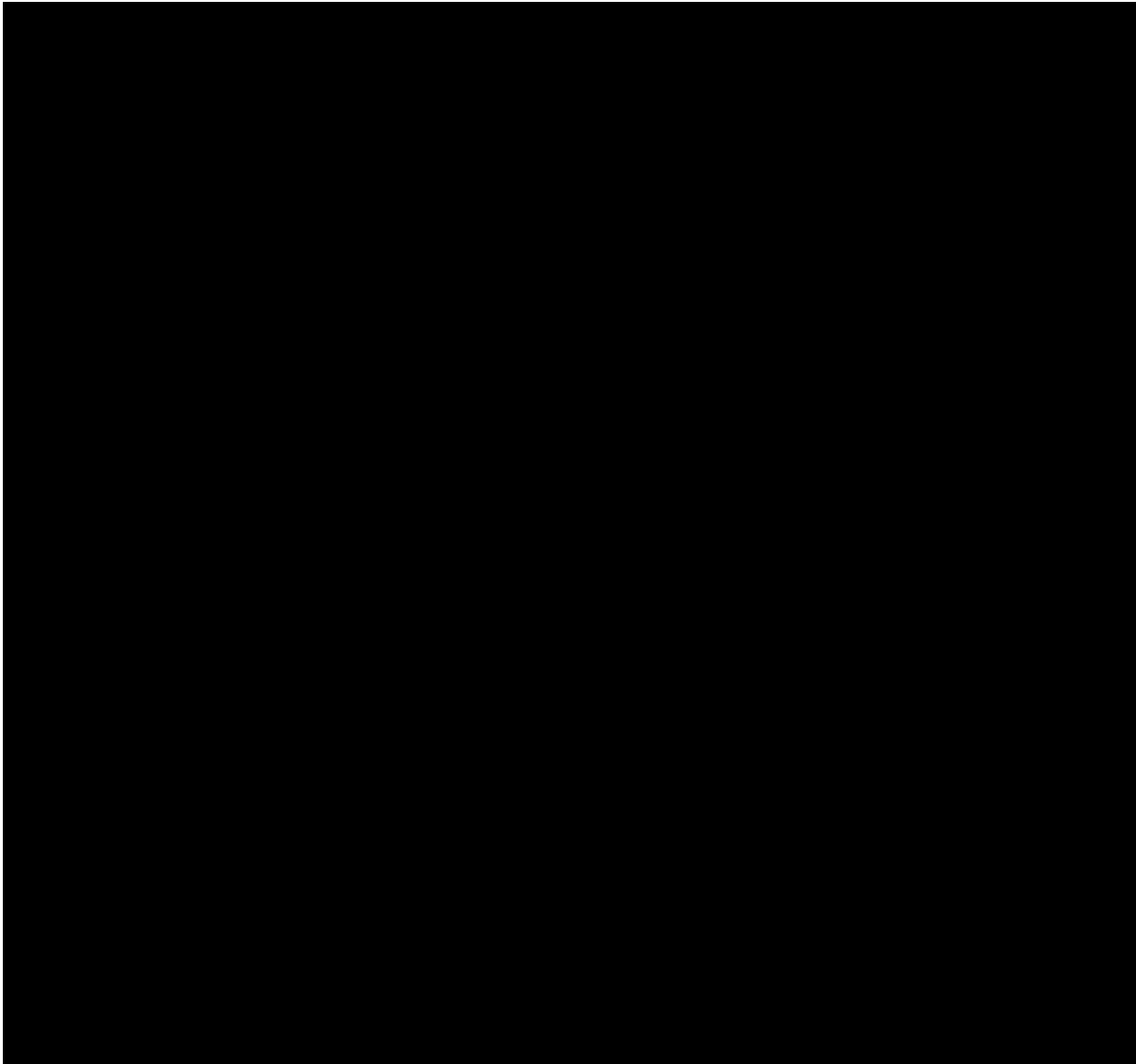
4. STAFFING MATTERS





5. HR MATTERS





Signed

Councillor F O'Donnell
Chair of Musselburgh Joint Racing Committee