



## The Horserace Betting Levy Board Annual Report and Accounts 2015/16

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# **The Horserace Betting Levy Board Annual Report and Accounts 2015/16**

Annual Report and Accounts presented to Parliament pursuant to Section 31  
of the Betting, Gaming and Lotteries Act 1963.

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**Photograph: Edward Whitaker, Racing Post.**

Front Cover – *Paul Mulrennan and Mecca's Angel win the Group 1 Coolmore Nunthorpe Stakes at York, 21 August 2015.*



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## CHAIRMAN'S STATEMENT



The 54th Levy Scheme, ending on 31 March 2016, was at one level business as usual in the day to day operations of the Board, notwithstanding that business

was conducted against a background of proposed significant change. Initially, there had been an announcement of the planned introduction of the Horserace Betting Right. However, by the year end the Government's thinking had evolved and it announced its intention to replace the existing Levy Scheme by 1 April 2017. Because, as yet, there are few further details, there is considerable uncertainty as to the precise implementation of these proposals.

In financial terms the headline numbers from the Levy year were: income down from £72.5m to £70.0m; total expenditure of £78.1m up from £76.5m; and an overall deficit of £8.1m. At year end, our reserves had fallen to £32.9m from £41.0m at the same point in 2015.

Unfortunately it was not possible to agree the terms of the 55th Levy Scheme around the Board table. I shall return to this later, but one element missing in the 55th Levy Scheme year is therefore the Minimum Guarantee from the main retail bookmakers of an amount of our statutory income. This leads to further uncertainty as to the income outlook for the year. We are mindful of not allowing our reserves to fall very much further.

Clearly a major issue going forward is how exactly Racing will be funded by the contribution from Betting on its horseracing activity, and how the new regulations will operate.

I welcomed Government's announcement in March 2016 of its intention to require bookmakers based outside Britain to make a statutory contribution to British racing. For many years I have said that the absence of a level playing field between bookmakers based in different geographical locations was unfair and inconsistent. Indeed the extension of the Levy to operators overseas was something that the whole Board itself had espoused as long ago as 2010.

In its current proposals, Government has decided to preserve one of the key principles of the Horserace Betting Right in that monies raised under the new structure will be passed to Racing, which will be responsible for decisions on distribution.

The Government itself will take responsibility for deciding the basis on which betting operators will pay. The only function of the Board that will remain is collection of funds, including enforcement. Government's aim is to have the new system fully in place by April 2017.

Meeting this timetable will require much work to be done in the coming months. This will include, we understand, the necessary clearances for the proposal being received from the European Commission. The Government's process of notification to the Commission is expected to get underway formally in summer 2016.

As ever, the Board members and the Executive stand ready to assist Government as it develops the successor arrangements.

Arising from this, the principal challenges for the Board are the management of its financial position and the critical issue of the retention and morale of its staff. I cannot stress too highly the pivotal importance of staff retention if we are to be able to carry out our statutory duties as long as they remain to be carried out by us and to effect a smooth transition of our functions to new organisations, to the extent that this is needed.

The latter is particularly important, whatever the precise future of the Board proves to be. It will be of invaluable assistance to Government, Racing and Betting in developing the new arrangements for there to be an independent, experienced team able to advise them.

To this end, the Board is seeking to put in place appropriate incentives to encourage staff to remain motivated and committed, measures which are common practice in business life. Inevitably, staff will have concerns about the impact of the new system which, under current plans, appear to leave, at most, only a few existing roles in place.

A strong management team will also be necessary as the Board navigates a careful path through the difficult financial position with which it is now confronted.

The Board decided to hold 2016 distribution levels substantially as they had been in 2015 in the knowledge that this may necessitate a very substantial reduction in distribution in calendar year 2017. We currently estimate that we will incur a budget deficit in the 2016/17 financial year of some £13.0m. We are able to incur this deficit by utilising reserves that have been carefully built up over past years but these are not inexhaustible.

Any continued decline in our income will be felt particularly keenly because of the absence this year of a Minimum Guarantee from the largest retail bookmakers. These four firms had undertaken collectively to ensure a minimum payment to the Board of £47.5m in 2015/16.

This welcome measure of security gave the Board certainty in its financial planning. However, without this guarantee, which was never part of any statutory scheme, the Board will have to be even more cautious about its commitments to expenditure.

On a more positive note, a new factor has been introduced into the Board's financial planning with Racing's agreements with various remote betting operators. I welcome the fact that the payments are being made to the Board and we will apply these with the same transparency as other funds that we receive.

These arrangements see a contribution being made to the Board's finances by these companies in return for Racing granting to them "Authorised Betting Partner" status. Because the arrangements are deemed confidential between those parties, there is limited information available to the Board as to the likely forecast income from these firms. The Board also has restricted visibility as to the basis of the agreements.

As I have already noted, the Board and the Bookmakers' Committee failed to agree by 31 October 2015 the terms of the 55th Levy Scheme. The Secretary of State, considering the matters thrown up in the Determination that fell to him, quickly decided that the terms of the 55th Levy Scheme should mirror entirely those of the 54th Levy Scheme.

In parallel with the discussion on the statutory scheme, I chaired separate discussions between certain parties from both Racing and Betting with a view to achieving the generation of additional revenue to the Board arising from the online off-shore betting activity. It is regrettable that, ultimately, both the non-statutory arrangements and the statutory scheme were not the subject of accord by 31 October. However, the discussions were worthwhile and demonstrated that, on both sides, there was a desire to make progress and avoid discord if possible.

As I have already noted, the Government announced in March 2016 certain proposals for the future and these may or may not lead some parties involved to wait for Government to conclude the process of agreeing a charging structure for the new system rather than coming to funding agreements between themselves.

The work of the Board itself has been assisted considerably since January 2016 by the appointments of Lord Risby and Neil Goulden as my fellow Government Appointed Members. Their presence at Board meetings has already provided an invaluable additional perspective to discussions and they have also chaired meetings of, respectively, the Board's Remuneration and Audit Committees.

As I have set out above, the year ahead for the Board as a whole can fairly be characterised as challenging. There is much change in prospect. However, I, the rest of the Board and the staff remain fully committed to providing assistance to all parties involved as we seek to work harmoniously to find solutions for the mutual benefit of Racing and Betting.

**Paul Lee**  
Chairman





## CHIEF EXECUTIVE'S REVIEW



It was beneficial for both Racing and Betting that it was possible for the Board to maintain key expenditure headings in pursuit of its strategic objectives.

However, the amount that will be distributed in calendar year 2016 is £4m less than the previous year. The advantages of having rebuilt reserves over recent years were evident as income again declined.

The budgeted cut in 2016 expenditure was agreed in recognition of the anticipated deficit for 2015/16. The majority of this reduction is in the allocation to prize money, the largest item of expenditure, accounting for some 40% of total prize money in British racing. Following consultation with interested parties, it was agreed that some specific prize money funds should be targeted but that an across the board percentage decrease was broadly appropriate.

Minor changes were made to refine the process that drives the allocation of the main part of the Board's prize money budget, the General Prize Fund. This again provided an incentive for a racecourse to invest more of its own money into prize money as the award from the Board is linked directly to the racecourse's commitment for the forthcoming year. The Board carried out successful online auctions between racecourses to determine Levy funding for oversubscribed fixture slots where demand was greater than supply.

In contrast to the overall cut in the total budget, there was an increase in the provisions for incentive schemes targeted at Jump racing.

The Board decided to prioritise funding for the new Mare Owners' Prize Scheme, a new initiative in 2016 designed to promote the attraction of putting mares into training over Jumps. Overall, the Board's funding for this new Scheme coupled with that for Breeders' Prizes rose by 8% on 2015, a reflection of the importance accorded by the Board to National Hunt racing, betting on which accounts for some 40% of Levy income.

The £4.5m Additional Voluntary Contributions (AVCs) from the four major retail bookmakers William Hill, Ladbrokes, Coral and Betfred was largely expended during 2015, providing additional reward for horses that finished further down the field than the traditional fourth place at which prize money payments stop.

There was general appreciation from recipients of the funds although it was less easy to discern from statistical analysis an appreciable immediate effect on field size levels in or betting performance of the races involved. The principle of extending financial reward to more participants was supported by the Board and innovative schemes, such as the enhanced appearance money now being offered by certain racecourses, may well prove to be templates adopted in the future. There remained some £800,000 from the AVCs unspent at March 2016. The Board then agreed to utilise £200,000 on prize money for a series of Veterans' Chases, which had been funded by the AVCs in 2015 and had performed well. The remaining £600,000 will be allocated during 2016.

An area that will incur a reduced budget in 2016 is veterinary science and education. However, the Board was particularly pleased that both the Racing Foundation and the Thoroughbred Breeders' Association have continued to contribute their own funds to the areas of research overseen by the Board. The

confidence expressed in the evaluation and monitoring system operated by the Board's Veterinary Advisory Committee was welcomed and there appears widespread agreement that this important work should be replicated in a post-Levy environment.

It is pleasing to be able to report a continued tight hold on administrative outgoings, which fell by some 5% in 2015/16. The organisation is operating at its lowest cost in at least the last 20 years.

The Board and its staff continued to carry out its statutory responsibilities against a backdrop of an increasingly difficult financial climate and greater uncertainty as to the future of the current Levy structure.

The past two Levy years have seen deficits of some £4m and £8m, with the 2016/17 year expected to have a deficit of a greater sum than that. As a result, the Board's reserves, which had stood at £45m at the end of 2013/14, are forecast to be significantly lower than this by the end of 2016/17.

Total gross profit on British horseracing in Licensed Betting Offices, which had fallen by an average of 4% per annum in the decade to 2013/14, had been down by some 7% in 2014/15. At the start of the 2015/16 year, the Board's financial forecasts utilised the assumption of a fall in leviable gross profit of 4%. The Board recognised the risk of adopting this relatively modest forecast reduction in the light of the most recent year and that this assumption might well need to be revised early in the year.

Recent years have seen the Board enhance its ability to make accurate forecasts of Levy yield once the year is underway. This is due to the quarterly trading updates coupled with informal guidance from the Bookmakers' Committee, provided voluntarily by contributing bookmakers so as to assist the Board's Executive.

It became clear after the first half of 2015/16 that leviable gross profit was set to fall by more than 4% and the second quarter in particular saw a significant reduction on the same period in the previous year. In the event, for the year as a whole, gross profit dropped by 9% in 2015/16. The 2016 Cheltenham Festival, with its results described as the worst for bookmaker profitability in a long period, contributed to this decline but, even with an average Cheltenham, it is estimated that gross profit would still have been 7% lower than in 2014/15.

On the basis of the information available to the Board, it is not possible to reach firm conclusions as to the reasons for the increased pace of the reduction in gross profit. The Board has access only to the gross profit information from bookmakers paying statutory Levy and not from remote operators based outside Britain.

What is clear is that the fall in gross profit from British racing on leviable platforms has shown no signs of abating and, on the basis of the past two years, the Board will adopt an assumption of a further fall in the region of 7% to 9% in 2016/17.

The Board will be asked in late 2016 to take decisions as to the appropriate level of 2017 expenditure. By that time, there should be both greater clarity as to the post-Levy structure that will be in place in April 2017 and a guide as to the likely level of income for 2017/18 as Government anticipates having decided upon the charging mechanism and rate in the second half of 2016.

The tight cost control to which I have already referred must be set against the necessity of ensuring that the Board has the appropriate staffing levels to carry out its duties. With major structural changes on the near horizon, staff are inevitably less settled. As the Chairman has said, the Board will wish to ensure that the current dedicated team remain in place and are committed to ensuring a smooth transition.

In the coming year, the Board will encounter a series of important, interlinked issues, the resolution of which will go a considerable way to defining the future funding relationship between the Racing and Betting industries. The organisation will continue to provide every assistance to Government and other parties in a constructive and open manner.

**Alan Delmonte**  
Chief Executive

## Purpose

The Horserace Betting Levy Board is a statutory body established by the Betting Levy Act 1961 and now operating in accordance with the provisions of the Betting, Gaming and Lotteries Act 1963 (as amended).

Unlike the majority of other non-departmental public bodies, the Board receives no central Government grant-in-aid and no National Lottery funding. Instead, section 24(1) of the Betting, Gaming and Lotteries Act 1963 requires the Horserace Betting Levy Board to assess and collect monetary contributions from bookmakers and the successor to the Horserace Totalisator Board and to apply them for purposes conducive to any one or more of:

- The improvement of breeds of horses.
- The advancement or encouragement of veterinary science or veterinary education.
- The improvement of horseracing.

## Objectives

In accordance with its purpose, the Board has agreed six general objectives.

- (1) Support, as cost-effectively as possible, the provision, country-wide and year round, of horseracing in a form which retains high standards of integrity and is attractive to the racehorse owner, the racegoer and the off-course punter.
- (2) Place emphasis on generating horserace betting turnover and thus gross profits, thereby enhancing the Levy and so the funds available for pursuing its objectives, whilst taking proper account of racegoers, horse population and other stakeholder interests.
- (3) Ensure its financial support for the racing industry is cost-effective, value for money and carefully monitored.
- (4) Apply funds at an appropriate level to the improvement of breeds of horses and to veterinary science and education.
- (5) Manage and monitor its reserves and maintain adequate cash balances.
- (6) Continue to liaise constructively with the Racing and Betting industries to promote strong and trusted working relationships for the commercial benefit of both.

## Principal risks

The evaluation of high-level business risks is an essential part of the construction of the Board’s risk management framework and these risks are monitored through the Board’s Strategic Risk Register. It is the first and vital stage in providing information which is used in assessing the financial impact of risks and is a key component in determining the total value retained as reserves. The Strategic Risk Register and appropriate mitigating actions are considered and approved by the Board at least three times a year, to ensure effective monitoring of risks. Early warning indicators of the risk materialising have been identified and all of the risks are assigned Risk Owners, i.e. someone with sufficient authority to ensure that the risk is addressed.

The Board categorises the Principal Risks according to the likelihood of the risk crystallising and the financial impact that might result.

At the year end the number of risks included on the Strategic Risk Register totalled seven (2014/15: seven).

These risks are described below, along with narrative outlining what the Board is doing to address the issue and an indicator of the change in risk compared to the prior year assessment. The assessment of risk represents the residual risk after accounting for mitigating factors and the Board considers that these risks are within acceptable parameters.

	Likelihood	Financial Impact
	Very Likely or Likely	Extreme or Major
	Possible	Moderate
	Unlikely or Very Unlikely	Minor

Area of risk	Likelihood	Financial Impact	Change
Infectious diseases (Animal)			Stable

### What is the issue?

Equine diseases are an ever-present danger and pose a risk to both the staging of horseracing fixtures and the transportation of animals.

### What are we doing?

The Board provides funding for the infectious disease service and the equine influenza programmes at the Animal Health Trust, which provide diagnostic and surveillance capability for endemic, new and emerging equine infectious diseases. As part of the strategic approach to surveillance the Board publishes annually its Codes of Practice (<http://codes.hblb.org.uk>).

Additionally, the Board works with others in the thoroughbred industry, the Department for Environment, Food and Rural Affairs and the British Equine Veterinary Association on matters concerning import and export controls, quarantine and surveillance.

<b>Area of risk</b> Disease pandemic (Human)	<b>Likelihood</b> 	<b>Financial Impact</b> 	<b>Change</b> ↓ Decreasing
<p><b>What is the issue?</b> A human pandemic could result in the movement of people and horses being halted and might impact on the staging of horse racing fixtures and/or the operational capacity of the Board.</p> <p><b>What are we doing?</b> The Business Continuity Plan includes comprehensive plans to address the impact of this risk on the Board's operations.</p>			
<b>Area of risk</b> Difficulty in forecasting total income	<b>Likelihood</b> 	<b>Financial Impact</b> 	<b>Change</b> ↑ Increasing
<p><b>What is the issue?</b> The Levy yield and non-statutory income is calculated as a function of bookmakers' gross profits on British horseracing and therefore is difficult to forecast accurately. In addition, due to confidentiality clauses, the Board has limited visibility as to the precise details of the agreements between British Racing and the Authorised Betting Partner ('ABP') bookmakers who will be making non-statutory contributions from 1 April 2016.</p> <p>In recent years, including the 54th Levy Scheme, the Levy yield was underpinned by a minimum guarantee provided by the four largest retail bookmakers. No such guarantee will be in place for the 55th Levy Scheme and therefore the financial impact of a significant forecasting error could increase in future years.</p> <p><b>What are we doing?</b> To facilitate intra-year monitoring the Bookmakers' Committee provides quarterly trading updates to the Board based on the actual trading data from a large sample of betting shops. In respect of non-statutory contributions, the British Horseracing Authority (which has the contractual (or equivalent) relationship with the ABP firms) will provide the Board with any revisions to the income forecast.</p>			
<b>Area of risk</b> BHA final salary pension scheme	<b>Likelihood</b> 	<b>Financial Impact</b> 	<b>Change</b> ↔ Stable
<p><b>What is the issue?</b> The Board provides a guarantee to the Trustees of the BHA final salary pension scheme, which would be called if the BHA could no longer afford to meet its pension obligations.</p> <p><b>What are we doing?</b> The liability of the Board is capped at a maximum of £30.3m and, if triggered, this guarantee payment would be spread over five years. The life of this guarantee period extends to 2024.</p>			

Area of risk	Likelihood	Financial Impact	Change
Credit risk	<span style="color: green;">●</span>	<span style="color: green;">●</span>	↔ Stable

**What is the issue?**

The Board is exposed to credit risk from either a bookmaker or a racecourse encountering financial difficulties.

**What are we doing?**

Prompt action is always taken in the event of late or non-payment of Levy and the Board utilises the civil courts to pursue unpaid debts. Due diligence is undertaken for all new loans granted and the Board ensures that racecourse loans in excess of £200,000 are fully secured by legal debentures and charges over land.

Area of risk	Likelihood	Financial Impact	Change
Diminution in Board Activities (Previously termed 'Abolition of the Board')	<span style="color: red;">●</span>	<span style="color: green;">●</span>	↑ Increasing

**What is the issue?**

The announcement in March 2016 by the Government that the current Levy system will be replaced by a new model, which it is intended will be in place from April 2017. The Board faces the challenge of managing this transformation process in as orderly manner as possible at a time when the associated uncertainty could result in staff retention issues.

**What are we doing?**

The Remuneration Committee is considering the most appropriate approach to incentivise employees to remain with the organisation in an attempt to avoid a significant number of staff departing prior to April 2017.

Area of risk	Likelihood	Financial Impact	Change
Racing and Betting business models and environment	<span style="color: yellow;">●</span>	<span style="color: red;">●</span>	↑ Increasing

**What is the issue?**

The Racing industry has a number of significant non-Levy income streams including, but not limited to, media rights income, sponsors and racegoers. Declines in these revenues may not have an immediate impact on the Board per se, but a reduction in the ability of racecourses to maintain and increase current prize money levels could lead to the withdrawal of owners who are not replaced, creating a fall in the horse population, which could have a knock-on impact on the fixture list and hence Levy yield. During 2015/16 the Racing industry introduced the concept of Authorised Betting Partners and this could result in non-statutory payments from bookmakers increasing, or alternatively might lead to a decline in the sponsorship income received by racecourses.

Regulations and taxation surrounding bookmakers' activities, in particular retail, is an area that is under regular scrutiny. Like any other industry, increases in regulatory or fiscal burdens can affect the continued viability of operators.

**What are we doing?**

The Board has limited scope to manage these risks and therefore relies on maintaining sufficient reserves to reduce the impact of unforeseen changes.



## Going concern

International Accounting Standard 1 and the FReM 2015/16 require the Board Members to make an assessment of the Board's ability to continue as a going concern. In order to do this, the Board Members are required to make a judgment, at a particular point in time, about inherently uncertain future outcomes of events or conditions. In the case of the Board, the impact of Government's announcement in March 2016, that the only function of the Board that will remain by April 2017 is collection of Levy funds, is considered an uncertain event.

In order to effect the changes proposed, the Government will enact secondary legislation using powers in section 2 of the Gambling (Licensing and Advertising) Act 2014. Prior to this the Government will seek State aid approval from the EU, since the changes will give Racing new rights to funding from bets taken on British racing. It is envisaged that the principles established in the French parafiscal Levy (which successfully secured State aid approval) will form the basis for this State aid application. The Government's proposed timetable is set out below:

- Spring 2016 – period of consultation with betting and racing industries to inform the level of contributions from betting.
- Summer/autumn 2016 - State aid notification process with the European Commission.
- End 2016 – Statutory Instrument and full impact assessment published.
- April 2017 – new funding model comes into force.

In making their assessment of going concern the Board Members have referenced the 2015/16 FReM and in particular the interpretation of going concern in the public sector context. The FReM states that for non-trading entities, such as the Board, the anticipated continuation of the provision of a service in the future, as evidenced by inclusion in published documents, is normally sufficient evidence of going concern.

As at the date of signing the accounts, on the basis of all available information, the Board Members understand from all Government announcements that, under the proposed new system, the only function of the Board that will remain is collection of Levy funds.

The Board Members, in considering going concern, have also considered the financial projections for the twelve-month period from the date of approving the accounts and referenced the Principal Risks that the Board is exposed to, as set out on pages 11–13 and how these are managed.

The Board Members of the Horserace Betting Levy Board have concluded that they have a reasonable expectation that the Board will continue to operate and meet its liabilities, as they fall due, for the next twelve months from the date of this report. Accordingly, the Board continues to adopt and considers appropriate the going concern basis in preparing the 2015/16 Annual Report and Accounts.

## Priorities and Performance

The accounts presented in this annual report show information for the fiscal year 2015/16 and income and expenditure are summarised on this basis, under the principal classifications. The Board, however, agrees the vast majority of its expenditure allocation on a calendar year basis and therefore all references to years in this report should be taken to refer to a calendar year, unless otherwise stated.

The Board agreed specific priorities for 2015/16, which were included within its annual business plan that was published on the Board’s website ([www.hblb.org.uk](http://www.hblb.org.uk)).

Performance against these priorities has been measured by assessing the outputs and outcomes during the year.

Priority	Performance
<p><b>1. Prize Money</b></p> <ul style="list-style-type: none"> <li>■ The Board will focus on increasing the prize money allocation in its distributions.</li> <li>■ The Board will incentivise racecourses by linking its grants to a racecourse’s executive and sponsorship prize money contributions and Levy generation.</li> <li>■ The Board will review on an ongoing basis the effects of the Board’s model for prize money distribution.</li> </ul>	<p>2016 Prize money allocation (Budget): £49.8m 2015 Prize money allocation (Actual): £54.4m</p>
<p><b>2. Fixture Criteria</b></p> <ul style="list-style-type: none"> <li>■ The Board will carry out detailed, ongoing analysis of the Fixture List and race programme, including the analysis of betting and other relevant data, and make recommendations to optimise the Fixture Criteria, focusing on Levy generation.</li> </ul>	<p>2016 Fixture Criteria Gaps: 0 2015 Fixture Criteria Gaps: 0</p> <p>For the purposes of determining a Fixture Criteria gap, the Board disregards 23 to 25 December, when no racing is programmed, and that at present only two fixtures are programmed on Good Friday. More information on the Fixture Criteria can be found on the Board’s website (<a href="http://www.hblb.org.uk">www.hblb.org.uk</a>).</p>
<p><b>3. Integrity</b></p> <ul style="list-style-type: none"> <li>■ The Board will contribute to the provision of cost-effective technical, security and regulatory services for the protection of the integrity of racing, in the interests of the racing public, punter and participant.</li> </ul>	<p>2016 Raceday Services Grants (Budget): £16.4m 2015 Raceday Services Grants (Actual): £16.4m</p> <p>For 2016, the method of the apportionment of grants for the provision of technical, security and regulatory services for the protection of the integrity of racing remain broadly unchanged, compared to 2015, within the same financial allocation.</p>
<p><b>4. Financial support for the improvement of racecourses</b></p> <ul style="list-style-type: none"> <li>■ The Board will provide loans to racecourses (within the constraints of its own funding) and continue to operate the capital credit grants scheme.</li> </ul>	<p>2015/16 Loans approved to racecourses: £2.0m 2014/15 Loans approved to racecourses: £1.3m</p> <p>2015/16 Grants allocated to the capital credits scheme: £7.1m 2014/15 Grants allocated to the capital credits scheme: £6.3m</p> <p>Further information on the operation of the capital credit grants scheme and loans to racecourses can be found on the Board’s website (<a href="http://www.hblb.org.uk">www.hblb.org.uk</a>).</p>

Priority	Performance
<p><b>5. Financial Stewardship</b></p> <ul style="list-style-type: none"> <li>The Board has adopted a target for minimum reserves of £24m.</li> </ul>	<p>Reserves at 31 March 2016: £32.9m Reserves at 31 March 2015: £41.0m</p>
<p><b>6. Government</b></p> <ul style="list-style-type: none"> <li>The Board will work with the Department for Culture, Media and Sport on requirements relating to the introduction of the Horserace Betting Right.</li> </ul>	<p>Following the Government's announcement in March 2016, the Board will provide assistance to ensure the orderly transfer of its appropriate responsibilities.</p>

## Financial Summary

For the year ended 31 March 2016 total income was £70.0m (2014/15: £72.5m). Levy receipts in the 54th Levy Scheme were £5.6m lower than the previous year. The final outturn for Levy income was £2.1m lower than originally budgeted, with the result that the Board incurred a greater deficit for the year than originally planned.

The 2015/16 deficit of £8.1m (2014/15: £4.0m deficit) has resulted in the Board's reserves falling from £41.0m, at the end of 2014/15, to £32.9m at 31 March 2016.

During the year, including all amounts held in interest bearing term deposit accounts (categorised as Financial Assets in this Annual Report), the Board incurred a negative cash flow of £2.7m (2014/15: negative cash flow of £2.2m). The negative cash flow was mitigated to some extent by loan repayments from racecourses, which were not re-lent, and instead utilised for working capital. The total year-end cash balance, including bank term deposits, was £38.2m (2014/15: £40.9m).

## Improvement of horseracing

The table below sets out further details of the Board's 2016 budget and 2015 actual allocation to the Improvement of Horseracing on a calendar year basis:

	2016 Budget Flat	2016 Budget Jump	2016 Budget Total	2015 Actual Total
	£'000	£'000	£'000	£'000
General Prize Fund – Racecourse fixtures	17,877	16,835	34,712	35,732
Winter jump	–	540	540	476
Blanket all-weather fixtures	1,586	–	1,586	1,647
BHA twilight fixtures	1,386	28	1,414	1,537
Sunday appearance money	257	478	735	636
British Champions Day	382	–	382	400
Future Champions Day	215	–	215	225
Good Friday Lingfield	120	–	120	126
Race incentive fund	4,387	1,880	6,267	6,505
Divided race fund	1,105	195	1,300	1,534
Breeders prizes	–	432	432	438
BOBIS / Plus 10	1,250	–	1,250	1,750
<b>Sub-total prize money (rounded)</b>	<b>28,565</b>	<b>20,388</b>	<b>48,953</b>	<b>51,006</b>
Additional voluntary contribution fund			800	3,358
<b>Total prize money</b>			<b>49,753</b>	<b>54,364</b>
Raceday services grants			16,440	16,428
Fixture incentive fund			2,867	3,024
Industry training and education			1,224	1,308
Point-to-point			250	258
Great British Racing International			–	350
<b>Total – Improvement of horseracing</b>			<b>70,534</b>	<b>75,732</b>

### Prize Money

2015 saw record British racing prize money from all sources, including the Board, of £136.8m. Of this total, the Board contributed £54.4m (40%).

Excluding the distribution of the Additional Voluntary Contribution ('AVC') fund, which comprised non-statutory payments made by the four largest retail bookmakers, the Board's budget for prize money grants in 2015 was £52.3m, with actual expenditure £51.0m.

The majority of the underspend was attributable to prize money retained by the Board as a result of weather-related abandoned fixtures.

The General Prize Fund ('GPF') is the Board's largest prize money allocation and 2015 repeated the same GPF calculation process that had been operated in 2014. The GPF award to each racecourse is based in part on its planned contribution to prize money in the coming calendar year and in part on the betting turnover generated at fixtures that it had staged in previous years. It was encouraging to see that there was an increase in racecourse investment in prize money in 2015. For fixtures specifically linked to the GPF model, the average amount of racecourse contribution per relevant GPF fixture increased by 15.0% for Flat fixtures and 5.6% for Jump fixtures compared to 2014.

AVC funds of £3.4m were principally applied to extending the provision of prize money to reward horses finishing down to 8th place in Class 2 races and to 6th place for Classes 3 to 6. This extended prize money scheme operated for 13 months from December 2014 to December 2015.

In addition, the AVCs were utilised to support prize money for the Veterans' Chase Series, which was programmed to generate opportunities for 10-year-old-plus chasers who may have found winning opportunities limited in other valuable races. The Veterans' Chase Series also served to provide a competitive centrepiece race on Sundays. The success of this new venture led to its renewal in 2016.

#### **Raceday Services Grants**

The total expenditure on raceday services grants in 2015 was once again £16.4m, with the method of apportioning these grants, which assist with the maintenance of the integrity of racing, remaining broadly unchanged compared to 2014.

#### **Fixture Incentive Fund**

The allocation for the Fixture Incentive Fund for 2015 was £3.0m, unchanged from 2014.

The grants made included payments in respect of races that were added to the Channel 4 broadcast schedule at late notice. Typically such races are shown on terrestrial television when the original fixture is abandoned; or when Channel 4 decides that a specific race merits coverage, perhaps because there are particular horses of note running; or when additional airtime has been secured. In 2015 the Levy Board provided a payment of £1,800 per race to any racecourse whose race(s) were the subject of addition to Channel 4 coverage within a week ahead of the raceday.

#### **Industry Recruitment, Training and Education**

The Board expended grants totalling £1.3m in 2015 in respect of recruitment, training and education in the racing and breeding industries.

Projects funded included: stable staff NVQ training plus basic functional skills tuition where needed; industry recruitment and career enhancement; jockey coaching and continuation training; nutritional education; and courses for senior amateur riders, assistant trainers and head lads. The programme also encompasses health and safety advice to the industry, support for pony racing (for its role as an introduction to race riding) and the 'Racing to School' education scheme.

For young people wanting to work in the thoroughbred breeding industry, the Board supported the National Stud in its provision of specialist training through the internationally respected Diploma Course, the Apprenticeship Programme and the Stud Secretaries' course. The Stud also provides short term work experience for school pupils, college students, veterinary undergraduates and breeders.

With the active encouragement of the Board, the BHA introduced a new assessment structure intended to measure the impact and outcomes of the Industry Training and Education investment and provide a basis for future development. This new methodology was available for the first time in 2015, enabling the Board to evaluate the progress and relevance of each of the various elements of the training and education programme.

The Board has been a sponsor of the BHA Graduate Programme since the early 1990s. The programme, intended for graduates or final year degree students, provides a comprehensive introduction to the many organisations and functions in racing, breeding and betting. In 2015 the Board's student was shared with the British Racing School, enabling her to experience first-hand two very different areas of the industry.

The Board was very pleased to be directly involved in the launch of the Thoroughbred Racing Industries MBA course at Liverpool University which welcomed its first students to the two-year part time course in the autumn of

2015. The Board supported five students with bursaries. Together with the other industry sponsors, The Racing Foundation and the BHA, the Board will be closely involved in monitoring the Racing MBA, consulting both the students and the teaching staff on their experience of this first year.

#### **Point-to-point**

The Board recognises the strong links between Point-to-Pointing and National Hunt racing in terms of the career development of young riders and horses and providing an appropriate second career option for jump horses after their Rules racing days are over.

The total grant budget to Point-to-Points for the 2015/16 season was maintained at £250,000. The tiered fixture payment scheme has been repeated, underpinning a balanced spread of fixtures over the entire season from December through to June.

As a new initiative in 2015, the Point-to-Point Authority conducted a demographic survey of attendees to identify key facts that will be used for promotional purposes and to attract both local and national sponsors. This work was funded from a small percentage of the total HBLB grant.

#### **Great British Racing International ('GBRI')**

GBRI operates under the remit of generating overseas investment in the British Racing and Breeding Industries and works closely with the key stakeholders across both those areas, providing a bespoke concierge service to high net worth investors and promoting the success of British bred and sold thoroughbreds on a global scale.

GBRI has only been fully operational since 2014, albeit that some of its activity was undertaken in 2013, and therefore, given this timescale, the Board approved an additional financial contribution of £350,000 in 2015 in order to complete its two-year business plan

cycle. The Chief Executive was a member of the GBRI Operating Board until the end of the Board's funding commitment.

## **Advancing veterinary science and education**

The Board approved a budget allocation of £1.8m for 2015 and endorsed the recommendations of its Veterinary Advisory Committee ('VAC') for expenditure in the year.

A new method of evaluating applications was introduced in 2015. This system gives appropriate weight to scientific rigour, balanced against relevance to the thoroughbred and the likely outcome for the industry.

The current scope for all HBLB research is targeted on:

- Prevention of current and emerging infectious diseases by the development of more effective vaccines, diagnostic tools, biosecurity and management strategies.
- The training environment and racecourse design and surfaces, riding strategies, tack and equipment to enhance the safety, health and well-being of racehorses.
- Methods of identification, management and prevention of musculoskeletal disease and injury in thoroughbreds.
- Male and female reproductive efficiency.

As part of the Board's strategic approach towards surveillance and proactive response to control and minimising the risks of infectious disease, two major rolling programmes at the Animal Health Trust were renewed in 2015. These focus on equine influenza and, with additional funding from racehorse owners and breeders, infectious disease. This work is backed up by the Board's Codes of Practice on infectious disease that are updated annually.

The VAC, as part of its responsibilities, manages funds invested in veterinary science and education on behalf of The Racing

Foundation, the Thoroughbred Breeders' Association and the British European Breeders Fund.

To inform both the expert and the lay audience, the Racehorse Health website (<http://racehorsehealth.hblb.org.uk>) provides summaries of recent and current HBLB funded research on equine diseases and injuries plus other items of interest.

The membership of the Committee at 31 March 2016 was as follows:

Professor Celia Marr BVMS MVM PhD DEIM DipECEIM MRCVS (*Chair*)  
 Professor Gary Entrican BSc PhD  
 Professor Colin Farquharson BSc PhD  
 Miss Caroline George BVMS MRCVS  
 Mr Rob van Pelt BSc BVSc MRCVS Cert EP  
 Professor Chris Proudman MA Vet MB PhD Cert EO FRCVS RCVS  
 Professor Matthew Allen MA Vet MB PhD  
 Professor Falko Steinbach PhD MRCVS  
 Professor Tom Stout MA Vet MB PhD MRCVS Dipl ECAR KNMvD

## Improvement of breeds of horses

The Board supports eleven Societies that are dedicated to preserving and improving the quality of pure-breeding among Britain's native breeds of horse and pony. Only breeds that are listed by the Rare Breeds Survival Trust are eligible for funding. The total budget allocation for 2015 was £115,000.

Breed societies used their grants in a variety of ways, such as stallion and mare premiums, youngstock grants, DNA testing or blood typing and Artificial Insemination/seminal collection schemes. The Board expects the Societies actively to encourage their members to adhere to the highest standards of disease prevention and management partly in their own interests, but also to reduce risk to the British Thoroughbred herd.

In order to assist the Societies in promoting the rare equine breeds, the Board contributed towards the costs of the Rare Breeds Heritage Show. The event, which relies to a great extent on voluntary help, showcases the most vulnerable breeds with demonstrations and competitions. In 2015, for the first time, all the supported breeds were present at the Show which attracted national media coverage.

## Administration costs

The Board strives to provide a highly cost-effective service to its stakeholders. Excluding the Bookmakers' Committee, the Board's administration costs in 2015/16 were £1.8m, which represents a 5.3% decrease on the previous year.

### **Compliance with public sector payment policy**

The Board's policy is to pay all invoices within 30 days of receipt unless a longer payment period has been agreed or the amount billed is in dispute. In the year to 31 March 2016 98% of invoices, totalling £1.5m, were paid within 30 days of receipt.

### **The Levy Board and the Environment**

The Board is committed to minimising its environmental impact within reasonable financial and other resource limits. Employees are encouraged to recycle paper and cardboard by using the recycling bins provided in the office.

A full sustainability report has not been included, as organisations occupying less than a total of 1,000m<sup>2</sup> of floor area or with fewer than 250 FTE staff are exempt from providing this information.

### **Alan Delmonte**

Chief Executive and Accounting Officer  
 Horserace Betting Levy Board

28 June 2016

## The 55th Levy Scheme

The 55th Levy Scheme was determined on 3 December 2015 by the Secretary of State for Culture, Media and Sport, who directed that the terms of the 54th Levy Scheme should continue to have effect for 2016/17. The terms of the 55th Levy Scheme are summarised below, with a bookmaker's 2015/16 Levy liability being calculated by reference to the gross profit on British Horserace Betting Business (BHBB). The full Levy Scheme can be found on [www.hblb.org.uk](http://www.hblb.org.uk).

	55th Levy Scheme
Off-course betting through Licensed Betting Offices (LBOs) – Operators with more than 100 LBOs	10.75%
Off-course betting through LBOs – Operators with 100 or fewer LBOs	Abated rate applies to those of its LBOs (up to a maximum of 30) which have gross profits on BHBB of less than £57,257
Flat Rate Rebate applicable to LBOs generating £60,000 or less gross profit on BHBB	£1,100 per LBO, up to a maximum of 30 in any chain and £500 for all other LBOs
Flat Rate Rebate applicable to LBOs generating gross profit on BHBB of between £60,001 and £60,999	£500 pro-rata
Internet and telephone	10.75%
Bet-brokers including betting exchanges, where gross profits is defined as gross commission on BHBB deducted from the winnings paid out to bettors and bet-takers.	10.75%
Spread betting	2.15%
On-course betting	£240
Point-to-Point and/or harness racing and/or trotting events only	£192

## Contributions by the Successor Company to the Horserace Totalisator Board (Betfred)

Following the sale of the Tote, the Betting, Gaming and Lotteries Act 1963, the Horserace Betting Levy Act 1969 and the Horserace Betting and Olympic Lottery Act 2004 were amended. The effect of these changes is that the Board separately negotiates the contributions due from Betfred in respect of its pool betting operations, and Betfred is not subject to the Levy Scheme in respect of these operations. In March 2016 the Levy Board agreed that, in respect of its pool betting operations, Betfred will contribute for the 55th Levy Scheme at 10.75% of gross profit on BHBB as if it were a bookmaker, which is the same rate that was agreed with Betfred for the 54th Levy period.



## Board Members and Officers

The Board Members, Observers and Board Executives as at 31 March 2016 were as follows. Full details of Board Members who served during the year are shown on page 26.

### Board Members

**Paul Lee\***  
Chairman

**Maggie Carver\*\***  
Chairman, Racecourse Association

**Philip Freedman\*\***  
Chairman, Horsemen's Group

**Neil Goulden\***  
Government Appointed Member

**Mike O'Kane**  
Chairman, Bookmakers' Committee

**Lord Risby\***  
Government Appointed Member

**Nick Rust\*\***  
Chief Executive, British Horseracing Authority

\* Appointed by the Secretary of State for Culture, Media and Sport

### Observers

**Mark Chambers**  
**Howard Chisholm**  
Bookmakers' Committee

### Board Executives

**Alan Delmonte**  
Chief Executive & Accounting Officer

**Rob Skeggs**  
Finance Director

\*\* In accordance with legislation, formally appointed by the Jockey Club

A Register of Board Members' Interests is available online ([www.hblb.org.uk](http://www.hblb.org.uk)) and note 17 on page 49 provides details of transactions during the year in which there was a related interest.

## Statement of Responsibilities of Members and the Accounting Officer of the Horserace Betting Levy Board

Under the Betting, Gaming and Lotteries Act 1963 (as amended), the Secretary of State for Culture, Media and Sport has directed the Horserace Betting Levy Board to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis to show a true and fair view of the state of affairs of the Horserace Betting Levy Board and of its income and expenditure, changes in reserves and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by the Secretary of State for Culture, Media and Sport, including the relevant accounting and disclosure requirements, and apply them on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Board will continue in operation;
- Confirm that the annual report and accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the annual report and accounts and the judgements required for determining that is fair, balanced and understandable.

The Accounting Officer of the Department for Culture, Media and Sport has designated the Chief Executive as Accounting Officer of the Horserace Betting Levy Board.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Horserace Betting Levy Board's assets, are set out in Managing Public Money issued by HM Treasury.

### Functions of the Board

The Horserace Betting Levy Board is a corporate body, operating in accordance with the provisions of the Betting, Gaming and Lotteries Act 1963 (as amended).

The Board is charged with the duty of assessing and collecting monetary contributions from bookmakers and, while the exclusive licence under section 8 of the Horserace Betting and Olympic Lottery Act 2004 has effect, the successor company to the Horserace Totalisator Board, and to apply them for purposes conducive to any one or more of:

- The improvement of breeds of horses.
- The advancement or encouragement of veterinary science or veterinary education.
- The improvement of horseracing.

### Information Given To Auditors

The Accounting Officer and each of the Members of the Board have confirmed that, so far as they are aware, there is no relevant information of which the Board's auditors are unaware and that they have taken all the steps that they ought to have taken in order to make themselves aware of any relevant information and to establish that the Board's auditors are aware of that information.

#### Alan Delmonte

Chief Executive and Accounting Officer  
Horserace Betting Levy Board

28 June 2016

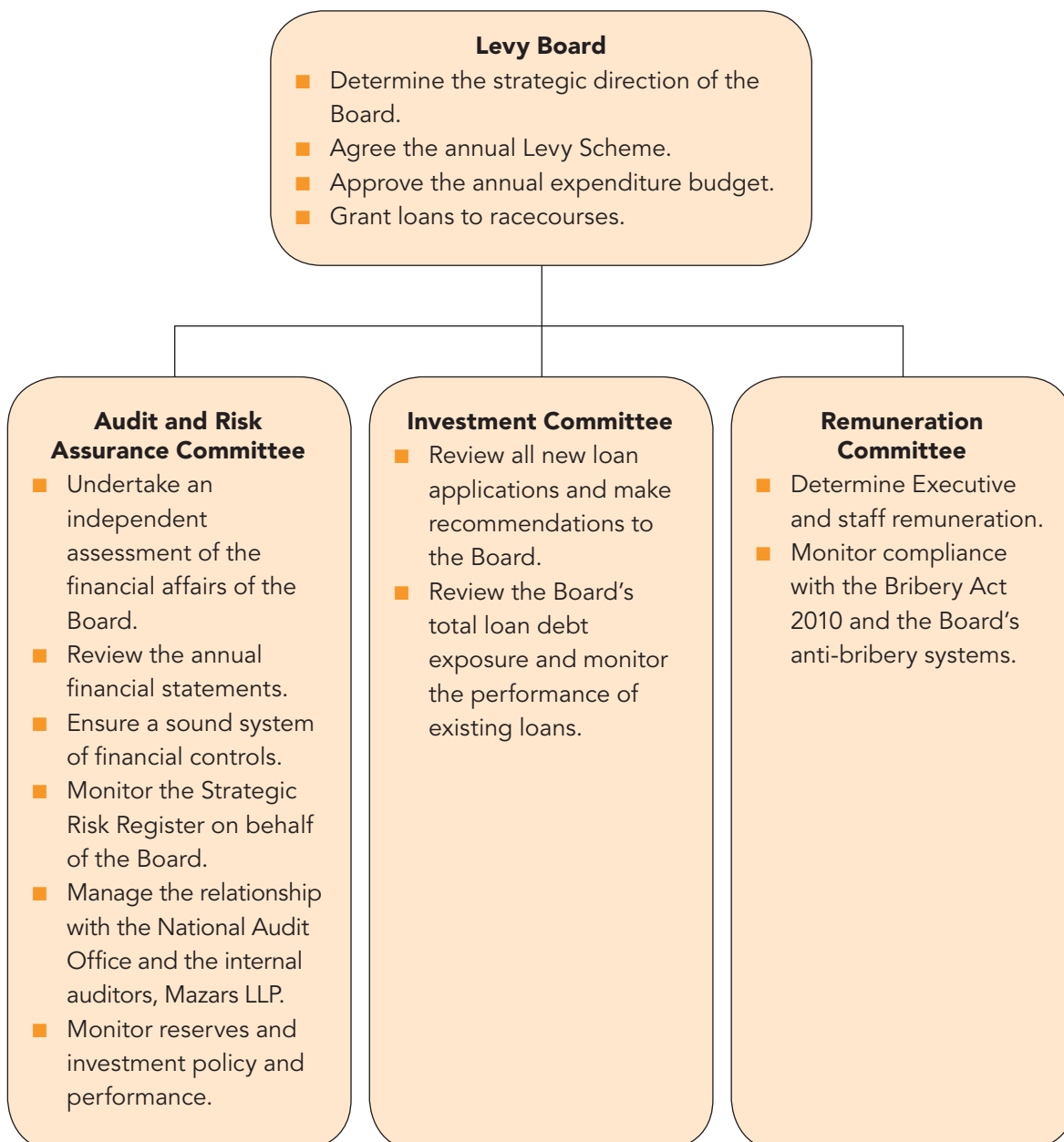
## Governance statement

As Accounting Officer, it is fundamental to my responsibilities to manage and control the resources of the Horserace Betting Levy Board and to ensure that an appropriate corporate governance framework is in place that supports the achievement of the Board’s purpose and objectives, which are in accordance with the Betting, Gaming and Lotteries Act 1963 (as amended). This statement explains the key features of the Board’s governance structure and how it has complied with the relevant principles and provisions of HM Treasury’s recommended Corporate Governance Code

(‘the Code’), where they are relevant to the Board, including ‘Managing Public Money’. There were no departures from the Code in 2015/16.

## Governance Framework

The Horserace Betting Levy Board’s governance framework consists of the Levy Board, led by the Chairman, Paul Lee, and a number of sub-committees as shown below. I manage the day to day activity of the Board and I am responsible for the performance of the Board’s staff.



## The Levy Board

As at 31 March 2016, the Board comprised the Chairman and the other two Government Appointed Members, appointed by the Secretary of State for Culture, Media and Sport; three Board Members appointed by the Jockey Club; and one Board Member appointed by the Bookmakers' Committee.

Appointments by the Secretary of State are on fixed term contracts for a period of up to four years. The terms of appointment of other Board Members are as proposed by their appointing bodies.

The Board Members who are appointed by the Jockey Club and the Bookmakers' Committee are permitted to appoint an alternate in the event that they are unable to attend a Board meeting, whilst a Government Appointed Member may give another Government Appointed Member his proxy to vote on his behalf.

The Board's performance, including its effectiveness, was last assessed in May 2014 when it was concluded that, bearing in mind the representative nature of the Board, the Board had performed effectively.

The Members of the Board have made a declaration of their personal interests relevant to their responsibilities as Members of the Board. The register of Members' interests, which may be viewed at the Board's offices on request, is also available on the Board's website, [www.hblb.org.uk](http://www.hblb.org.uk).

## The Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee is an advisory body with no executive powers. It acts as the conscience of the Board and provides insight and strong constructive challenge where required. The full terms of reference are available on the Board's website, [www.hblb.org.uk](http://www.hblb.org.uk).

For the majority of the year the position of Committee Chair was vacant, since the Committee is usually chaired by a Government Appointed Member other than the Chairman of the Board. In their absence, an existing Committee Member acted as Chair of the meetings. Ian Barlow acted as Chair for the meetings held in April and June 2015 and following his departure from the Board, Maggie Carver chaired the meeting held in December 2015.

Neil Goulden was appointed chair of the Audit and Risk Committee with effect from 27 January 2016.

The membership of the Committee reflects the representative composition of the Board. The Audit and Risk Assurance Committee reports to the Board after each Committee meeting.

In 2015/16 the Audit and Risk Assurance Committee met on three occasions. Each meeting was attended by the Chief Executive, the Finance Director, the Finance Manager and representatives from the National Audit Office (external auditors) and Mazars LLP (internal auditors). The programme of work in 2015/16 is set out below.

The Committee continued to scrutinise the Board's banking and investment arrangements and received reports at each meeting on treasury management and counter-party risk policy. Additionally, in line with its remit to consider risk and the financial controls framework, the Committee reviewed the Board's strategic risk register at every meeting and approved the scope of work of Mazars LLP and reviewed their findings.

During the year the Committee noted the scope of the audit work proposed by the National Audit Office.

Since the year end, the Committee has considered the Completion Report presented by the National Audit Office and the 2015/16 Annual Report and Accounts and concluded

that taken as a whole these are fair, balanced and understandable and has advised the Board accordingly.

### The Investment Committee

The Investment Committee met twice in 2015/16, when it was chaired by Paul Lee on both occasions. Lord Risby was appointed chair of the Investment Committee with effect from 27 January 2016. At the year end the Committee members were Lord Risby, (Chairman), Paul Lee, Maggie Carver and Mike O’Kane.

The Committee monitors existing loans and their recoverability and in respect of new loan applications the Committee undertakes both a detailed assessment of the underlying creditworthiness of the potential borrower and, for larger projects, commissions a review of the project construction plans by an external

consultant. During the year the Committee considered one loan application, which was recommended to the Board for approval.

### The Remuneration Committee

The Remuneration Committee met once in 2015/16 and determined the Executive and staff remuneration in line with the powers conferred on the Board by section 24(7) of the Betting, Gaming and Lotteries Act 1963. At the year end the Committee members were Lord Risby (Chairman), Paul Lee, Philip Freedman and Mike O’Kane.

The Committee continued to monitor the Bribery Act 2010 and the Board’s anti-bribery systems as they affect Members, Executive and staff of the Board, which included reviewing the Gifts and Hospitality Register.

### Board and Sub-Committee Attendance

In 2015/16 Members’ attendance at Board and Committee meetings is shown in the table below:

Board member	Appointed by	Board Meetings	Audit and Risk Assurance Committee	Remuneration Committee	Investment Committee <sup>4</sup>
Paul Lee <sup>1</sup> Chairman	Secretary of State for Culture, Media and Sport	8	–	1	2
Neil Goulden <sup>2</sup> (from 1 January 2016)	Secretary of State for Culture, Media and Sport	1	–	–	–
Lord Risby <sup>3</sup> (from 1 January 2016)	Secretary of State for Culture, Media and Sport	2	–	1	–
Ian Barlow (to 30 June 2015)	Jockey Club	1	2	–	1
Maggie Carver (from 1 July 2015)	Jockey Club	6	1	–	1
Philip Freedman	Jockey Club	7	–	1	–
Nick Rust	Jockey Club	7	–	–	–
Mike O’Kane (from 1 April 2015)	Bookmakers’ Committee	7	3	1	2
<b>Total number of meetings</b>		8	3	1	2

<sup>1</sup> Paul Lee served as Chairman of the Investment Committee and Chairman of the Remuneration Committee for the period from 1 April 2015 to 26 January 2016.

<sup>2</sup> Neil Goulden was appointed as Chairman of the Audit and Risk Assurance Committee with effect from 27 January 2016.

<sup>3</sup> Lord Risby was appointed as Chairman of the Investment Committee and Remuneration Committee with effect from 27 January 2016.

<sup>4</sup> The Standing Orders of the Investment Committee permit members who were unable to attend meetings to be represented by an alternate.

## Bookmakers' Committee

The Bookmakers' Committee recommends annually to the Board the categories, rates, conditions and definitions of the Levy Scheme for the following year and, if appropriate, consider revising such recommendations in light of the observations of the Board.

The Bookmakers' Committee therefore was under remit to make recommendations to the Board, by the statutory deadline of 31 October 2015, for the terms of the 55th Levy Scheme.

The formal recommendations of the Bookmakers' Committee, put forward to the Board on 31 October, were in all but a minor

respect, which had no effect on the anticipated Scheme yield, a repeat of the terms of the 54th Levy Scheme.

Following deliberation, a majority of the Board rejected the recommendations of the Bookmakers' Committee. Therefore, the 55th Levy Scheme was referred to the Secretary of State for Culture, Media and Sport for Determination.

The 55th Levy Scheme (1 April 2016 to 31 March 2017) was determined on 3 December 2015 and represents a continuation of the terms of the 54th Levy Scheme.

The Members of the Bookmakers' Committee who served during the year are as follows:

Mike O'Kane (Chairman)	Ladbrokes plc
Howard Chisholm (Vice Chairman)	ABB
Lucy Capon (from October 2015)	Ladbrokes plc
Mark Chambers	Gala Coral Group
Dominic Ford	ABB
James Henderson	William Hill plc
Andy Hornby	Gala Coral Group
Keith Johnson	NAB
Greg Knight	ABB
Reg Ozcan	The Sporting Exchange
Will Roseff	ABB
David Steele	William Hill plc
Andrew Watson	NAB

General Secretary: Stu McInroy

Notes:

ABB: Appointed by the Association of British Bookmakers

NAB: Appointed by the National Association of Bookmakers

## Internal Control and Risk Management

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Board's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process to identify the principal risks to the achievement of the Board's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically (see Principal Risks on pages 11 to 13). This process has been in place for the year ended 31 March 2016 and up to the date of approval of the annual reports and accounts, and accords with Treasury guidance. No significant failings or weaknesses were identified as a result of the review of the effectiveness of the Board's internal control. Accordingly, the Board has concluded that its internal control framework and systems are effective.

## Quality of data

Management reporting systems are in place to provide Board members with detailed information to assist in the decision making process. Although the quality of data concerning expenditure is considered sufficient for the needs of the Board, it is acknowledged that, under the arrangements of the Levy Scheme, whereby the final Levy yield is not known until some months after the Levy period has ended, there is a degree of estimation in respect of income. This is an unsatisfactory situation; however, the Board is compelled to work within the constraints of the annual Levy Scheme process. In mitigation, the Board is greatly assisted, with respect to income estimates, by the Bookmakers' Committee which provides quarterly updates on the Levy yield generated by licensed betting offices based on actual trading information supplied by a sample of the largest bookmakers.

## Risk Management Framework

The Board is assisted by the work of the annual internal audit assurance visit, undertaken by external advisors (Mazars LLP), which reports on the internal control and the assurance framework in line with the agreed three-year internal audit plan. During the year, Mazars LLP undertook:

- A review of the calculation and payment of prize money grants.
- Follow up on the recommendations identified as part of the 2014/15 review of non-racing 3rd party grants, which had received 'Limited' assurance.

Their work concluded that, at the time of their review, the key control framework for the calculation and payment of prize money grants provides substantial assurance that risks material to the achievement of the HBLB's objectives in respect of this area are adequately managed.

The follow up audit work in relation to non-racing 3rd party grants confirmed that all but two of the previous recommendations have been fully introduced. Two recommendations were considered ongoing and these will be comprehensively reviewed again in 2016/17.

## Information Management

The Board has suffered no protected personal data incidents during the year ended 31 March 2016 or prior years and has made no reports to the Information Commissioner's office.

During the year the Board received a number of Freedom of Information requests and the Board continued to meet the requirements of the Freedom of Information Act 2000. The Board's website [www.hblb.org.uk](http://www.hblb.org.uk) contains full details of information published by the Board and how to make a request under the Act.

## Regularity of Expenditure

I confirm that there were no instances of material irregularity, losses or special payments in the year ended 31 March 2016.

There is nothing of which I am aware that leads me to believe that the Board's systems of control are not adequate and I believe that this statement gives a true reflection of corporate governance of the Horserace Betting Levy Board during 2015/16.

### **Alan Delmonte**

Chief Executive and Accounting Officer  
Horserace Betting Levy Board

28 June 2016



## Remuneration and staff report

### (i) Unaudited Information

#### Government Appointed Board Members

The Chairman and the Government Appointed Members of the Board are appointed by the Secretary of State, on terms set on the basis of advice from the Civil Service Senior Salaries Review Body, for a period of up to four years.

Paul Lee was appointed Chairman for a second four-year term commencing on 1 October 2013. His contract provides for approximately five days work per month on average, not including attendance at race meetings and associated events.

Neil Goulden and Lord Risby were appointed as Government Appointed Members of the Board with effect from 1 January 2016 on fixed term contracts for a period of up to four years. The total time commitment for the Government Appointed Members of the Board is expected to be approximately two to three days per month.

The appointments of the Chairman and the Government Appointed Members of the Board may be terminated at any time by either party giving written notice. These positions are not pensionable and none of their salary is performance related.

#### Chairman of the Bookmakers' Committee

The Chairman of the Bookmakers' Committee is appointed as a Board Member (in accordance with section 24(2) of the Betting, Gaming and Lotteries Act 1963 (as amended)). Mike O'Kane was appointed as Chairman of the Bookmakers' Committee for a two-year term commencing on 1 April 2015. It is customary for the remuneration of the Bookmakers' Committee's appointee to equate to that of the

Government Appointed Members of the Board and similarly no pension is attached to this position nor is the salary performance related.

#### Jockey Club Appointees

Under section 24(2) of the Betting, Gaming and Lotteries Act 1963 (as amended), three Board Members are appointed by the Jockey Club. These Board Members do not receive any remuneration.

#### Chief Executive

The Chief Executive is appointed on an open-ended contract, which may be terminated by the Board giving not less than twelve months' notice in writing or the employee giving not less than six months' notice in writing.

The Chief Executive is not eligible to receive a bonus payment and none of his salary is performance related. During 2015/16, pension contributions totalling £15,294 (2014/15: £14,994) were paid by the Board on his behalf.

#### Remuneration Policy

Under section 24(7) of the Betting, Gaming and Lotteries Act 1963 (as amended), the Levy Board has the power to appoint officers, servants and agents on such terms as to remuneration, pensions or otherwise as the Board may determine. The Remuneration Committee determines the remuneration of all staff, including the Chief Executive.

#### Sickness Absence

Average sickness absence per person employed by the Board during the year ended 31 March 2016 was 2.2 days (2014/15: 3.5 days).

#### Equality

The Board continues to operate, in all areas of its activity, in line with the Equality Act 2010 and its own Equal Opportunity Policy, and continues to monitor recruitment and

employment. There continues to be full equality of access to promotion, training and other features of employment within the Board. Control measures are in place to ensure that all of the Board's obligations under equality, diversity and human rights legislation are complied with.

## (ii) Information subject to Audit

The table below provides details of the salaries and benefit in kind (private medical insurance) of the Board members who are remunerated and the Chief Executive. None of these individuals are entitled to receive performance related bonuses.

	2015/16			2014/15		
	Salary	Benefit in kind (to nearest £100)	Total	Salary	Benefit in kind (to nearest £100)	Total
	£000	£	£000	£000	£	£000
<b>Board Members</b>						
Paul Lee – Chairman	60 – 65	–	60 – 65	60 – 65	–	60 – 65
Paul Darling OBE QC (to 30 April 2014)	–	–	–	0 – 5	–	0 – 5
Paul Bolt (to 2 October 2014)	–	–	–	5 – 10	–	5 – 10
Neil Goulden (from 1 January 2016)	0 – 5	–	0 – 5	–	–	–
Lord Risby (from 1 January 2016)	0 – 5	–	0 – 5	–	–	–
Will Roseff (to 31 March 2015)	–	–	–	15 – 20	–	15 – 20
Mike O’Kane (from 1 April 2015)	15 – 20	–	15 – 20	–	–	–
<b>Chief Executive and Accounting Officer</b>						
Alan Delmonte <sup>1</sup>	150 – 155	2,200	155 – 160	145 – 150	2,100	150 – 155

### Note:

<sup>1</sup> Pension contributions totalling £15,294 (2014/15: £14,994) were paid to the Board's group personal pension plan on behalf of Alan Delmonte.

The Chief Executive of the Board was the highest earner in 2015/16. This was 3.73 times (2014/15: 3.05) the median remuneration of the workforce, which was £41,561 (2014/15: £49,826).

The median remuneration of the Board's staff is calculated by reference to remuneration of the staff members, including the Government Appointed Board Members and the Chairman of the Bookmakers' Committee, but excluding

the highest paid director, which is the Chief Executive. In calculating the total remuneration of staff members, the remuneration is based on their full time equivalent salary where appropriate and annualised for employees in post at the reporting period end date but who have not been employed for the entire year. In calculating the total remuneration of the Government Appointed Board Members and the Chairman of the Bookmakers' Committee,

the remuneration is based on the sum actually paid to them and annualised where they are in post at the reporting period end date but have not been employed for the entire year.

Total remuneration includes salary and benefit-in-kind. It does not include employer pension contributions, any severance payments and the cash equivalent transfer value of pensions.

In previous years the Chairman had been disclosed as the highest paid employee on a full time equivalent basis. For the current year the Chairman's remuneration has been disclosed based on the sum actually paid to him and not on a full time equivalent basis. The prior year comparator has been restated to ensure consistency.

## Staff numbers and costs

The average number of persons (excluding Board Members) employed by the Board in the year was as follows:

	2015/16 FTE	2014/15 FTE
Permanent staff	14.5	14.6
Temporary staff	0.1	0.5
	<b>14.6</b>	<b>15.1</b>

The aggregate payroll costs of these persons were:

	2015/16 £000	2014/15 £000
Payroll staff salaries	902	931
Social security	99	109
Pension costs	83	77
Other staff costs	95	80
	<b>1,179</b>	<b>1,197</b>

## Breakdown of staff numbers

The breakdown of staff numbers as at 31 March 2016 was as follows:

	Male	Female
Number of Board Members of each sex	6	1
Number of senior managers of each sex	1	–
Number of employees of each sex	4	10

There were no compulsory or other redundancy payments in 2015/16 (2014/15: nil) and there were no off-payroll engagements during the year (2014/15: nil).

### Alan Delmonte

Chief Executive and Accounting Officer  
Horseshoe Betting Levy Board

28 June 2016

## Contingent liabilities

### British Horseracing Authority Pension Scheme

On 30 July 2007 the Board entered into an agreement with the British Horseracing Authority (BHA), the Jockey Club and Trustees of the Jockey Club Pension Fund and Life Assurance Scheme, now known as the BHA Pension Scheme (the 'Scheme'), to guarantee the payment by the BHA of certain contributions to the Scheme. Following actuarial valuations of the Scheme as at 31 December 2008, the terms of the original agreement between the Board and the BHA were changed by a deed of amendment dated 30 October 2009.

Following the most recent actuarial valuation of the Scheme as at 31 December 2011, a new deed of amendment was agreed, which was signed on 11 December 2012.

Accordingly, the Board has a contingent liability in the event of the BHA becoming unable to meet its obligations and has agreed if such circumstances arise to:

- (a) Meet the entire annual deficit contributions of £1,158,000 during the period ending 31 December 2019 (*2009 agreement: £985,000 per annum*) and £624,000 per annum for the period from 1 January 2020 and ending on 30 September 2024 (*2009 agreement: £nil per annum*);
- (b) Guarantee until the earlier of (i) 31 December 2024 and (ii) the date a future actuarial valuation of the Scheme discloses that there is no longer a past deficit on the basis of the December 2006 Actuarial Assumptions (*2009 agreement: 31 December 2019*) the full Scheme wind-up liabilities; up to a maximum of £30.3m (*2009 agreement: £30.3m*) in total, payable in five equal annual instalments, only in the event that the Scheme is wound up by its trustees as a result of the BHA becoming

unable to maintain contributions, or terminates its participation in the Scheme, without substituting an alternative Principal Employer (Rule 66 of the Scheme). This guarantee does not apply if the Scheme is wound up for any other reason.

The Board no longer has a contingent liability in respect of the BHA's future service contributions to the Scheme (*2009 agreement: up to a maximum of 7% per annum of pensionable salaries*).

### Home of Horseracing Trust

In January 2014 HBLB executed a guarantee to Weatherbys Bank to underwrite a £1.5 million overdraft facility to be granted in favour of the Home of Horseracing Trust. The Trust has been formed with the objective of raising funds for a National Heritage Centre in Newmarket and specifically the restoration of the historic Palace House and Stables site, built by Charles II.

The Board has a contingent liability in the event that the Home of Horseracing Trust becomes unable to repay any sums borrowed through this overdraft facility. The guarantee expires on 31 January 2018.

## The Certificate and Report of the Comptroller and Auditor General to the Houses Of Parliament

I certify that I have audited the financial statements of the Horserace Betting Levy Board for the year ended 31 March 2016 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Reserves; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Corporate governance report, Remuneration and staff report and Parliamentary Accountability report that is described in that report as having been audited.

## Respective responsibilities of the Board, Accounting Officer and auditor

As explained more fully in the Statement of Responsibilities of Members and the Accounting Officer of the Horserace Betting Levy Board, the Board and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Horserace Betting Levy Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Horserace Betting Levy Board; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate and report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Horserace Betting Levy Board's affairs as at 31 March 2016 and of the deficit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Betting, Gaming and Lotteries Act 1963 and Secretary of State directions issued thereunder.

## Opinion on other matters

In my opinion:

- the parts of the Corporate governance report, Remuneration and staff report and Parliamentary Accountability report to be audited have been properly prepared in accordance with Secretary of State directions made under the Betting, Gaming and Lotteries Act 1963; and
- the information given in the Performance report and Accountability report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Corporate governance report, Remuneration and staff report and Parliamentary Accountability report to be audited are not in agreement with the accounting records and returns; or

- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

**1 July 2016**

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

## Statement of comprehensive net expenditure for the twelve months ended 31 March 2016

	Notes	2016 £000	2015 £000
<b>Income</b>			
Levy income receivable for:			
54th Levy Scheme (comparative is 53rd Levy Scheme)	2a	54,500	60,090
Previous years' Schemes	2a	185	13
		<b>54,685</b>	<b>60,103</b>
Other income	2a	14,534	11,759
Interest receivable	2a	775	642
<b>Total income</b>		<b>69,994</b>	<b>72,504</b>
<b>Expenditure</b>			
Improvement of horseracing	4a	(74,340)	(73,059)
Other expenditure	4b	(3,793)	(3,466)
<b>Total expenditure</b>		<b>(78,133)</b>	<b>(76,525)</b>
<b>Operating deficit</b>		<b>(8,139)</b>	<b>(4,021)</b>
Income tax	6	-	-
<b>Deficit for the year</b>		<b>(8,139)</b>	<b>(4,021)</b>
<b>Total comprehensive loss for the year</b>		<b>(8,139)</b>	<b>(4,021)</b>

The deficit for the year arose from continuing operations.

The notes on pages 40 to 50 form part of these accounts.

## Statement of financial position as at 31 March 2016

	Notes	2016 £000	2015 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	263	317
Loans	9	5,134	6,652
<b>Total non-current assets</b>		<b>5,397</b>	<b>6,969</b>
<b>Current assets</b>			
Trade and other receivables	8	1,333	4,331
Loans due within one year	9	2,791	3,411
Financial assets	11	2,019	14,842
Cash and cash equivalents	12	36,217	26,102
<b>Total current assets</b>		<b>42,360</b>	<b>48,686</b>
<b>Total assets</b>		<b>47,757</b>	<b>55,655</b>
<b>Current liabilities</b>			
Trade and other payables	13	(14,827)	(14,583)
<b>Total current liabilities</b>		<b>(14,827)</b>	<b>(14,583)</b>
<b>Total assets less total current liabilities</b>		<b>32,930</b>	<b>41,072</b>
<b>Non-current liabilities</b>			
Provisions	14	(57)	(60)
<b>Total non-current liabilities</b>		<b>(57)</b>	<b>(60)</b>
<b>Total net assets</b>		<b>32,873</b>	<b>41,012</b>
<b>Reserves</b>	16	<b>32,873</b>	<b>41,012</b>

These accounts were authorised for issue on the dates shown on the Audit Certificate.

**Paul Lee**  
Chairman  
28 June 2016

**Alan Delmonte**  
Chief Executive and Accounting Officer  
28 June 2016

The notes on pages 40 to 50 form part of these accounts.



## Statement of cash flows for the year to 31 March 2016

	Notes	2016 £000	2015 £000
<b>Cash flow from operating activities</b>			
Operating deficit for the year		(8,139)	(4,021)
<b>Adjustments for:</b>			
Depreciation	5, 7	54	54
Interest receivable		(775)	(642)
Fair value adjustment for loans receivable	4a, 9a	(281)	159
Decrease in trade and other receivables	8	2,998	682
Increase in trade and other payables	13	244	2,879
(Decrease)/Increase in provisions	14	(3)	2
<b>Cash consumed by operations</b>		<b>(5,902)</b>	<b>(887)</b>
Income tax	6	-	-
<b>Net cash flow from operating activities</b>		<b>(5,902)</b>	<b>(887)</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment	7	-	(11)
Disposal of property, plant and equipment	7	-	44
Net loans repaid by/(advanced to) racecourses	9a	2,419	(1,957)
Interest and investment earnings		775	642
<b>Net cash flow from investing activities</b>		<b>3,194</b>	<b>(1,282)</b>
<b>Cash flow from financing activities</b>			
Net amounts transferred from financial assets	11	12,823	(6,570)
<b>Net cash flow from financing activities</b>		<b>12,823</b>	<b>(6,570)</b>
<b>Net increase in cash and cash equivalents</b>		<b>10,115</b>	<b>(8,739)</b>
Cash and cash equivalents at 1 April		26,102	34,841
<b>Cash and cash equivalents at 31 March</b>		<b>36,217</b>	<b>26,102</b>

The notes on pages 40 to 50 form part of these accounts.

## Statement of changes in reserves for the year ended 31 March 2016

	Reserves* £000
At 1 April 2015	41,012
<b>Changes in reserves 2016</b>	
Deficit for 2016	(8,139)
<b>Total comprehensive loss for 2016</b>	<b>(8,139)</b>
<b>Balance at 31 March 2016</b>	<b>32,873</b>

\* The Government Financial Reporting Manual (FReM) requires the 'Statement of changes in reserves' to be called the 'Statement of changes in taxpayers' equity'. However, the Board, unlike most other non-departmental public bodies, receives no central Government grant-in-aid and no National Lottery funding and therefore it does not consider that the wording required by the FReM appropriately reflects the Board's unique status.

The notes on pages 40 to 50 form part of these accounts.

## NOTES TO THE ACCOUNTS FOR THE YEAR TO 31 MARCH 2016

**1. Basis of preparation**

The accounts have been prepared on the going concern basis. The accounts are prepared under the historical cost convention, except provisions and loans receivable that are stated at fair value.

The accounts have been prepared in a form as directed by the Secretary of State for Culture, Media and Sport and meet the disclosure and measurement requirements, in so far as they are considered to be applicable to the Board, of the 2015/16 Government Financial Reporting Manual (FReM) issued by HM Treasury.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Board for the purposes of giving a true and fair view has been selected. The preparation of accounts in conformity with the FReM requires the use of estimation and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of income and expense during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of the FReM that have a

significant effect on the accounts and estimates with a significant risk of material adjustment in the next year are discussed below.

**Betting, Gaming and Lotteries Act 1963**

The Statement of Comprehensive Net Expenditure is in accordance with the provisions of the above Act (as amended). The Levy income receivable from bookmakers and the contributions from the successor company to the Horserace Totalisator Board are governed by sections 27 and 30 of the above Act, as amended, respectively.

Specific applications of revenue relate to the following sections of Part 1 of the Act.

Section:

24(1)(a) and 25(2)(d)

Improvement of breeds of horses

24(1)(b) and 25(2)(d)

Advancement or encouragement of veterinary science or veterinary education

24(1)(c) and 25 (2)(d)

Improvement of horseracing

24(2)(a) and 24(6)

Administration

25(2)(c)

Charitable payments

25(2)(d)

Loans granted and investments made

**Accounting developments**

The Board did not implement the requirements of any Standards or Interpretations which were in issue and which were not required to be implemented at the year end date. The only Standard relevant to the Board that has been issued by the International Accounting Standards Board but not yet adopted by the Board is IFRS 9 Financial Instruments. IFRS

9 takes effect from 1 January 2018 and will simplify the classification of financial assets for measurement purposes, but is not anticipated to have a significant impact on the financial statements.

There are no other IFRSs in issue, but not yet effective, that are expected to have a significant impact on the Board.

## 2. Accounting policies

A summary of the Board's accounting policies that are material in the context of the accounts is set out below.

### a) Revenue

#### *Levy income*

Receivable from bookmakers, Levy income represents the total amount which it is estimated will be collected in respect of the Levy Scheme for the 54th Scheme (for the year ended 31 March 2016). In addition Levy income includes the impact, if any, of the minimum guarantee, provided as part of the 54th Levy Scheme agreement, by Betfred, Gala Coral, Ladbrokes and William Hill, and an amount in respect of adjustments to Levy estimates made in previous years.

#### *Other income*

Other income principally comprises other non-statutory contributions received from bookmakers.

#### *Interest receivable*

Interest income represents interest receivable during the financial year on the financial assets held, cash deposits and loans to racecourses.

### b) Leases

The Board has categorised all leases in accordance with IAS 17 and following this ongoing exercise, all leases held by the Board are classified as operating leases. Payments made under leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

### c) Improvement of horseracing and veterinary grants

Grants payable in respect of the improvement of horseracing and advancements of veterinary science and education can cover a period of more than one year and in some cases the grants may relate to projects of up to four years in duration. Payments are normally made in the period to which they relate and grant expenditure is accounted for on an accrual basis to reflect the usage of grant funds on work carried out. Future commitments that have not been included in expenditure at the Statement of Financial Position date are disclosed in note 18.

### d) Property, plant and equipment

Items of property and equipment are initially recognised at cost. Depreciation is provided on all items of property and equipment to write off the cost, less residual value, by equal monthly instalments over their estimated useful economic lives.

The estimated useful economic lives are as follows:

Short leasehold premises – Over the period of the lease

Furniture and equipment – 36 to 60 months

Property, plant and equipment is stated at depreciated historic cost as a proxy for fair value. All of the Board's assets are short life assets and therefore depreciated historic cost is considered a suitable measure of fair value. A review of property, plant and equipment is undertaken annually to ensure that all items are still in use and that no disposals have taken place.

Annual reviews are also undertaken to identify any impairment of assets as per IAS 36. Any gain or loss arising from the disposal of property, plant and equipment is determined as the difference between the disposal proceeds and the carrying amount of the

asset, and is recognised in the Statement of Comprehensive Net Expenditure as “Other expenditure” or “Other income.”

**e) Trade and other receivables**

Trade receivables are reflected net of an estimated provision for doubtful accounts. This provision is based primarily on a review of all outstanding accounts and considers the past payment history and creditworthiness of each account and the length of time that the debt has remained unpaid. The actual amounts of debts that ultimately prove irrecoverable could vary from the actual provision made. Trade and other receivables are detailed in note 8.

**f) Discount rates**

Where financial assets or liabilities are required to be presented at amortised cost, these are discounted utilising a suitable discount rate. In 2015/16, the rates chosen are in line with guidance supplied by HM Treasury.

**g) Financial assets**

The Board classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Board’s accounting policy for each category is as follows:

**Loans:** These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of loans to racecourses. They are measured initially at fair value and then carried forward at amortised cost less any provision for impairment. Any gains or losses are recognised in the Statement of Comprehensive Net Expenditure under Improvement of Horseracing.

**Fixed term cash deposits:** Fixed term deposits held to maturity in bank accounts with a maturity date that is greater than three months. Since all of these cash deposits are held in interest bearing accounts with duration of no more than twelve months, the effect of the

time value of money is not considered material and so these balances are shown at present value.

**h) Provisions**

A provision is recognised in the statement of financial position when the Board has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. In 2015/16, the rates chosen are in line with guidance supplied by HM Treasury.

**i) Pension scheme**

The Board operates a defined contribution pension scheme. The cost of the defined contribution scheme is charged to the Statement of Comprehensive Net Expenditure account in the year to which it relates.

**j) Segmental reporting**

The Board has determined that it operates in one material segment, which is to collect a statutory levy from the horseracing business of British bookmakers and the Tote successor company which it then distributes for the improvement of horseracing and breeds of horses and for the advancement of veterinary science and education. The Board therefore operates within one geographical segment, Great Britain. The Board has two significant sources of income, being compulsory and non-statutory Levy payments from bookmakers, and the segmental reporting reflects the Board’s management and internal reporting structure.

**3. Key sources of estimation uncertainty**

In the application of the Board’s accounting policies, which are described in note 2, the Members and the Accounting Officer are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience

and other factors that are considered to be relevant. Actual results may differ from these estimates.

The key source of estimation uncertainty at the end of the reporting period that has a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is in relation to the estimate of amounts due from/to bookmakers in respect of Levy income. The Levy income is derived

from the actual 54th Levy Scheme Forms of Declaration received from bookmakers by the date of approval of these annual accounts and management's estimate in respect of the Levy income attributable to the Forms of Declaration yet to be submitted. For the year ended 31 March 2016, the estimated Levy income represented less than 1% of the total Levy income.

#### 4. Expenditure costs

##### 4a. Improvement of horseracing

	2016 £000	2015 £000
<b>Horsemen</b>		
Prize money	46,707	46,865
Prize money for divided races	1,558	1,272
British owners' & breeders' incentive scheme	502	1,453
Plus 10	1,136	16
Breeders' prizes scheme	420	374
Appearance money scheme	625	642
Additional Voluntary Contributions expenditure	2,814	879
	<b>53,762</b>	<b>51,501</b>
<b>Racecourses</b>		
Fixture incentive scheme	2,955	2,996
Fair value adjustment to racecourse loans	(281)	159
	<b>2,674</b>	<b>3,155</b>
<b>Raceday services</b>		
Raceday services	16,526	16,394
	<b>16,526</b>	<b>16,394</b>
<b>Training</b>		
Industry training	1,116	1,394
	<b>1,116</b>	<b>1,394</b>
<b>Other</b>		
Point-to-point meetings	239	246
Great British Racing International	–	350
Miscellaneous	23	19
	<b>262</b>	<b>615</b>
	<b>74,340</b>	<b>73,059</b>

**4b. Other expenditure**

	<b>2016 £000</b>	<b>2015 £000</b>
Breed societies	115	111
Advancement of veterinary science and education	1,594	1,109
Administration costs	1,753	1,852
Bookmakers' Committee costs	330	393
Charitable payments	1	1
	<b>3,793</b>	<b>3,466</b>

**5. Deficit**

	<b>2016 £000</b>	<b>2015 £000</b>
This has been arrived at after charging:		
Remuneration of Board Members and Chief Executive	264	262
Depreciation	54	54
Operating lease rentals	174	174
Auditors' remuneration – no charge for non-audit services		
– External audit	33	35
– Internal audit and other services	8	10

**6. Taxation**

The charge for income tax represents tax charged in the accounts of the Board in respect of interest received less grant payments made to charitable bodies. Other revenue and expenditure of the Board is not taxable or tax deductible. There was no tax payable or refundable in the year (2015: £nil).

**7. Property, plant and equipment**

	Leasehold improvements £000	Furniture and equipment £000	Total £000
<b>Cost:</b>			
At 1 April 2015	329	181	510
Additions	–	–	–
Disposals	–	–	–
<b>At 31 March 2016</b>	<b>329</b>	<b>181</b>	<b>510</b>

<b>Depreciation:</b>			
At 1 April 2015	43	150	193
Charge for the year	38	16	54
Disposals	–	–	–
<b>At 31 March 2016</b>	<b>81</b>	<b>166</b>	<b>247</b>

<b>Net book value:</b>			
At 31 March 2015	286	31	317
<b>At 31 March 2016</b>	<b>248</b>	<b>15</b>	<b>263</b>

	Leasehold improvements £000	Furniture and equipment £000	Total £000
<b>Cost:</b>			
At 1 April 2014	365	179	544
Additions	7	4	11
Disposals	(43)	(2)	(45)
<b>At 31 March 2015</b>	<b>329</b>	<b>181</b>	<b>510</b>

<b>Depreciation:</b>			
At 1 April 2014	6	134	140
Charge for the year	37	17	54
Disposals	–	(1)	(1)
<b>At 31 March 2015</b>	<b>43</b>	<b>150</b>	<b>193</b>

<b>Net book value:</b>			
At 31 March 2014	359	45	404
<b>At 31 March 2015</b>	<b>286</b>	<b>31</b>	<b>317</b>



**8. Trade and other receivables**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Trade and other receivables	21	171
Amounts due from bookmakers in respect of Levy income	215	1,017
Amounts due from bookmakers in respect of non-statutory contributions	846	2,913
Prepayments and accrued income	251	230
	<b>1,333</b>	<b>4,331</b>

All the above amounts are due within one year.

**9. Loans**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
<b>Secured:</b>		
Repayable within five years	8,021	10,443
<b>Unsecured:</b>		
Repayable within five years	–	–
<b>Total loans at historic cost</b>	<b>8,021</b>	<b>10,443</b>
Fair value adjustment	(96)	(380)
<b>Total loans at net present value</b>	<b>7,925</b>	<b>10,063</b>
<b>Loans included above due within one year</b>	<b>2,791</b>	<b>3,411</b>
<b>Loans due in more than one year</b>	<b>5,134</b>	<b>6,652</b>

The loans granted prior to 1 April 2012 are interest free. Loans granted after this date attract an interest charge of 4% per annum. At the year end, £8,021,486 of the notional loan balance (2015: £10,443,188) was secured against the racecourse assets of the borrowers.

The loans are stated at net present value. In 2016, the discount rate prescribed by HM Treasury, 0.7%, has been utilised (2015: 2.2%).

**9a. Loans at net present value: Movement in the year**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	10,063	8,265
Loans made to racecourses	7,288	7,308
Loans repaid by racecourses	(9,707)	(5,351)
Fair value adjustment to racecourse loans	281	(159)
<b>Balance at 31 March</b>	<b>7,925</b>	<b>10,063</b>

The fair value adjustment to racecourse loans has been recognised as racecourse expenditure under costs related to the improvement of horseracing (see note 4a). For the purposes of IFRS 13, the Board considers that the fair value of the loans should be determined based on Level 3 inputs (i.e. unobservable inputs), as the racecourse loans are not traded on an observable market. There has been no change in this classification during 2014/15 or 2015/16.

## 10. Financial instruments

The Board is exposed through its operations to one or more of the following financial risks.

### *Market risk*

The principal market risk associated with the Board's activities is the risk that changes in interest rates will affect the Board's income or the value of its assets. However the risk is low as a high proportion of investments are fixed rate deposits. The Board does not have any debt and as such is not exposed to fluctuations in interest rates in this regard. The Board is not directly exposed to any foreign currency risk.

### *Liquidity risk*

Liquidity risk is the risk that the Board fails to meet its financial obligations as and when they fall due. The management of operational liquidity risk aims primarily to ensure that the Board always has sufficient liquidity to meet its short-term working capital requirements. Medium-term and long-term cash requirements are managed having regard to the Board's forecast operating cash flows.

### *Credit risk*

The Board invests surplus cash in term deposits and cash. The Board does not engage in speculative financial transactions and there are strict internal guidelines agreed by the Audit Committee that govern counter-party risk and the investment of funds, which ensure that no more than one-third of cash deposits are invested with any one approved financial institution.

The Board also grants loans to racecourses, usually repayable over 4 years. All loan applications are considered in detail by the Investment Committee, in order to assess the credit worthiness of the applicant racecourse, and any loans that are greater than £200,000 are secured by legal charges against the borrower.

The credit risk associated with the risk of default by a bookmaker failing to meet the obligations under a particular Levy Scheme is not considered material, and this is evidenced by the fact that losses with regard to these trade receivables are historically low.

On 30 July 2007 the Board entered into an agreement with the British Horseracing Authority (BHA), the Jockey Club and Trustees of the Jockey Club Pension Fund and Life Assurance Scheme, now known as the BHA Pension Scheme (the 'Scheme'), to guarantee the payment by the BHA of certain contributions to the Scheme. Accordingly, the Board has a contingent liability in the event of the BHA becoming unable to meet its obligations. Further information is shown on page 33.

In January 2014 the Board executed a guarantee to Weatherbys Bank to underwrite an overdraft facility to be granted in favour of the Home of Horseracing Trust. Accordingly, the Board has a contingent liability in the event of the Home of Horseracing Trust becoming unable to meet its obligations. Further information is shown on page 33.

**11. Financial assets**

Financial assets comprise fixed term cash deposits that mature in greater than three months. All of these cash deposits are held in interest bearing bank accounts with duration of no more than twelve months, and therefore the effect of the time value of money is not considered material and so these balances have not been amortised and are shown at present value.

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	14,842	8,272
Net change in financial assets	(12,823)	6,570
<b>Balance at 31 March</b>	<b>2,019</b>	<b>14,842</b>

**12. Cash and cash equivalents: Movement in the year**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	26,102	34,841
Net change in cash and cash equivalent balances	10,115	(8,739)
<b>Balance at 31 March</b>	<b>36,217</b>	<b>26,102</b>

**12a. Cash and cash equivalents**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
The following balances at 31 March were held at:		
Cash at banks and in hand	26,353	14,500
Bank deposits maturing in less than three months	9,864	11,602
	<b>36,217</b>	<b>26,102</b>

**13. Current liabilities: Trade and other payables**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Capital credit grants	5,825	3,402
Accruals	2,135	4,389
Amounts due to bookmakers in respect of Levy income	5,266	6,470
Trade and other creditors	1,565	285
Social security	36	37
	<b>14,827</b>	<b>14,583</b>

Capital credit grants comprise grant payments to racecourses that are allocated for future capital projects but have not been drawn down at 31 March 2016.

**14. Provisions**

A provision was created in 2013/14 to provide for the costs that the Board will incur in respect of premises dilapidations when the leasehold office property at 21 Bloomsbury Street is vacated at the end of the lease term in 2022. Included within this lease agreement is a break clause that permits the Board to terminate its lease in September 2018. It has been assumed that this break option will be exercised. Management's estimate of the cost of work required, discounted in accordance with IAS 37, is £57,000.

In 2015/16, the discount rate adopted of -1.55% is in line with guidance supplied by HM Treasury for cash flows of between zero and five years (2015: -1.05%). The provisions are analysed as current and non-current as follows:

	2016 £000	2015 £000
Current	-	-
Non-current	57	60
	<b>57</b>	<b>60</b>

### 15. Commitments under operating leases

At 31 March 2016, the Board was committed to making the following payments in respect of operating leases.

	2016 £000	2015 £000
Obligations under operating leases comprise:		
Buildings:		
Within 1 year	218	188
After 1 year but not more than 5 years	309	703
After 5 years	-	552
	<b>527</b>	<b>1,443</b>

In light of the Government's announcement in March 2016 concerning the replacement of the horserace betting levy, it has been assumed that the Board will terminate its office property lease in September 2018. The financial commitments shown represent the remaining lease payments due until the break option in September 2018 and include the nine-month rent penalty that the Board will be liable for upon exercising the break option.

### 16. Reserves

Reserves represent the cumulative undistributed historic surpluses of the Board.

### 17. Related parties

The Horserace Betting Levy Board is a Non-Departmental Public Body operating in accordance with the provisions of the Betting, Gaming and Lotteries Act 1963 (as amended). The Department for Culture, Media and Sport (DCMS) is the Board's controlling Government Department and is therefore a related party.

During the year the Board had the following transactions in which there was a related interest:

- Philip Freedman, a Board Member, is a trustee of the Wavertree Trust which received training grants of £184,000 (2015: £229,000).

As per the restriction in section 28(10) of the Betting, Gaming and Lotteries Act 1963 (as amended), no details of the financial transactions between the Board and any bookmaker can be disclosed.

During the year, none of the key management staff, or other related parties, has undertaken any material transactions with the Horserace Betting Levy Board.

**18. Other financial commitments**

The Board estimates that the future costs to completion, in respect of grants payable for the advancements of veterinary science and education at 31 March 2016, are £3.5m (2015: £3.9m). These grants can cover a period of more than one year and in some cases the grants may relate to projects of up to four years in duration. Practical experience and history has shown that it is very probable that the total, or at least a significant proportion of the total value, of these grants will be drawn down over the life of the project and it is only in exceptional cases that this does not occur. The Board's view is that the obligating event is the actual performance of the research work and that the accounting treatment of grants for the advancements of veterinary science and education should be limited to recognising, in each financial year, only the costs incurred by the grant recipient. The payments to which the Board is committed as at 31 March 2016, analysed by the period during which the commitment expires, are as follows:

	<b>2016</b> <b>£000</b>	<b>2015</b> <b>£000</b>
Within 1 year	2,137	2,173
After 1 year but not more than 5 years	1,328	1,682
<b>Total financial commitments</b>	<b>3,465</b>	<b>3,855</b>

During the year, the Board approved one new loan to a racecourse totalling £2.0m (2015: £1.3m).

	<b>2016</b> <b>£000</b>	<b>2015</b> <b>£000</b>
Racecourse loans approved by the Board, but not committed	–	2,000
Racecourse loans approved by the Board, and committed	–	5,255
<b>Racecourse loans financial commitments</b>	<b>–</b>	<b>7,255</b>

**19. Contingent liabilities**

Full details of contingent liabilities are given on page 33.

**20. Events after the Reporting Period**

The result of the referendum held on 23 June 2016 was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made.

These accounts were authorised for issue by the Accounting Officer on the date shown on the audit certificate.

There are no events after the reporting period since this date to note.