



HORSERACE BETTING LEVY BOARD
BUSINESS PLAN 2016/2017

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1. Executive summary

The 2016/17 business plan is overshadowed by the announcement in March 2016 that the Government plans to replace the Horserace Betting Levy in April 2017, meaning that this is the final business plan that the Levy Board, in its current format, will publish. With this in mind, the business plan document is shorter than in previous years.

The Board agreed in September 2015 to implement a £4m reduction, compared to the prior year, in expenditure in calendar year 2016. Given the relative small size of this expenditure reduction and against a backdrop of declining Levy income, the Board is currently forecasting a deficit of £12.1m for the year ended 31 March 2017.

The table below summarises the calendar year expenditure for three years from 2014 to 2016:

<u>Calendar year basis</u>	<u>2016</u> <u>(budget)</u> <u>£m</u>	<u>2015</u> <u>(actual)</u> <u>£m</u>	<u>2014</u> <u>(actual)</u> <u>£m</u>
Prize money	49.0	51.0	50.5
Raceday services	16.4	16.4	16.4
Fixture incentive scheme	2.9	3.0	3.1
Other expenditure	5.5	6.0	5.9
	73.8	76.4	75.9
AVCs	0.2	3.4	0.2
Total expenditure	74.0	79.8	76.1

2. 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).

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.

3. Objectives

In accordance with its Purpose the Board has agreed the following general objectives:

- a) 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.
- b) 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.
- c) Ensure its financial support for the racing industry is cost-effective, value for money and carefully monitored.
- d) Apply funds at an appropriate level to the improvement of breeds of horses and to veterinary science and education.
- e) Manage and monitor its net assets and maintain adequate cash balances.
- f) Continue to liaise constructively with the Racing and Betting industries to promote strong and trusted working relationships for the commercial benefit of both.

The business plan includes references to both fiscal and calendar years. The overall business plan is prepared on a fiscal year basis but those elements of expenditure that relate specifically to Racing are presented on a calendar year.

References within this business plan to fiscal years are denoted by stating both years e.g. 2016/17, whereas calendar years are stated as one year e.g. 2016.

4. Strategy: Specific priorities

Specifically for 2016/17, the Board has agreed the following priorities, which can be considered under six key headings. The Board will assess successful performance by monitoring outcomes against these priorities:

Prize money

- a) Incentivise racecourses to increase their prize money contributions further, principally by linking its grants to a racecourse's executive and sponsorship prize money contributions and Levy generation.

Fixture criteria

- b) Carry out 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.

Integrity

- c) 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.

Financial support for the horseracing industry

- d) Continue to support the financing of racecourse projects by Capital Credit grants.

Government

- e) Work with the Department for Culture, Media and Sport on requirements involving the replacement of the Horserace Betting Levy.

Levy income

- f) Undertake an analysis of trends in leviable income.

5. Total Income

2016/17: £57.0m

5.1 55th Levy Scheme

2016/17: £46.2m

5.1.1 The business plan assumes that the 55th Levy Scheme yield will be £46.2m. This figure is derived from the most recent forecast for 54th Levy Scheme of £54.5m as the base and then adjusts it downwards to reflect the declining trend in leviable betting and also the absence of the minimum guarantees that had previously been provided by the four largest retail bookmakers.

5.1.2 The forecast Levy yield assumes that the recent significant annual declines in gross profit generated by LBOs on British horserace betting continue and therefore the previous forecasting assumption of a 4% decline in gross profit has been replaced by an estimate that the annual decline will be in the region of 7%.

5.2 Non-statutory contributions

2016/17: £10.3m

5.2.1 The total for non-statutory contributions is derived from the mid-range of the income estimate provided to the Levy Board by the BHA.

5.3 Additional voluntary contributions (AVCs)

2016/17: £0.8m

5.3.1 The accounting treatment adopted for the AVC income is to match it to expected expenditure. At 1 April there were unspent additional voluntary contributions totalling £0.8m, of which £0.2m will be applied to support the Veterans' Chase series.

5.4 Bank interest

2016/17: £0.2m

5.4.1 Bank interest is estimated as a function of the average cash balances held, using a weighted average interest rate. Following the Government's announcement in March 2016 that it plans to replace the Horserace Betting Levy, funds have no longer been placed on long term deposit and reinvestment of maturing deposits has ceased resulting in a fall in the yield generated compared to the prior year.

5.5 Racecourse loans

2016/17: £0.2m

5.5.1 It is assumed that no new loans will be granted in 2016/17 and therefore the estimated income simply reflects the interest earned on the outstanding loan balance, which was £8.0m at 1 April 2016.

6. Total Expenditure**2016/17: £69.6m****6.1 Improvement of horseracing****6.1.1 Prize money****2016: £48.9m**

6.1.1.1 The overall 2016 prize money budget is set out in the table below. These figures reflect the £4m expenditure reduction compared to 2015, which the Board agreed in September 2015.

	2016 Total £000	2015 Total £000	Change £000
GPF Racecourse Fixtures	£34,712	£36,324	(£1,612)
Winter Jump	£540	£561	(£21)
Blanket AWT	£1,586	£1,647	(£61)
BHA Twilight Fixtures	£1,414	£1,464	(£50)
British Champions Day	£382	£400	(£18)
Future Champions Day	£215	£225	(£10)
Good Friday Lingfield	£120	£126	(£6)
Breeders Prizes and MOPS	£432	£400	£32
Race Incentive Fund	£6,267	£6,558	(£291)
Sunday Appearance Money	£735	£735	-
Divided Race Fund	£1,300	£1,400	(£100)
BOBIS/Plus 10	£1,250	£1,750	(£500)
Racing and Betting Fund	-	£550	(£550)
Grand Total	£48,953	£52,140	(£3,187)

6.1.2 AVC expenditure**2016: £0.2m**

6.1.2.1 AVC expenditure represents the £200,000 committed to support the Veterans' Chase series. The Board has agreed that the remaining unspent AVCs, totalling £600,000, will be absorbed into general reserves.

6.1.3 Raceday services**2016: £16.4m**

6.1.3.1 The allocation for Raceday Services for 2016 is £16.4m, which is unchanged from 2015.

6.1.4 Fixture incentives**2016: £2.9m**

6.1.4.1 The allocation for Fixture Incentives for 2016 is £2.9m, down £0.1m on 2015.

6.1.5 Industry training **2016: £1.2m**

6.1.5.1 The Board's contribution to Industry Training as approved in principle in September 2015 is broadly unchanged from the prior year and includes the Board's commitment to support the Thoroughbred Racing Industry MBA, which is run at Liverpool University.

6.1.5.2 Monitoring and evaluation reports will be provided by the BHA to the Board at agreed intervals:

6.1.6 Great British Racing International **2016: £nil**

6.1.6.1 The Board will not be providing any financial support for Great British Racing International (GBRI) in 2016.

6.1.7 Point to Point **2016: £250,000**

6.1.7.1 The allocation for Point to Points for 2016 is £250,000, which is unchanged from 2015.

6.2 Advancing veterinary science and education **2016/17: £1.8m**

6.2.1 The veterinary science and education expenditure for 2016/17 is expected to be £1.8m. The majority of the expenditure relates to multi-year projects. The expected spend in any one year comprises the utilisation of budgets not just from the current year but also from up to three or four previous years.

6.3 Improvement of breeds of horses **2016: £115,000**

6.3.1 The allocation to breed societies for 2016 is £115,000, which is unchanged from 2015. The Board makes such grants in line with its statutory responsibility for "the improvement of breeds of horses". Only the rare equine breeds listed by the Rare Breed Survival Trust (RBST) are eligible for direct grant funding.

6.4 HBLB administration costs **2016/17: £1.8m**

6.4.1 The budget in respect of HBLB administration costs is £1.8m, which represents a 4.6% increase on 2015/16. This increase is attributable to the accounting treatment to write-off the expected penalty cost of exercising the break clause in the lease at 21 Bloomsbury Street in August 2017.

6.5 Bookmakers' Committee costs

2016/17: £0.4m

6.5.1 Bookmakers' Committee costs include provision for the cost of the functions of the Secretary to the Bookmakers' Committee being undertaken by an external contractor(s).

7. Reserves

7.1 Reserves

- 7.1.1 Having accumulated reserves in excess of £40m, the Board agreed to utilise these to mitigate the impact on expenditure in 2015 and 2016 of the declining Levy income.
- 7.1.2 The current forecast is for reserves to fall to circa £20m by March 2017, though the actual figure will be dependent upon the total expenditure sum that is agreed for calendar year 2017, which the Board will decide in autumn 2016.