

2017–18 Annual Report and Accounts

HC 1267



The Horserace Betting Levy Board Annual Report and Accounts 2017/18

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

Ordered by the House of Commons to be printed on 23 July 2018

HC 1267

Front cover: *Enable (Frankie Dettori) goes to post before winning the Group One Yorkshire Oaks, York 24th August 2017.*

Photograph: Edward Whitaker, Racing Post

© Crown copyright 2018

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.uk/government/publications

Any enquiries regarding this publication should be sent to us at: enquiries@hblb.org.uk

ISBN 978-1-5286-0444-4

CCS0518701672 07/18

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

CONTENTS

	Pages
Performance Report	
Overview	
Chairman's statement	3
Overview	5
Purpose	5
Objectives	5
Principal risks	6
Going concern	9
Performance Analysis	
Priorities and performance	10
Financial summary	11
Improvement of horseracing	12
Advancing veterinary science and education	14
Improvement of breeds of horses	15
Administration costs	15
56th Levy Scheme	16
Horserace Betting Levy Regulations 2017	16
Accountability Report	
Corporate governance report	
Board Members and Officers	17
Statement of Responsibilities of Members and the Accounting Officer of the Horserace Betting Levy Board	18
Governance statement	19
Remuneration and staff report	25
Parliamentary accountability and audit report	
Contingent liabilities	28
The Certificate and Report of the Comptroller and Auditor General to the House of Commons	29
Financial Statements	
Statement of comprehensive net expenditure	32
Statement of financial position	33
Statement of cash flows	34
Statement of changes in reserves	35
Notes to the accounts	36

CHAIRMAN'S STATEMENT



I am pleased to present the report and statement of accounts for the year ending 31 March 2018.

Last year, in my report, I wrote of our hopes in relation to the

implementation of the new legislation which effectively brought into charge for Levy the offshore activities of the bookmaking industry. I noted that, over the previous two years, we had intentionally used our reserves to maintain our levels of distribution and, in particular, our contribution to prize money. We did not wish there to be a major dislocation to the finances of Racing.

I am therefore delighted to report that the first year of the operation of the new Levy Scheme has been successfully implemented. This is due in no small measure to the cooperation of the bookmakers who have been most constructive in their attitude. Moreover, as the statutory period for appeal under the terms of European legislation has now passed, a further uncertainty has been removed.

In the financial year under review, our total income from all sources was £95 million, up from £65 million, our distributions rose from £73 million to £74 million and we have been able to increase our reserves from £25 million to £46 million. It was always our hope that the increased level of income would come on stream before cuts in expenditure were necessary as our reserves were severely depleted. I am pleased to say that has been the case and the policy vindicated.

Throughout the year, we maintained tight control of administrative expenditure, which fell again. As an example of this, some of our office space has been taken by the Gambling Commission who are making a valuable contribution to ensuring that we remain cost-effective.

The Government's proposals for the modernisation of the Levy were effectively in two parts. First, the extension of the Levy so as to capture offshore income. Second, a proposal that the Levy Board be abolished with its collection functions to be carried on henceforth by the Gambling Commission and distribution by a newly created Racing Authority.

These proposals have therefore been partially implemented, but further legislation is required for the second part of the proposals and Government now expects those to have become law and to be effective from 1 April 2019. The issue, therefore, of the abolition of the Levy Board has been ongoing for over three years. Inescapably, this has resulted in a challenging situation for the organisation which wishes to maintain its operations at the same level of efficiency as heretofore. This has meant an additional burden on the executive and remaining staff, and I wish to mention here specifically the contribution of our Chief Executive, Alan Delmonte, and our new Finance Director, David McCormick, who has quickly got to grips with the complexities of our collection function. I am delighted to say that all members of our team have carried out their duties with the same level of excellence and have taken this uncertainty as to their future position in their stride. I am deeply grateful for the very positive attitude of the staff in these very difficult circumstances.

Ahead of the Racing Authority being incorporated, a shadow Racing Authority Board has been in operation for some time. I am absolutely delighted that The Rt Hon Sir Hugh Robertson has accepted the role as Chairman. I congratulate him on his selection, and Racing for having attracted such an outstanding individual. I first met Sir Hugh when he was Minister of Sport. At that time, we established an open, constructive and very enjoyable relationship which is a great benefit in the current circumstances. We are already enjoying an easy and cooperative relationship on matters relating to the Racing Authority. We will do our utmost to seek to ensure a smooth transition to the new arrangements in due course and generally to be helpful.

As ever, I am grateful to my Board colleagues for their contribution. Since Neil Goulden's decision to leave the Board, no third independent director has been appointed by DCMS and this has meant an additional workload for my colleague Lord Risby to whom I am particularly grateful. I am also happy to report that we continue to have excellent relationships with Ministers and officials at DCMS.

As to the future, until legislation is passed for the abolition of the Levy Board and the transfer of its functions, there must be a continued element of uncertainty. However, we are assuming that the proposals are effected within the proposed timetable and that the Levy Board closes on 31 March 2019. New challenges will continue to confront Racing and Betting, as is ever the case in the commercial environment.

It has been suggested that changes to the regulation of Fixed Odds Betting Terminals, including a lowering of maximum stakes, may have a secondary impact on the amount of money that Racing receives from Betting. With reserves at their current levels, the Board and its successor will be well placed to react judiciously if market changes occur.

Ending on a positive note, whatever these challenges, we are hopeful that progress made over the last few years in terms of a constructive dialogue between Betting and Racing will provide a strong and secure platform for the future prosperity of each. That is their mutual interest, and I am sure it will be their guiding principle.

Paul Lee
Chairman

Overview

This overview explains the main purpose and objectives of the Horserace Betting Levy Board, the key risks that the Levy Board faces as well as summarising performance measures for the year.

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 betting exchange providers 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 (2016/17: 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.

Area of risk	Likelihood	Financial Impact	Change
Disease pandemic (Human)			 Stable

What is the issue?

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.

What are we doing?

The Business Continuity Plan includes comprehensive plans to address the impact of this risk on the Board’s operations.

Area of risk	Likelihood	Financial Impact	Change
Difficulty in forecasting total income			 Stable

What is the issue?

The Levy yield is calculated as a function of operators’ gross profits on British horseracing and therefore is difficult to forecast accurately. In addition, under the new Levy Regulations a number of new operators are liable for Levy but there is no historic data for these operators. The medium term impact on the Levy yield due to the recent announcements concerning Fixed Odds Betting Terminals is still to be quantified.

What are we doing?

This risk can only be sensibly mitigated by adopting a cautious view for future expenditure budgets and having a pragmatic reserves policy. In extremis the option for mid-year cuts in expenditure is retained.

Area of risk	Likelihood	Financial Impact	Change
BHA final salary pension scheme			 Decreasing

What is the issue?

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.

What are we doing?

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. The BHA is currently liaising with the trustees of the Pension Scheme to facilitate a transfer of the Scheme guarantee from HBLB to the newly formed Racing Authority.

Area of risk	Likelihood	Financial Impact	Change
Credit risk			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			Stable

What is the issue?

Government policy that the Levy Board will be abolished on 31 March 2019. The Board faces the challenge of managing this transformation process in as orderly a manner as possible at a time when the associated uncertainty could result in staff retention issues.

What are we doing?

The Executive are working with DCMS to ascertain the requirements of the wind-down and transfer of the Levy Board’s activities to the Gambling Commission and Racing Authority as appropriate.

Area of risk	Likelihood	Financial Impact	Change
Racing and Betting business models and environment			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.

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, such as the proposed changes to Fixed Odds Betting Terminals, 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 2017/18 require the Board Members to assess 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 announcements that the Board will be abolished as of April 2019 is considered an uncertain event.

Government proposes to enact these changes by way of a Legislative Reform Order (LRO) subject to Parliamentary considerations.

In making their assessment of going concern, the Board Members have referenced the 2017/18 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 it is the intention that the role of the Board will be discontinued as of April 2019.

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 page 6, and how these are managed.

The Board Members 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 2017/18 Annual Report and Accounts.

Priorities and performance

The accounts presented in this annual report show information for the financial year 2017/18 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.

In a business environment, an organisation might measure its performance on the basis of income or profit. As the Board includes appointees of the payers and recipients of Levy funds, this makes such measures difficult to adopt. Instead the Board has agreed specific priorities and the Board measures successful performance by monitoring the outputs and outcomes of these priorities during the year.

Priority	Performance
<p>1. Prize Money</p> <ul style="list-style-type: none"> The Board will 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. 	<p>2018 Prize money allocation (Budget): £57.6m 2017 Prize money allocation (Actual): £48.3m</p>
<p>2. Fixture Criteria</p> <ul style="list-style-type: none"> 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. 	<p>2018 Fixture Criteria Gaps: 0 2017 Fixture Criteria Gaps: 0</p> <p>For the purposes of determining a Fixture Criteria gap, the Board disregards 23rd to 25th December, when no racing is programmed, and that at present only three fixtures are programmed on Good Friday. More information on the Fixture Criteria can be found on the Board’s website (www.hblb.org.uk).</p>
<p>3. Integrity</p> <ul style="list-style-type: none"> 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. 	<p>2018 Raceday Services Grants (Budget): £16.4m 2017 Raceday Services Grants (Actual): £16.4m</p> <p>For 2018, 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 2017, within the same financial allocation.</p>
<p>4. Financial support for the improvement of racecourses</p> <ul style="list-style-type: none"> The Board will continue to operate the capital credit grants scheme. 	<p>2017/18 Grants allocated to the capital credits scheme: £6.8m 2016/17 Grants allocated to the capital credits scheme: £8.6m</p> <p>Further information on the operation of the capital credit grants scheme can be found on the Board’s website (www.hblb.org.uk).</p>
<p>5. Government</p> <ul style="list-style-type: none"> The Board will work with the Department for Digital, Culture, Media and Sport on legislative and procedural requirements involving the further reform of the Horserace Betting Levy. 	<p>The Horserace Betting Levy Regulations 2017 came into force on 25 April 2017.</p>

Priority	Performance
<p>6. Transition</p> <ul style="list-style-type: none"> In anticipation of HBLB closure on 31 March 2019, the Board is working to ensure a smooth transition in infrastructure, assets and intellectual capital to the successor organisations being the Gambling Commission (collection of Levy) and the Racing Authority (distribution of Levy). 	<p>A closure and transition plan has been developed by the Board in conjunction with the Department for Digital, Culture, Media and Sport.</p>

Financial summary

For the year ended 31 March 2018 total income was £94.7m (2016/17: £65.1m). Levy receipts during the year were £45.1m higher than the previous year. This is predominantly due to the Horserace Betting Levy Regulations that came into effect on 25 April 2017 and allowed the Board to collect Levy for the first time from remote operators based outside Great Britain.

The 2017/18 surplus of £20.9m (2016/17: £7.5m deficit) has resulted in the Board's reserves increasing from £25.4m, at the end of 2016/17, to £46.3m at 31 March 2018.

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 positive cash flow of £21m (2016/17: negative cash flow of £12.3m). Due to the positive cash flow, the Board took the decision during the year to place some funds in short-term notice deposit accounts in order to maximise the amount of interest income earned during the year. The total year-end cash balance, including bank term deposits, was £46.9m (2016/17: £25.9m).

Improvement of horseracing

The table below sets out further details of the Board's 2018 budget and 2017 actual allocation to the Improvement of Horseracing on a calendar year basis:

	2018 Budget Flat	2018 Budget Jump	2018 Budget Total	2017 Actual Total
	£'000	£'000	£'000	£'000
General Prize Fund – Racecourse fixtures	19,063	18,118	37,181	33,416
Lead Fixture Fund	75	190	265	697
Additional Friday evenings	–	–	–	30
Transitional Fund	447	53	500	–
Winter jump	–	–	–	481
Blanket all-weather fixtures	1,513	–	1,513	1,586
BHA twilight fixtures	–	–	–	1,403
Appearance money scheme			6,493	620
British Champions Day	–	–	–	382
Future Champions Day	–	–	–	215
Good Friday Lingfield	–	–	–	120
Race incentive fund	6,115	3,352	9,467	6,002
Divided race fund			100	1,654
Breeders' prizes and MOPS	–	480	480	422
BOBIS / Plus 10	1,550	–	1,550	1,250
Total prize money			57,549	48,278
Raceday services grants			16,440	16,441
Fixture incentive fund			2,472	2,566
Industry training and education			2,135	1,285
Point-to-point			300	243
Total – Improvement of horseracing			78,896	68,813

Prize money

Total prize money again increased in 2017, with a new record of £142.5m of which the Board contributed £48.3m. The Board's budgeted allocation to prize money in 2017 was £49.3m (2016: £48.9m), a figure reflecting a continuity of spending agreed by the Board against a backdrop of uncertain Levy income. The actual amount spent on prize money in 2017 calendar year was £48.3m (2016 £48.2m). The underspend was largely related to prize money retained from abandoned fixtures.

The General Prize Fund ('GPF') is the Board's largest prize money allocation and 2017 was the fourth year in which the new GPF calculation process was in operation. The GPF mechanism applies a greater weighting (60%) of reward to forward-looking Executive Contributions (EC), a racecourse's own contribution to prize money, and this again encouraged an increase in racecourse investment in prize money in 2017.

The total prize money is split between the Flat and Jump Codes in proportion to how much Levy is actually generated by each code. For

2017, the split was set at 60% Flat and 40% Jump, based upon 2015 betting performance, the last period for which data was available to the Board. An abandonment allowance of 1.6% was made for Jump, which means that the total Flat/Jump split was 58.4/41.6, unchanged from 2016.

A minimum prize money per fixture threshold of £30,000 was put in place for every fixture (barring those detailed below) and was accompanied by a small (£10,000) reduction to Saturday thresholds. Fixtures receiving Winter Jump payments were subject to a minimum threshold of £35,000 rather than the £30,000 detailed above.

In order to deliver an improved balance of quality racing across the week a new Lead Fixture Fund of £750,000 was introduced. This fund provided a £5,000 top up to a race at the highest prize money fixture of the day on Sundays, Mondays and Tuesdays provided the fixture prize money was in excess of £50,000. This also involved including a £20,000+ race on every Sunday lead fixture with a view to increasing interest in Sunday racing.

The allocation for the Race Incentive Fund (RIF) for 2017 was £6.3m (2016: £6.3m) and for the Fixture Incentive Fund £2.6m (2016: £2.9m).

The total 2018 prize money budget is a substantial increase on that of 2017, set at £57.6m. This increase has been driven by the rise in Levy income from the reforms of 2017. The additional prize money is primarily targeted at participants operating at the mid and lower tiers of the sport, in particular with a £6.5m contribution from the Board to a new Appearance Money Scheme replacing the old Sunday Appearance Money Scheme.

The 2018 Lead Fixture Fund has been cut due to a reduction in eligible days, while a Transitional Fund has been introduced to assist those racecourses most affected by changes under the new funding environment.

Raceday services grants

For 2017, the method of the apportionment of grants for the provision of technical, security and regulatory services for the protection of the integrity of racing remained broadly similar, compared to 2016, with the same total financial allocation of £16.4m.

Industry recruitment, training and education

In 2017, the Board committed grants totalling £1.3m to recruitment, training and education in the racing and breeding industries, according to a programme developed by the BHA in consultation with the TBA, the racing schools and other beneficiaries.

The new impact assessment measures, introduced in 2015 with the active encouragement of the Board, helped in evaluating the progress and relevance of each of the various parts of the Recruitment, Training and Education programme and provided justification for the core allocations.

The primary features were again provision for stable staff NVQ training plus basic functional skills tuition where needed and, for young people wanting to work in the thoroughbred breeding industry, support for the National Stud's specialist training through the internationally respected Diploma Course, the Apprenticeship Programme and the Stud Secretaries' course.

In addition, the programme offers jockey coaching and continuation training; nutritional education; courses for amateur riders, assistant trainers and senior staff; and contributes towards industry recruitment and career enhancement initiatives. Also included is 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.

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.

The Board continued its involvement with the Thoroughbred Racing Industries MBA course at Liverpool University. The first cohort, that began in 2015, graduated in 2017, with a number of the dissertations being featured at a Racing Foundation symposium in early 2018.

Together with the other industry sponsors, The Racing Foundation and the BHA, the Board has been closely involved in monitoring the progress of the Racing MBA, maintaining contact with the students and advising on course content.

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.

In line with certain limited expenditure cutbacks in 2017, the individual Point-to-Point grants were reduced for the period from 1 April to the end of the season. The total allocation for 2017/18 was £198,000 (2016/17: £258,000). The tiered fixture payment scheme was maintained, underpinning a balanced spread of fixtures over the entire season from December through to June.

The Board was again pleased to support the Point-to-Point Authority's promotional initiatives. This included continuation of the success boxes appearing in the Racing Post results section, drawing attention to Point-to-Pointing as a thriving market place for young horses being aimed at National Hunt racing. From January to June 2017, 135 British Pointing graduates won under Rules.

Advancing veterinary science and education

The Board approved a budget allocation of £1.5m for 2017 (2016: £1.5m) and endorsed the recommendations of its Veterinary Advisory Committee ('VAC') for expenditure in the year.

HBLB's veterinary research funding supports work aimed at:

- Benefiting the health and well-being of horses, particularly the Thoroughbred.
- Minimising the impact and improving the clinical management of disease and injury in all age groups.
- Promoting successful breeding and production.
- Preventing and treating injury in racehorses

The grant application process is informed by the priorities of key industry stakeholders and by scientific merit. Projects should address a clearly defined hypothesis with specific, measurable, attainable, relevant and timely objectives.

In 2017 work began on

- 3 new research projects
- 1 equine post doctoral fellowship
- 1 clinical and 1 research scholarship
- 3 small projects

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 maintained in 2017. 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.

The membership of the Committee at 31 March 2018 was as follows:

Professor Sandy Love BVMS PhD 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 2017 was £96,153 (2016: £115,000) including support for the Rare Breeds Heritage Show. The event, which relies to a great extent on voluntary help, showcases the HBLB supported breeds with demonstrations and competitions. Again, the Show attracted national media coverage.

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.

Administration costs

The Board strives to provide a highly cost-effective service to its stakeholders. Excluding the Bookmakers' Committee, which was abolished when the Levy reforms came into effect on 25 April 2017, the Board's administration costs in 2017/18 were £1.7m, which represents a 5% 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 2018, 99% of invoices, totalling £921,000, 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 1,000m² of floor area or with fewer than 250 FTE staff are exempt from providing this information.

The 56th Levy Scheme

The 56th Levy Scheme was determined on 1 December 2016 by the then Secretary of State for Digital, Culture, Media and Sport, who directed that the terms of the 55th Levy Scheme should continue to have effect for 2017/18 until such time as the Horserace Betting Levy Regulations 2017 came into force. The Horserace Betting Levy Regulations 2017 came into effect on 25 April 2017, which ended the 56th Levy Scheme. The terms of the 56th Levy Scheme are summarised below, with a bookmaker's Levy liability being calculated by reference to the gross profit on British Horserace Betting Business (BHBB). The full Levy Scheme can be found at www.hblb.org.uk.

	56th 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

Horserace Betting Levy Regulations 2017

The Horserace Betting Levy Regulations 2017 came into force on 25 April 2017. The 56th Levy Scheme period therefore was 1 April 2017 to 24 April 2017 inclusive, with the first period of assessment under the Regulations running from 25 April 2017 to 31 March 2018 inclusive. These Regulations apply to all bookmakers and betting exchange providers who offer bets on horseracing in Great Britain, including operators required to hold a remote operating licence (within the meaning of the Gambling Act 2005). The basis on which the Levy is calculated has been changed to a fixed rate; that rate is 10% of the amount by which an operator's profits on bets that relate to horseracing in Great Britain made by a person in Great Britain exceed £500,000 in each 12 month period.

Alan Delmonte

Chief Executive and Accounting Officer
Horserace Betting Levy Board

16 July 2018

Board Members and Officers

The Board Members, Observers and Board Executives as at 31 March 2018 were as follows. Full details of Board Members who served during the year are shown on page 22.

Board Members

Paul Lee*

Chairman

Maggie Carver**

Chairman, Racecourse Association

Philip Freedman**

Chairman, Horsemen's Group

Mike O'Kane

Association of British Bookmakers & the Remote Gambling Association

Lord Risby*

Government Appointed Member

Nick Rust**

Chief Executive, British Horseracing Authority

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

Observers

Mark Chambers

Association of British Bookmakers & the Remote Gambling Association

Board Executives

Alan Delmonte

Chief Executive & Accounting Officer

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

A Register of Board Members' Interests is available online (www.hblb.org.uk) and note 17 on page 46 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 Digital, 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 Digital, 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 it is fair, balanced and understandable.

The Accounting Officer of the Department for Digital, 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 betting exchange providers, 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

16 July 2018

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 2017/18.

In 2016, organisations representing British Racing entered into arrangements with certain bookmakers for the substantial net benefit of Levy income. British Racing's signatories included some members of the Board, who

have confirmed to me that they were acting in their capacity as directors of those individual organisations and not in their capacity as HBLB Board members.

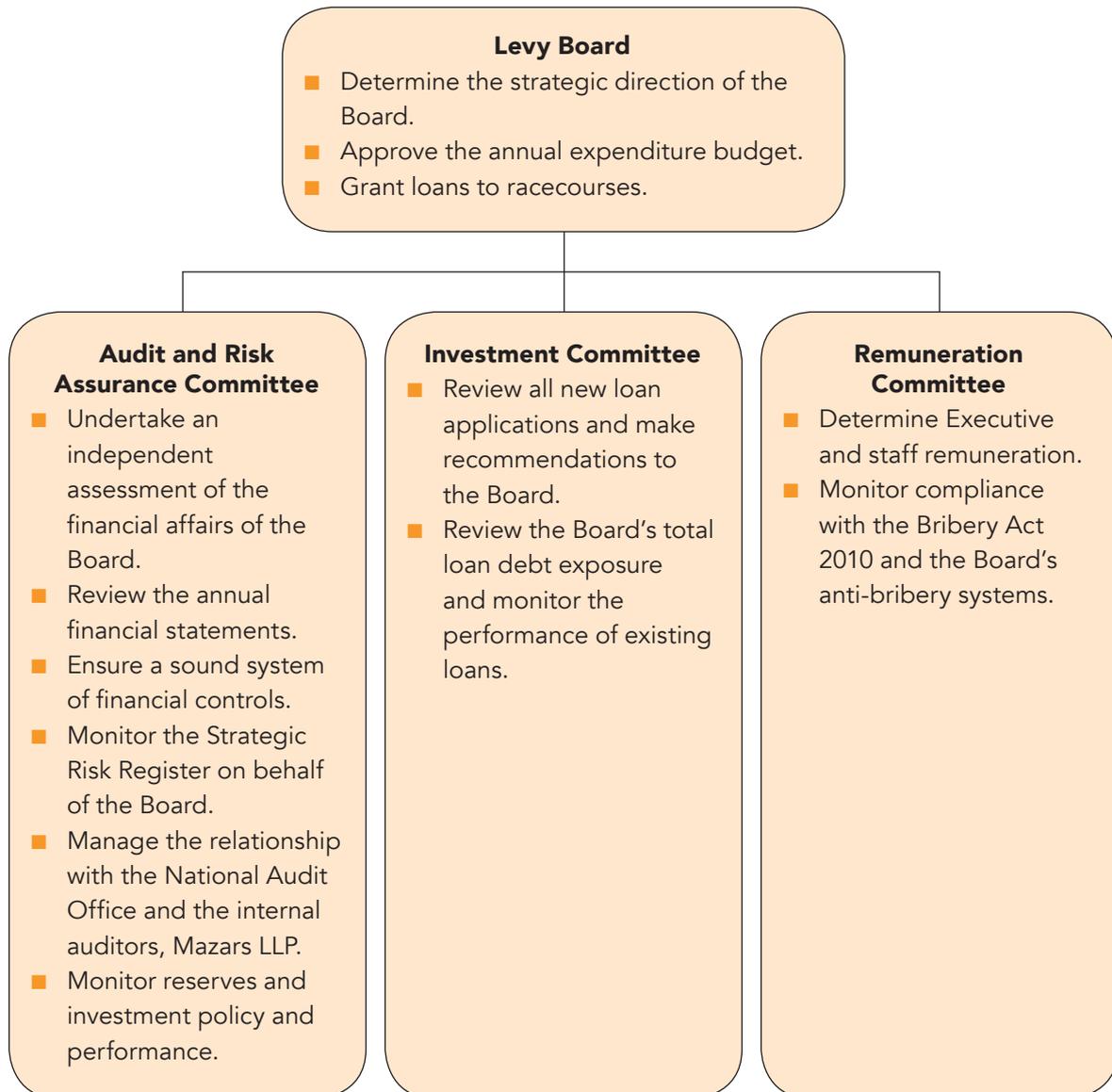
The Board has sought legal advice on whether, notwithstanding that HBLB was not a party to these agreements, a small number of these agreements may have created potential future liabilities for HBLB.

At the time, information relating to these potential future liabilities was not shared with the full Board, or with me as the Accounting Officer, as the contracts contained provisions referring to the highly commercially confidential nature of the arrangements and the organisations did not consider that the agreements created a potential liability for HBLB.

The indicative legal advice is that no contractual liability has been created. Nevertheless, under accounting standards a constructive obligation could be deemed to have been created and therefore a provision should be and has been included in the accounts.

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 2018, the Board comprised the Chairman and one other Government Appointed Member, appointed by the Secretary of State for Digital, Culture, Media and Sport; three Board Members appointed by the Jockey Club; and one Board Member appointed by the Association of British Bookmakers and the Remote Gambling Association.

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 Chairman, whose term expired on 30 September 2017, was reappointed until 31 March 2019, which is the expected closure date of the Levy Board.

The Board Members who are appointed by the Jockey Club and the Association of British Bookmakers and the Remote Gambling Association 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 reviewed in May 2014. This bi-annual review has since then been suspended due to Government's intention to abolish the Levy Board.

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.

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.

A Government Appointed Member other than the Chairman of the Board usually takes the position of Committee Chair. Lord Risby was Chair of the Audit and Risk Assurance Committee for 2017/18.

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 2017/18, the Audit and Risk Assurance Committee met on three occasions. Each meeting was attended by the Chief Executive, the Finance Director, the Senior Finance Manager and representatives from the National Audit Office (external auditors) and Mazars LLP (internal auditors). The programme of work in 2017/18 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 cash flow. 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 2017/18 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 Committee is responsible for monitoring 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 was not required to meet, since there were no new loan applications and no issues with the recoverability of existing loans.

A Government Appointed Member other than the Chairman of the Board usually takes the position of Committee Chair. Lord Risby was Chair of the Investment Committee for 2017/18.

The Remuneration Committee

The Remuneration Committee met once in 2017/18 and determined the Executive and staff remuneration in line with the powers conferred on the Board by s.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 2017/18 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
Paul Lee Chairman	Secretary of State for Digital, Culture, Media and Sport	8	–	1
Lord Risby	Secretary of State for Culture, Media and Sport	7	2	1
Neil Goulden*	Secretary of State for Culture, Media and Sport	6	–	1
Maggie Carver	Jockey Club	7	2	–
Philip Freedman	Jockey Club	6	–	1
Nick Rust	Jockey Club	6	–	–
Mike O’Kane	Association of British Bookmakers and the Remote Gambling Association	7	2	1
Total number of meetings		8	3	1

*Resigned on 10 April 2017.

Bookmakers' Committee

The Bookmakers' Committee, up until the implementation of the Horserace Betting Levy Regulations 2017, recommended annually to the Board the categories, rates, conditions and definitions of the Levy Scheme for the following year.

The Bookmakers' Committee was abolished on 25 April 2017.

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 6 to 8). This process has been in place for the year ended 31 March 2018 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.

The Board's whistle blowing policy was reviewed and updated in 2017/18 in consultation with our internal auditors. It is made widely available to all staff. In a majority of instances the most appropriate person for an employee to raise any concerns will be with their line manager or a Director. In other cases a concern may be reported to the Chief Executive or the Chairman of the Board. There were no instances of whistleblowing reported in 2017/18.

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 Regulations, 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 Levy Regulations.

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. During the year, Mazars LLP undertook reviews on:

- Closure and transition arrangements.
- Follow up on the recommendations identified as part of the 2016/17 review.

The review on the closure and transition arrangements was an advisory review offering specific guidance on the best practices to follow for winding up an organisation and consequently no assurance was given over this section.

The follow up work in relation to the prior year's review confirmed that all recommendations have been satisfactorily implemented with the exception of one recommendation that was still in progress at the time of their review.

Information management

The Board has suffered no protected personal data incidents during the year ended 31 March 2018 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 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 2018.

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 2017/18.

Alan Delmonte

Chief Executive and Accounting Officer
Horserace Betting Levy Board

16 July 2018

Remuneration 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 re-appointed Chairman until 31 March 2019 after his second term expired on 30 September 2017. His contract provides for approximately five day's work per month on average, not including attendance at race meetings and associated events.

After the resignation of Neil Goulden on 10 April 2017, Lord Risby was the only other remaining Government Appointed Member of the Board. He was appointed with effect from 1 January 2016 on a fixed term contract 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 other Government Appointed Member 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.

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 2017/18, pension contributions totalling £16,389 (2016/17: £15,600) were paid by the Board on his behalf.

Remuneration policy

Under s.24(7) of the Betting, Gaming and Lotteries Act 1963 (as amended), the 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 2018 was 3.7 days (2016/17: 2.2 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.

The Horserace Betting Levy Board does not fall under the scope of the Trade Union (Facility Time Publication Requirements) Regulations 2017 and therefore has not included any disclosures in this regard.

(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. The Chief Executive

also receives a car allowance that has been included within benefits in kind in the table below. None of these individuals are entitled to receive performance related bonuses.

	2017/18			2016/17		
	Salary	Benefit in kind (to nearest £100)	Total	Salary	Benefit in kind (to nearest £100)	Total
	£000	£	£000	£000	£	£000
Board Members³						
Paul Lee – Chairman	60–65	–	60–65	60–65	–	60–65
Lord Risby	15–20	–	15–20	15–20	–	15–20
Neil Goulden Resigned on 10 April 2017	0–5	–	0–5	15–20	–	15–20
Mike O’Kane	15–20	–	15–20	15–20	–	15–20
Chief Executive and Accounting Officer						
Alan Delmonte ¹	165–170	7,300 ²	175–180	155–160	2,100	155–160

Notes:

¹ Pension contributions totalling £16,389 (2016/17: £15,600) were paid to the Board’s group personal pension plan on behalf of Alan Delmonte.

² Includes travel allowance of £5,000 received during the year.

³ The Jockey Club appointed Board Members do not receive any remuneration.

The Chief Executive of the Board was the highest earner in 2017/18. This was 3.85 times (2016/17: 3.60) the median remuneration of the workforce, which was £46,090 (2016/17: £43,907). The ratio is calculated by dividing the midpoint of the highest paid director’s remuneration band by the median remuneration of the Board’s workforce.

The median remuneration of the Board’s workforce is calculated by reference to remuneration of the staff members, including the Government Appointed Board Members, 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, 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 benefits-in-kind. It does not include employer pension contributions, any severance payments and the cash equivalent transfer value of pensions.

Staff numbers and costs – Subject to audit

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

	2017/16 FTE	2016/17 FTE
Permanent staff	10.0	11.7
Temporary staff	–	0.1
	10.0	11.8

The aggregate payroll costs of these persons were:

	2017/18 £000	2016/17 £000
Payroll staff salaries	721	791
Social security	88	93
Pension costs	56	75
Redundancy costs	3	–
Other staff costs	93	69
	961	1,028

Breakdown of staff numbers – Subject to audit

The breakdown of staff numbers as at 31 March 2018 was as follows:

	Male	Female
Number of Board Members of each gender	5	1
Number of senior managers of each gender	1	0
Number of employees of each gender	3	6

There was one redundancy payment in 2017/18 (2016/17: nil) and there were no off-payroll engagements during the year (2016/17: nil).

Exit package cost band	2017/18			2016/17		
	Number of compulsory redundancies	Number of non-compulsory redundancies	Total number of exit packages by cost band	Number of compulsory redundancies	Number of non-compulsory redundancies	Total number of exit packages by cost band
Less than £10,000	1	–	1	–	–	–
More than £10,000	–	–	–	–	–	–
Total number of exit packages	1	–	1	–	–	–

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 an actuarial valuation 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 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: 31st 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*).

Alan Delmonte

Chief Executive and Accounting Officer
Horserace Betting Levy Board

16 July 2018

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Horserace Betting Levy Board for the year ended 31 March 2018 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

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 2018 and of the surplus 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.

Emphasis of Matter

Without modifying my opinion, I draw attention to Note 1 of the Financial Statements (p36) concerning the application of the going concern basis in light of the Government's intention to abolish the Horserace Betting Levy Board on 31 March 2019 and to reform the administration of the Horserace Betting Levy using a Legislative Reform Order. There is uncertainty over how long the Horserace Betting Levy Board will operate in its current legal form, because the Legislative Reform Order has not yet been approved. I have

assessed the use of the going concern basis and I am content that this is still appropriate for the 2017-18 financial statements.

Opinion on regularity

In my opinion, in all material respects the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Horserace Betting Levy Board in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Board and Accounting Officer for the financial statements

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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Horserace Betting Levy Board's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Horserace Betting Levy Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

The Board and the Accounting Officer are responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the 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;
- in the light of the knowledge and understanding of the Horserace Betting Levy Board and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; 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 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 **19 July 2018**
Comptroller and Auditor General

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

Statement of comprehensive net expenditure for the twelve months ended 31 March 2018

	Notes	2018 £000	2017 £000
Income			
Levy income receivable for:			
Horserace Betting Levy Regulations	2a	90,101	–
56th Levy Scheme (comparative is 55th Levy Scheme)	2a	4,244	49,800
Previous years' Schemes	2a	630	96
		94,975	49,896
Other income	2a	(520)	14,812
Interest receivable	2a	252	357
Total income		94,707	65,065
Expenditure			
Improvement of horseracing	4a	(70,428)	(68,872)
Other expenditure	4b	(3,337)	(3,683)
Total expenditure		(73,765)	(72,555)
Operating surplus/(deficit)		20,942	(7,490)
Income tax	6	–	–
Surplus/(deficit) for the year		20,942	(7,490)
Total comprehensive income for the year		20,942	(7,490)

The deficit for the year arose from continuing operations.

The notes on pages 36 to 47 form part of these accounts.

Statement of financial position as at 31 March 2018

	Notes	2018 £000	2017 £000
Assets			
Non-current assets			
Property, plant and equipment	7	98	154
Loans	9	1,342	3,077
Total non-current assets		1,440	3,231
Current assets			
Trade and other receivables	8	18,026	6,776
Loans due within one year	9	1,875	2,037
Financial assets	11	10,005	–
Cash and cash equivalents	12	36,915	25,935
Total current assets		66,821	34,748
Total assets		68,261	37,979
Current liabilities			
Trade and other payables	13	(20,562)	(12,539)
Provisions	14	(1,312)	–
Total current liabilities		(21,874)	(12,539)
Total assets less total current liabilities		46,387	25,440
Non-current liabilities			
Provisions	14	(62)	(57)
Total non-current liabilities		(62)	(57)
Total net assets		46,325	25,383
Reserves	16	46,325	25,383

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

Paul Lee
Chairman
16 July 2018

Alan Delmonte
Chief Executive and Accounting Officer
16 July 2018

The notes on pages 36 to 47 form part of these accounts.

Statement of cash flows for the year to 31 March 2018

	Notes	2018 £000	2017 £000
Cash flow from operating activities			
Operating surplus/(deficit) for the year		20,942	(7,490)
Adjustments for:			
Depreciation	5, 7	58	109
Interest receivable		(252)	(357)
Fair value adjustment for loans receivable	4a, 9a	(29)	(47)
(Increase)/Decrease in trade and other receivables	8	(11,250)	(5,443)
Increase/(Decrease) in trade and other payables	13	8,023	(2,288)
Increase in provisions	14	1,317	–
Cash consumed by operations		18,809	(15,516)
Income tax	6	–	–
Net cash flow from operating activities		18,809	(15,516)
Cash flow from investing activities			
Purchase of property, plant and equipment	7	(2)	–
Net loans repaid by/(advanced to) racecourses	9a	1,926	2,858
Interest and investment earnings		252	357
Net cash flow from investing activities		2,176	3,215
Cash flow from financing activities			
Net amounts transferred (to)/from financial assets	11	(10,005)	2,019
Net cash flow from financing activities		(10,005)	2,109
Net increase/(decrease) in cash and cash equivalents		10,980	(10,282)
Cash and cash equivalents at 1 April		25,935	36,217
Cash and cash equivalents at 31 March		36,915	25,935

The notes on pages 36 to 47 form part of these accounts.

Statement of changes in reserves for the year ended 31 March 2018

	Reserves* £000
At 1 April 2017	25,383
Changes in reserves 2018	
Surplus for 2018	20,942
Total comprehensive income for 2018	20,942
Balance at 31 March 2018	46,325

* 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 36 to 47 form part of these accounts.

NOTES TO THE ACCOUNTS FOR THE YEAR TO 31 MARCH 2018

1. Basis of preparation

The accounts have been prepared on the going concern basis. The going concern assumption has been considered and assessed as valid for 2017/18 despite the uncertainties over the future of the Board, due to the continuation of one of the Board's functions within the public sector. It is Government's intention to abolish the Horserace Betting Levy Board on 31 March 2019 in order to make way for a newly created Racing Authority to take over the distribution function with the Gambling Commission charged with the Levy collection function. Government has proposed to enact these changes through the use of a Legislative Reform Order (LRO) which is expected to be laid before Parliament in 2018 and then be subject to Parliamentary considerations. A material uncertainty remains over the future of the Board due to the LRO not yet being approved. The Board has concluded that it has reasonable expectation that the Horserace Betting Levy Board will continue to operate and meet its liabilities as they fall due for the next twelve months or until the date of abolishment, whichever is sooner, from the date of approving the accounts.

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 Digital, 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 2017/18 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 income is in accordance with the provisions of the above Act (as amended). The Levy income receivable from bookmakers and betting exchange providers is governed by Section 27 of the above Act (as amended).

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

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

24(1)(a) and 25(2)(d)
Improvement of breeds of horses

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

IFRS 15 Revenue from Contracts with Customers, took effect for accounting periods beginning on or after 1 January 2018. This standard is not expected to have a material 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 year ended 31 March 2018. In addition Levy income includes an amount in respect of adjustments to Levy estimates made in previous years.

Other income

Other income comprises of non-statutory contributions received from bookmakers recognised under the accrual basis of accounting.

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) Cash and cash equivalents

Cash and cash equivalents are cash in hand and deposits held with the bank.

g) Discount rates

Where financial assets or liabilities are required to be presented at amortised cost, these are discounted utilising a suitable discount rate. In 2017/18, the rates chosen are in line with guidance supplied by HM Treasury (0.7%).

h) 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 income under Improvement of Horseracing.

Fixed term cash deposits: Fixed term deposits are 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.

i) Pension schemes

The Board operates a defined contribution pension scheme. The cost of the defined contribution scheme is charged to the Board's 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 bookmakers and betting exchange providers who offer bets on horseracing in Great Britain, 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 contributions

from bookmakers, and the segmental reporting reflects the Board's management and internal reporting structure.

k) 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 2017/18, the rates chosen are in line with guidance supplied by HM Treasury (-2.42%)

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 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 2018, the estimated Levy income represented less than 3% of the total Levy income

4. Expenditure costs**4a. Improvement of horseracing**

	2018	2017
	£000	£000
Horsemen		
Prize money	44,766	44,217
Prize money for divided races	1,440	1,679
Plus 10	1,280	1,330
Breeders' prizes scheme	94	257
Mare Owners' Prize Scheme	246	105
Appearance Money scheme	1,578	663
Transitional Fund	175	–
Additional Voluntary Contributions expenditure	–	206
	49,579	48,457
Racecourses		
Fixture incentive scheme	3,056	2,624
Fair value adjustment to racecourse loans	(29)	(47)
	3,027	2,577
Raceday services		
Raceday services	16,363	16,490
	16,363	16,490
Training		
Industry training	1,261	1,085
	1,261	1,085
Other		
Point-to-point meetings	198	258
Miscellaneous	–	5
	198	263
	70,428	68,872

In the 2015/16 Annual Report, the Mare Owners' Prize Scheme Expenditure was included within Breeders prizes scheme.

4b. Other expenditure

	2018 £000	2017 £000
Breed societies	115	100
Advancement of veterinary science and education	1,402	1,501
Administration costs	1,706	1,792
Bookmakers' Committee costs	26	141
Replacement of Horserace Betting Levy Costs	86	146
Charitable payments	2	3
	3,337	3,683

4c. Staff costs – Included within administration costs

Within administration costs are the following staff costs. Further details can be found in the Remuneration Report on Page 25.

	2018 £000	2017 £000
Payroll staff salaries	721	791
Social security	88	93
Pension costs	56	75
Redundancy costs	3	–
Other staff costs	93	69
	961	1,028

5. Surplus

	2018 £000	2017 £000
This has been arrived at after charging:		
Remuneration of Board Members and Chief Executive	291	296
Depreciation	58	109
Operating lease rentals	132	220
Auditors' remuneration – no charge for non-audit services:		
– External audit	30	33
– Internal audit and other services	4	7

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 (2016/17: £nil).

7. Property, plant and equipment

	Leasehold improvements £000	Furniture and equipment £000	Total £000
Cost:			
At 1 April 2017	329	181	510
Additions	–	2	2
Disposals	–	–	–
At 31 March 2018	329	183	512

Depreciation:			
At 1 April 2017	184	172	356
Charge for the year	54	4	58
Disposals	–	–	–
At 31 March 2018	238	176	414

Net book value:			
At 31 March 2017	145	9	154
At 31 March 2018	91	7	98

	Leasehold improvements £000	Furniture and equipment £000	Total £000
Cost:			
At 1 April 2016	329	181	510
Additions	–	–	–
Disposals	–	–	–
At 31 March 2017	329	181	510

Depreciation:			
At 1 April 2016	81	166	247
Charge for the year	103	6	109
Disposals	–	–	–
At 31 March 2017	184	172	356

Net book value:			
At 31 March 2016	248	15	263
At 31 March 2017	145	9	154

8. Trade and other receivables

	2018 £000	2017 £000
Trade and other receivables	36	21
Amounts due from bookmakers in respect of Levy income	17,854	1,984
Amounts due from bookmakers in respect of non-statutory contributions	–	4,557
Prepayments and accrued income	136	214
	18,026	6,776

All the above amounts are due within one year.

9. Loans

	2018 £000	2017 £000
Secured:		
Repayable within five years	3,238	5,057
Unsecured:		
Repayable within five years	–	107
Total loans at historic cost	3,238	5,164
Fair value adjustment	(21)	(50)
Total loans at net present value	3,217	5,114
Loans included above due within one year	1,875	2,037
Loans due in more than one year	1,342	3,077

Loans granted after 1 April 2012 attract an interest charge of 4% per annum. At the year end, £3,238,432 of the notional loan balance (2016/17: £5,057,486) was secured against the racecourse assets of the borrowers.

The loans are stated at net present value. In 2017/18, the discount rate prescribed by HM Treasury, 0.7%, has been utilised (2016/17: 0.7%).

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

	2018 £000	2017 £000
Balance at 1 April	5,114	7,925
Loan interest	149	241
Loans repaid by racecourses	(2,075)	(3,099)
Fair value adjustment to racecourse loans	29	47
Balance at 31 March	3,217	5,114

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 2016/17 or 2017/18.

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 considered 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 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 the Levy Regulations 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 28.

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.

	2018 £000	2017 £000
Balance at 1 April	–	2,019
Net change in financial assets	10,005	(2,019)
Balance at 31 March	10,005	–

12. Cash and cash equivalents: Movement in the year

	2018 £000	2017 £000
Balance at 1 April	25,935	36,217
Net change in cash and cash equivalent balances	10,980	(10,282)
Balance at 31 March	36,915	25,935

12a. Cash and cash equivalents

	2018 £000	2017 £000
The following balances at 31 March were held at:		
Cash at banks and in hand	36,915	25,934
Bank deposits maturing in less than three months	–	1
	36,915	25,935

13. Current liabilities: Trade and other payables

	2018 £000	2017 £000
Capital credit grants	4,006	7,335
Accruals	2,106	1,371
Amounts due to bookmakers in respect of Levy income	13,857	3,249
Trade and other creditors	565	548
Social Security	28	36
	20,562	12,539

Capital credit grants comprise grant payments to racecourses that are allocated for future capital projects but have not been drawn down at 31 March 2018.

14. Provisions

A provision was created in 2014 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. Management's estimate of the cost of work required, discounted in accordance with IAS 37, is £61,712 (2016/17: £57,305).

In 2017/18, the discount rate adopted of -2.42% is in line with guidance supplied by HM Treasury for cash flows of between zero and five years (2016/17: -2.70%).

In 2018, a provision has been included reflecting potential amounts due to bookmakers.

The provisions are analysed as current and non-current as follows:

	2018 £000	2017 £000
Current	62	57
Non-current	1,312	–
	1,374	57

15. Commitments under operating leases

At 31 March 2018, the Board was committed to making the following payments in respect of operating leases.

	2017 £000	2016 £000
Obligations under operating leases comprise:		
Buildings:		
Within 1 year	218	218
After 1 year but not more than 5 years	91	309
After 5 years	–	–
	309	527

The Board decided against exercising the break clause contained in the office property lease which would have allowed it to terminate this lease in September 2018. This decision was taken as the Board is confident that the office space can be sub-let in the event that the Levy Board is abolished before the end of the lease term, and that this would be the most cost effective strategy. Since the break clause was not exercised, the Board will receive an additional six months' rent free period.

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 Digital, 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 material transactions in which there was a related interest:

- The Horserace Betting Levy Board made payments to the British Horseracing Authority (BHA) amounting to £43,235 for a variety of different services rendered during the year. The BHA is a related party by virtue of its Chief Executive being a Board member of HBLB.

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, have 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 advancement of veterinary science and education at 31 March 2018, are £2.2m (2016/17: £2.2m). 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 advancement 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 2018, analysed by the period during which the commitment expires, are as follows:

	2018	2017
	£000	£000
Within 1 year	1,333	1,610
After 1 year but not more than 5 years	851	569
Total financial commitments	2,184	2,179

During the year, the Board did not approve any new loans to racecourses. (2016/17: Nil).

19. Contingent liabilities

Full details of contingent liabilities are given on page 28.

20. Events after the Reporting Period

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

