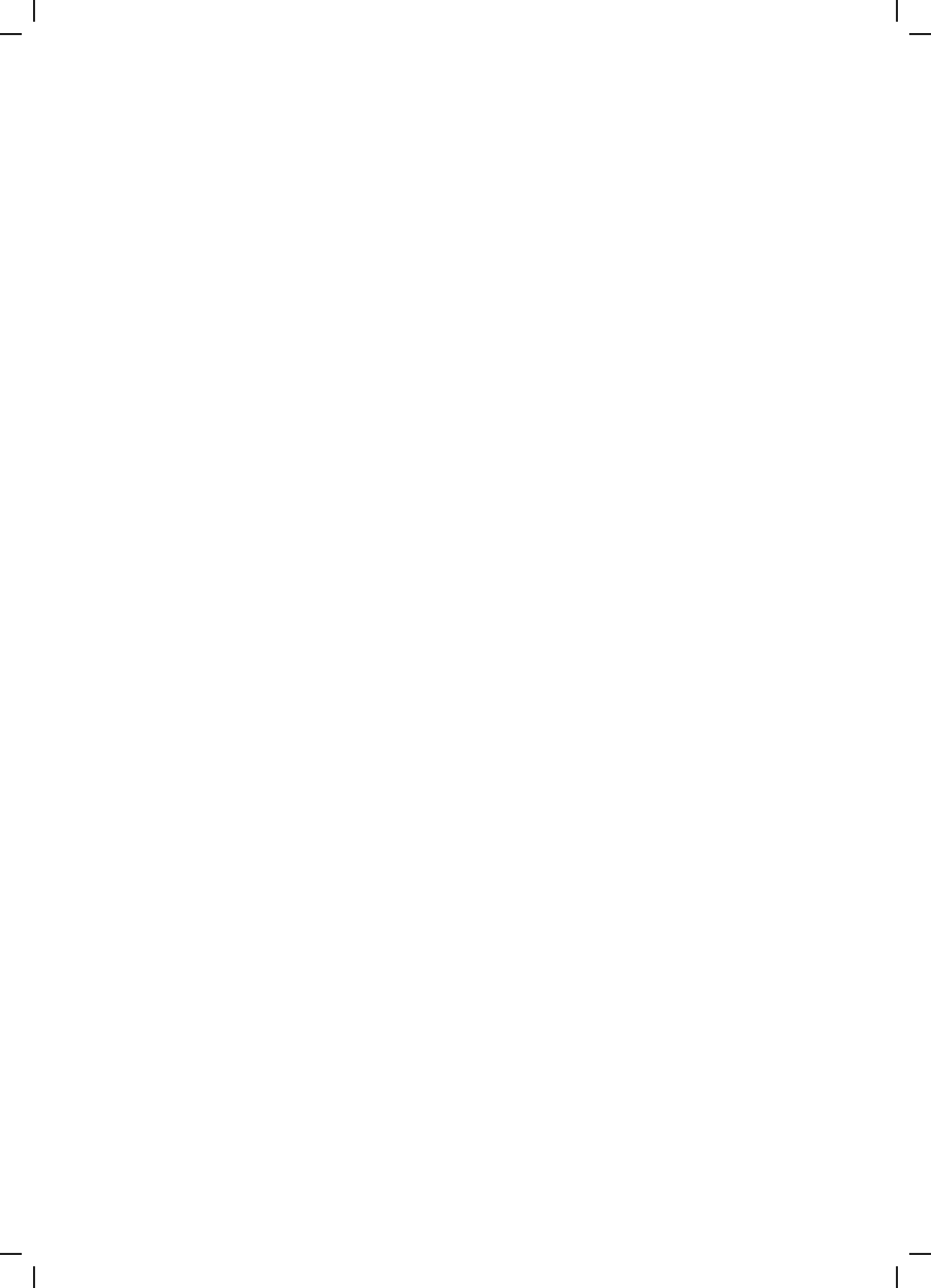




# The Horserace Betting Levy Board Annual Report and Accounts 2018/19

HC 331



# **The Horserace Betting Levy Board Annual Report and Accounts 2018/19**

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 12 May 2020

HC 331

Front cover: *Altior and Nico de Boinville jump the last fence in the Unibet Desert Orchid Chase.*  
*Kempton Park 27.12.18*

Photograph: Ed Whitaker, Racing Post



© Crown copyright 2020

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](http://nationalarchives.gov.uk/doc/open-government-licence/version/3).

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/official-documents](http://www.gov.uk/official-documents).

Any enquiries regarding this publication should be sent to us at [enquiries@hblb.org.uk](mailto:enquiries@hblb.org.uk)

ISBN 978-1-5286-1253-1

CCS0419058372 05/20

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
<b>Performance Report</b>	
<b>Overview</b>	
Chairman's statement	3
Overview	6
Purpose	6
Objectives	6
Principal risks	7
Going concern	11
<b>Performance Analysis</b>	
Priorities and performance	12
Financial summary	13
Improvement of horseracing	14
Fixture related expenditure	15
Advancing veterinary science and education	18
Improvement of breeds of horses	19
Administration costs	19
Horserace Betting Levy Regulations 2017	20
<b>Accountability Report</b>	
<b>Corporate governance report</b>	
Board Members and Officers	21
Statement of Responsibilities of Members and the Accounting Officer of the Horserace Betting Levy Board	22
Governance statement	24
<b>Remuneration and staff report</b>	
Remuneration report	30
Contingent liabilities	34
The Certificate and Report of the Comptroller and Auditor General to the House of Commons	35
<b>Financial Statements</b>	
Statement of comprehensive net expenditure	38
Statement of financial position	39
Statement of cash flow	40
Statement of changes in reserves	41
Notes to the accounts	42



## CHAIRMAN'S STATEMENT



It is something of a surprise for me to be presenting to you the Report and Statement of Accounts of the Horserace Betting Levy Board for the year ending 31 March 2019,

and to do so as Chairman when it would appear that continuation of the Horserace Betting Levy Board is secure for the foreseeable future.

As I reported in my statement last year, we were then assuming that the Levy Board would close on 31 March 2019. As everyone knows, that has not happened because the Regulatory Committees of the House of Lords and the House of Commons, in reviewing the Government's Legislative Reform Order (LRO), the means by which the Government sought to achieve the Board's abolition, concluded that the LRO was not an appropriate mechanism for that purpose. In the light of those reports, the Government decided in January 2019 not to proceed with the proposed abolition through a revised version of the LRO.

The Government has said that it will keep the Levy under review and will continue to work with the Board and the wider industry to maximise the benefit of the changes which have been made to the Levy since 2017, primarily the capture of horserace betting revenue generated by operators based off-shore.

This means that we now must reset our compass for a new direction. The threat of impending closure which existed for several years has now been removed and we will plan

constructively for the longer term and consider with care, after due deliberation, the role which the Levy Board will play in the future.

It is right, therefore, that in this report I firstly pay tribute to our Chief Executive, Alan Delmonte, and our staff. The last few years have been very challenging and difficult, and Alan has led an excellent team with skill and commitment. The vast majority of our staff have remained in post, seamlessly delivering an excellent service which has been the hallmark of the Levy Board for a long time. I wish, therefore, to pay tribute to his and their professionalism, loyalty and dedication.

Whilst the uncertainty surrounding our future has now been dispelled, other challenges have unexpectedly appeared. In the year to 31 March 2019, our initially reported Levy income was £78 million. In the expectation that that income would be in the region of £90 million, we had decided to increase our calendar year expenditure by £8 million to £93 million in 2019. In the event, as our income fell substantially short our year end reserves stood at £48 million.

Because we were expecting to close in March 2019, we had also incurred significant costs in the order of £300,000 in connection with that closure. Some of these costs were the Levy Board's own in relation to necessary legal and professional advice, but the majority was in the form of sums paid to the Gambling Commission which was preparing to assume our collection responsibilities.

When we received the Levy declarations indicating a Levy of £78 million for the year, we immediately sought clarification from the major bookmakers. Seven major betting firms had voluntarily provided to us details of their leviable gross profit on a quarterly basis and

after the first nine months of the year, we were expecting overall income of approximately £89 million.

Results and margins for the Levy year as a whole were reported to be lower. However, in the last six weeks of that year, the Cheltenham Festival results in March were less profitable than in 2018, and the other results in February and March had also been less profitable. Moreover, in February, six days of racing were lost as a result of the equine influenza outbreak.

There was an additional factor requiring particular consideration. As new types of promotional offer are introduced by bookmakers, the Board is carefully assessing how such offers should be construed for the purposes of assessing the operator's liability to Levy. One particular type of offer, where a customer placing a bet knew that they were guaranteed to receive back their stake if the bet lost, was the subject of detailed analysis by the Board and its legal advisers.

I am pleased to report that, following consideration of additional information provided by the bookmakers and with the benefit of further legal advice, certain operators were invited to submit revised returns for 2018/19. In the light of these, Levy income for the 2018/19 year was adjusted upwards by the Board by just over £5 million to some £83 million.

The issues involved are complex, turning as they do on the construction of legislation and its operation. To have achieved agreement on this matter is important, not only in effecting a significant increase on the provisional amount announced, but also for assessing Levy liability in 2019/20 and future years.

This outcome would not have been achieved but for the hard work of the Executive who have diligently pursued these matters whilst maintaining good relationships with the

bookmakers. We have also, as ever, been supported by the excellent legal team at Herbert Smith Freehills and by Counsel.

The resolution of the matter makes possible the publication of accounts in early 2020 that accurately reflect the final 2018/19 end of year financial position.

A Levy income even of £83 million, as against £95 million in 2017/18, is a reminder of the inherent uncertainty of the gross profit mechanism. From time to time, major fluctuations happen both below and above the mean. What is new is that remote platforms now account for the majority of horserace betting turnover. Whereas yield and margins in retail have previously been relatively predictable, the experience of the last two years indicates a greater level of volatility.

As was recognised in our report last year, "Levy yield calculated as a function of operators' gross profit on British horseracing is difficult to forecast accurately". The Board's finances must, I believe, be sufficiently robust so that, again as was identified a year ago, "this risk can only be sensibly mitigated by adopting a cautious view of future expenditure budgets and a pragmatic reserves policy".

Sadly, that is not all in terms of risk and uncertainty. We do not yet know the full impact of closure of Licensed Betting Offices as a result of the new restrictions on the operation of Fixed Odds Betting Terminals. Changes in this market do not merely affect Levy revenue but also other income streams for racing, most particularly media rights income.

Notwithstanding all of the above, the financial position of the Board at the year end was strong as a result of prudent policies which have enabled us to rebuild our reserves and to increase our expenditure. We had hoped, in the light of the information available to us earlier in the year, to be able substantially to increase our distributions further in 2019 to £99 million. However, in the light of the lower



than anticipated income, the Board concluded that it was appropriate to scale back planned expenditure in 2019 to around £93 million.

Nonetheless, the Board was still able to increase its contributions in a range of areas in 2019 and to introduce some new ones. These included additional grants to prize money and towards racecourses' regulation and integrity costs. The Board also increased its contributions towards the promotion and marketing of the sport and for racehorse ownership specifically.

We also introduced for the first time a payment towards the installation of systems that should enable sectional timing and tracking to be introduced at every racecourse at the end of a three-year period. This will be of benefit to the racegoer, punter, TV viewer and industry professionals and potentially provides a platform for innovative betting opportunities that could grow the Levy in the longer term.

The promotion of betting generally has been assisted considerably with the Board's investment in a substantial betting data project. Five major bookmakers have kindly agreed to provide their monthly race by race gross profit and turnover on a confidential basis to PWC who are working under contract to the Board. This project, still in its infancy, will over time add substantially to the Board's ability to make recommendations as regards the race programme, fixture list and new initiatives that will seek to provide mutual benefit to racing and betting and to grow the Levy.

A new Betting Liaison Group has been created which succeeds the Board's long established Betting Patterns Working Party. This group, which was chaired effectively by Wilf Walsh until the end of 2019, comprises a mixture of senior betting and racing representatives and has two subgroups reporting to it dealing with innovation and implementation, supported by detailed data analysis.

It is in part due to this renewed level of activity and enthusiasm that it was possible to acquire the services of a new finance director, Craig Pemberton, from July 2019. We wish him well as he takes over from David McCormick who had originally joined only on an interim basis in 2017 but stayed for over two years until leaving in spring 2019.

The Board itself has seen some change in the past year, with both Maggie Carver and Philip Freedman stepping down in early 2019, being succeeded by David Armstrong and Julian Richmond-Watson respectively. My thanks go to both for their significant contribution not just at Board meetings but as members of the Audit and Risk Committee and Remuneration Committee respectively as well as for their involvement more generally.

I was appointed Chairman in October 2009. In the period since, the Board's combined income and expenditure has exceeded £1 billion. This is one measure of the substantial importance of the relationship between the Racing and Betting industries and the mutual benefit each derives from that relationship. I hope that with goodwill and determination we will be able to look back on a period which has proved beneficial and enjoyable to both sides of the industry. This is based on my belief that British horseracing is world class, should remain world class and that it is in everybody's interests to work towards this goal.

**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, the 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 net assets 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 regular intervals 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 ten (2017/18: 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>).

An outbreak of Equine Influenza in February 2019 caused racing to be halted for six days.

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 horseracing 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.

Since the outbreak of COVID-19 the Board has put in place its Business Continuity Plan and at the time of signing all staff are working remotely and there has been no impact on the Board’s ability to perform its duties.

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 remote operators are liable for Levy but there is very little historic data for these operators. The impact on the Levy yield due to the reduction in stakes on Fixed Odds Betting Terminals will be quantified in the medium-term.

**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. HBLB will continue to make use of independent external consultants to assist in forecasting Levy each quarter and engages in proactive work with the largest operators throughout the year.

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

**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.



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

**What is the issue?**

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

**What are we doing?**

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

Area of risk	Likelihood	Financial Impact	Change
Diminution in Board Activities	<span style="color: green;">●</span>	<span style="color: green;">●</span>	↓ Decreasing

**What is the issue?**

The Government intended to abolish the Levy Board from April 2019 and transfer its functions to the Gambling Commission and Racing Authority via the use of a Legislative Reform Order (LRO). The Government withdrew the LRO in January 2019 and has confirmed that it has no immediate plans to re-introduce legislation that would see the abolition of the Levy Board. The Government will continue to keep the Levy under review.

**What are we doing?**

The Executive is continuing to work with DCMS regarding the future of the Levy and the Levy Board.

Area of risk	Likelihood	Financial Impact	Change
Business models and environment	<span style="color: red;">●</span>	<span style="color: red;">●</span>	↔ Stable





**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 is an area that is under regular scrutiny. Like any other industry, increases in regulatory or fiscal burdens, such as the changes to maximum stakes on 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.

Area of risk Data Protection Act 2018	Likelihood 	Financial Impact 	New
<p><b>What is the issue?</b> The Board is exposed to a risk of either a deliberate or accidental breach of personal data, held by HBLB, without consent. A breach of this kind would cause reputational damage to both HBLB and the Government as well as potentially attracting a fine, the size of which is dependent on the severity of the data breach and the level of negligence by the organisation.</p> <p><b>What are we doing?</b> The Board has appointed a member of staff as the Data Protection Officer whose duty it is to monitor compliance and be a point of contact for all data related issues. Further, all staff have undergone at least a moderate level of data protection training and have been made aware of who the Data Protection Officer is.</p> <p>System logs are checked regularly by the IT Manager for evidence of any attempted or successful hacks and IT security is constantly updated and checked that it is running effectively.</p>			
Area of risk Impact exiting the European Union	Likelihood 	Financial Impact 	New
<p><b>What is the issue?</b> Exiting the European Union could affect a number of different areas of racing including the free movement of horses governed under the tripartite agreement. This could result in horses from Europe not being able to be transported to Great Britain.</p> <p>The impact of exiting the European Union could result in an economic downturn which may impact Levy income if the general public has less disposable income.</p> <p><b>What are we doing?</b> This is largely out of HBLB's control and the Levy Board is safeguarded to some extent from the potential impact of a period following the transitional arrangements in the light of the UK having left the European Union, by the current level of reserves. The full impact of this is difficult to calculate.</p>			



Area of risk Office move	Likelihood <span style="color: yellow;">●</span>	Financial Impact <span style="color: green;">●</span>	New
<p><b>What is the issue?</b>                      HBLB has been sharing office space with the Gambling Commission since late 2017 with a view to the Gambling Commission taking over the entire office space at 21 Bloomsbury Street from 1 April 2019. As HBLB is not being abolished and the Gambling Commission require more space, this arrangement is no longer viable. HBLB is consulting with Government on options for new accommodation. There is a risk that any office move that results in relocation a significant distance from the current office could lead to staff retention issues and unexpected costs. HBLB already has a small staff count and further unexpected loss of staff could provide significant challenges to the organisation being able to effectively perform its day to day operations.</p> <p><b>What are we doing?</b>                      In November 2019, HBLB moved offices. This risk has therefore been managed successfully to conclusion and will be removed.</p>			

### Going concern

International Accounting Standard 1 and the Government Financial Reporting Framework 2018/19 (FReM) 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.

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 7, and how these are managed.

The outbreak of COVID-19 during March 2020 has seen all racing suspended in Great Britain until at least the end of April. This will have a financial impact on the Board however the magnitude of this impact will depend on a number of factors including the length of the suspension and therefore an estimate of this impact is currently unable to be made. The Board does however have sufficient reserves

and has enacted its business continuity plans and hence is confident that this crisis will not impact on its ability to continue as a going concern.

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 2018/19 Annual Report and Accounts.

## Priorities and performance

The accounts presented in this annual report show information for the financial year 2018/19 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 Performance 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
1.	<p><b>Prize Money</b></p> <ul style="list-style-type: none"> <li>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.</li> </ul>	<p>2019 Prize money allocation (Budget): £60.1m 2018 Prize money allocation (Actual): £56.1m</p>
2.	<p><b>Fixture Criteria</b></p> <ul style="list-style-type: none"> <li>The Board will carry out ongoing analysis of the Fixture List and race programme, including the analysis of betting and other relevant data, and make recommendations to optimise the Fixture Criteria, focusing on Levy generation.</li> </ul>	<p>2019 Fixture Criteria Gaps: 1 2018 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 (<a href="http://www.hblb.org.uk">www.hblb.org.uk</a>).</p>
3.	<p><b>Integrity</b></p> <ul style="list-style-type: none"> <li>The Board will contribute to the provision of cost-effective technical, security and regulatory services for the protection of the integrity of racing, in the interests of the racing public, punter and participant.</li> </ul>	<p>2019 Raceday Services Grants (Budget): £18.9m 2018 Raceday Services Grants (Actual): £16.5m</p>
4.	<p><b>Financial support for the improvement of racecourses</b></p> <ul style="list-style-type: none"> <li>The Board will continue to support the financing of racecourse projects by Capital Credit grants.</li> </ul>	<p>2018/19 Grants allocated to the capital credits scheme: £7.9m 2017/18 Grants allocated to the capital credits scheme: £6.8m</p> <p>Further information on the operation of the capital credit grants scheme can be found on the Board's website (<a href="http://www.hblb.org.uk">www.hblb.org.uk</a>).</p>
5.	<p><b>Government</b></p> <ul style="list-style-type: none"> <li>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.</li> </ul>	<p>The Horserace Betting Levy Board will continue to work with Government and the wider industry to maximise benefits of the reformed Levy which came into effect on 25 April 2017.</p>



Priority		Performance
6.	<p><b>Transition</b></p> <ul style="list-style-type: none"> <li>In anticipation of HBLB closure on 31 March 2019, the Board's focus was 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).</li> </ul>	<p>In January 2019, the Government took the decision to withdraw the draft Legislative Reform Order which would have abolished the Horserace Betting Levy Board and transferred its functions to the Gambling Commission and Racing Authority. This means that HBLB will continue with its existing statutory responsibility beyond 31 March 2019.</p>

## Financial summary

For the year ended 31 March 2019 total income was £84.4m (2017/18: £94.7m). Levy receipts during the year were £12.3m lower than the previous year. This is due to a number of factors that are reported to include punter friendly results and lower margins for bookmakers especially in the fourth quarter of the year, together with increased competition in the market especially online and exchange. The impact of the six-day shutdown of racing in February due to the Equine Influenza outbreak also had a negative impact on Levy yield for the year.

The 2018/19 surplus of £1.7m (2017/18: £20.9m surplus) has resulted in the Board's reserves increasing from £46.3m on 31 March 2018 to £48.0m at 31 March 2019.

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 £32.3m (2017/18: positive cash flow of £11m).

## Improvement of horseracing

The table below sets out further details of the Board’s 2019 budget and 2018 actual allocation to the Improvement of Horseracing on a calendar year basis.

Table 1 sets out the Board’s contribution to fixture related expenditure, whilst Table 2 sets out the Board’s contribution to non-fixture related expenditure.

**Table 1. Fixture related expenditure**

	2019 Budget Flat	2019 Budget Jump	2019 Budget Total	2018 Actual Total
	£'000	£'000	£'000	£'000
General Prize Fund – Racecourse fixtures	18,975	18,205	37,180	35,752
Additional fixtures	–	–	–	524
General prize money boost	142	64	206	–
Lead Fixture Fund	110	155	265	225
Transitional Fund	–	–	500	491
BHA floodlit fixtures	1,671	–	1,671	1,476
Appearance money scheme	4,910	1,976	6,886	6,154
Upper Race Incentive Fund	4,515	1,977	6,492	6,209
Upper Race Incentive Fund boost	441	77	518	–
Lower Race Incentive Fund	2,080	1,120	3,200	3,217
Lower Race Incentive Fund boost	730	366	1,096	–
Divided race fund	–	–	100	207
NH MOPS and Elite Mares’ Scheme	–	–	480	324
Plus 10	–	–	1,550	1,550
<b>Total prize money</b>			<b>60,144</b>	<b>56,129</b>
Raceday services grants			18,882	16,516
Fixture incentive fund			2,252	2,472
<b>Total – Fixture related expenditure</b>			<b>81,278</b>	<b>75,117</b>

**Table 2. Non – Fixture Related Expenditure**

			2019 Budget Total	2018 Actual Total
			£'000	£'000
Industry Recruitment, Training and Education			3,085	2,074
Promotion of Racing and Customer Growth			1,400	795
Ownership and Horse Population			900	709
Betting Industry Partnership			300	36
Point-to-Point			300	267
Equine Welfare			500	–
Sectional Timing and Tracking			300	–
Racing Futures			150	–
<b>Total: Non-Fixture Related Expenditure</b>			<b>6,935</b>	<b>3,881</b>
<b>Total: Fixture Related Expenditure</b>			<b>81,278</b>	<b>75,117</b>
<b>Total : Improvement of Horseracing</b>			<b>88,213</b>	<b>78,998</b>

## Fixture related expenditure

### Prize money

The Board's budgeted allocation to prize money in 2018 was £57.6m (2017: £49.3m), a figure reflecting an increase in spending agreed by the Board enabled by the rise in Levy income from the 2017 reforms. The additional prize money was primarily targeted at participants operating at the mid and lower tiers of the sport. The actual amount spent on prize money in 2018 calendar year was £56.1m (2017: £48.3m). 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 2018 was the fourth year in which the existing GPF calculation process was in operation. The GPF mechanism applies a greater weighting (60%) of reward to Executive Contributions (EC), a racecourse's own contribution to prize money, than to betting turnover generated (40%). 2018 was the final year in which racecourses were required to provide an expected forward-looking EC for the purposes of determining a

prize money grant from the Board. For 2019 onwards, a retrospective calculation has been introduced, whereby a racecourse's Actual EC for the last completed year is counted.

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 2018, 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. Updated betting data is now being made available to the Board, which will influence 2020 funding onwards. 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 2017.

The Lead Fixture Fund (LFF) (£0.2m) provided a £5,000 grant to the fixture with the highest prize money on Sundays, as long as the fixture prize money was in excess of £50,000. The Transitional Fund (TF) (£0.5m) was introduced in 2018 to assist those racecourses most affected by changes under the funding structure, while evening floodlight fixtures on the All-Weather

were funded by a new Floodlight Fund (£1.5m) which provided a flat payment of £12,200 per fixture.

The allocation for the Race Incentive Fund (RIF) for 2018 was £9.5m (2017: £6.3m) and for the Fixture Incentive Fund £2.5m (2017: £2.5m).

A new Lower Race Incentive Fund (Lower RIF) (£3.2m) and Appearance Money Scheme (AMS) (£6.2m) were introduced in 2018 to facilitate the flow of increased Levy income to the mid and lower tiers of the sport. The AMS saw qualifying races receive payments of at least £300 on the Flat and £350 over Jumps for horses finishing between fifth and eighth place. The Lower RIF offered an additional £400 in prize money. This means that there was a potential minimum £1,600 for Flat races and £1,800 for Jump races available.

However, in order to unlock and make these funds available, racecourses were required to invest £900 in prize money above the existing minimum race values.

### **Raceday services grants**

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 remained broadly similar, compared to 2017, with the same total financial allocation of £16.5m.

### **2019**

In 2019, the Board has maintained its main prize money budgets at a similar level to 2018. The GPF, LFF and TF have all been held, whilst the Floodlight Fund and Lower RIF budget were increased slightly to take into account fixture increases. The AMS also saw an increase due to fixture numbers, as well as an uplift in performance throughout 2018.

The Board agreed an additional £6.5m prize money boost and certain changes to qualification for prize money funds from 1 April 2019 to 31 March 2020. This decision was

made in expectation of declining media rights income for racecourses in 2019 and 2020 and the impact this would have on prize money levels. However, in light of the initially reported Levy income for 2018/19, a decision was made to cease the additional expenditure on 1 July 2019. The only element that remained in place was a reduction of the unlocking value for Lower RIF and AMS from £900 to £400.

The Board also agreed a one-off increase for Raceday Services Grants to £18.9m, taking into account an increase in fixture numbers and the pressure on racecourses to meet their integrity and regulatory costs. A full review of Regulatory and Integrity costs with contribution from HBLB, BHA and RCA is planned to ensure clarity in future funding.

## **Non-fixture related expenditure**

### **Industry training, recruitment and education**

In 2018, the Board committed grants totalling £2.1m to training, recruitment and education in the racing and breeding industries, in line with 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 training, recruitment and education programmes and provided justification for the core allocations.

The primary features were 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. At its symposium in early 2019, the Racing Foundation again gave an opportunity for recent MBA graduates to present their dissertation conclusions.

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.

The allocation for 2018/19 was increased to £300,000 (2017/18: £198,000). This allowed the maintenance of the tiered fixture payment scheme, underpinning a balanced spread of fixtures over the entire season from November 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. In addition, the programme included enhancement of the website, and production of a short film to be used to stimulate engagement with Point-to-Pointing from both a participation and a spectator aspect.

#### **Ownership and Horse Population**

£0.8m was made available to the Racehorse Owners Association (ROA) in 2018 to fund the Industry Ownership Strategy. This Strategy, which has the full support of the Board, is a two-year project focusing on the retention of existing racehorse owners, the development of new owners and the growth in number of Horses in Training.

In 2018, total spending on the project was £0.7m. It has been agreed that unspent funding be rolled over and therefore with additional new 2019 funding of £0.9m, the strategy will receive a total of £1.6m.

In addition to this Ownership Strategy, £0.1m was made available to the Brexit Steering Group. £0.1m was also made available to the Thoroughbred Breeders Association (TBA) towards an independent Economic Impact Report.

#### **Promotion of Racing and Customer Growth**

Great British Racing (GBR) is the sport's official marketing and promotional body, working with all of racing's stakeholders. Their objective is to grow interest and participation in horseracing and in 2018 the Board provided funding of £0.5m towards a new National Campaign aimed at promoting the free entry for Under 18s to race meetings.

The campaign was deemed a success, and an increased level of funding has been made available in 2019 for GBR to repeat the campaign and develop a number of other important marketing and promotional priorities for the industry.

In 2018, £0.3m was also made available to fund the work of Great British Racing International (GBRI), funding for which has ceased in 2019.

### **Betting Industry Partnership**

The Betting Liaison Group (BLG) is an industry wide body with representatives of betting operators, racecourses, horsemen and the BHA that now meets under the control of the Board to facilitate cooperation on betting strategy. In 2018, the Board made £0.3m available to facilitate its work, in particular with regards to the collection of betting data, led by the HBLB Executive. Due to project phasing there was a 2018 underspend, with funds having been rolled over in addition to new funding made available.

### **2019**

In addition to the funding above, a number of new projects have been granted 2019 funding; Equine Welfare (£0.5m), which will support the work of the new Industry Equine Welfare Board; Sectional Timing and Tracking (£0.3m) which will support the rollout of tracking technology to every GB racecourse; and Racing Futures (£0.2m) which is an industry project to identify the purpose, vision, values and behaviours both of and for British Racing.

### **Advancing veterinary science and education**

The Board approved a budget allocation of £1.8m for 2018 (2017: £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. The strategic research priorities are:
- Improved methods of preventing current and emerging infectious equine diseases by the development of more effective vaccines, diagnostic tools, biosecurity and management strategies.
- Increased safety, health and well-being of racehorses through the development of better training environment, stable and racecourse design and surfaces, riding strategies, management and husbandry, tack and equipment.
- Prevention or minimisation of musculoskeletal disease and injury in Thoroughbreds through advanced identification and management.
- Enhanced reproductive efficiency, health and well-being of the breeding Thoroughbred and youngstock.
- Identification of effective, appropriate and evidence-based methods to help the immediate post-racing transition of the racing Thoroughbred to new activities.

HBLB is guided as to what issues most concern and interest Racing by an Industry group including the BHA, NTF, ROA, RCA, TBA, BEVA and ARVS. This is important because the application assessment mechanism takes equal account of scientific rigour and of relevance to the racing, breeding and rearing of Thoroughbreds. Projects should address a clearly defined hypothesis with specific, measurable, attainable, relevant and timely objectives.

- In 2018 work began on
- 5 major research projects
- 7 small research projects
- 1 equine post doctoral fellowship
- 1 scholarship

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 2018. 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 2019 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 2018 was £115,000 (2017: £96,153) 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.

As in previous years, the Show attracted national media coverage and increasing support from individual breed societies.

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/semen collection schemes. The Board expects the Societies to actively encourage their members to adhere to the highest standards of disease prevention and management partly in their own interests, and also to reduce risk to the British Thoroughbred herd.

## Administration costs

The Board strives to provide a highly cost-effective service to its stakeholders. The Board's administration costs in 2018/19 were £1.9m (2017/18: £1.7m), which represents a 9% increase on the previous year. The reason for this increase is predominantly due to an increase in legal and professional fees associated with the intended closure by Government of HBLB.

### **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 2019, 97% of invoices, totalling £1.9m, were paid within 30 days of receipt.

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

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

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

## **Horserace Betting Levy Regulations 2017**

The Horserace Betting Levy Regulations 2017 came into force on 25 April 2017, with the second period of assessment under the Regulations running from 1 April 2018 to 31 March 2019 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 is at 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  
30 April 2020

## Overview

The accountability report is divided into three sections: the corporate governance report, the remuneration and staff report, and the parliamentary accountability and audit report. The corporate governance report provides information on the governance of the Horserace Betting Levy Board. The remuneration and staff report provides information on the remuneration of those

charged with governance of the Horserace Betting Levy Board, and other relevant information on staff costs. The disclosure of this information complies with best practice standards of corporate governance and contributes to the Horserace Betting Levy Board's accountability to Parliament by virtue of providing a transparent and full account.

## Board Members and Officers

The Board Members, Observers and Board Executives are as follows. Full details of Board Members who served during the year or were in post at date of signing are shown on page 27.

### Board Members

**Paul Lee\***  
Chairman

**David Armstrong\*\*<sup>4</sup>**

**Philip Freedman\*\*<sup>1</sup>**

**Mike O'Kane\*\*\***

**Lord Risby\***  
Government Appointed Member

**Nick Rust\*\***

**Julian Richmond-Watson\*\*<sup>4</sup>**

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

\*\*Appointed by the Jockey Club

\*\*\*Appointed by the Association of British Bookmakers & the Remote Gambling Association

<sup>1</sup> Resigned on 25 April 2019

<sup>2</sup> Left on 30 April 2019

<sup>3</sup> Appointed on 1 July 2019

<sup>4</sup> Appointed on 25 April 2019

A Register of Board Members' Interests is available online ([www.hblb.org.uk](http://www.hblb.org.uk)) and note 17 on page 56 provides details of transactions during the year in which there was a related interest.

### Observers

**Mark Chambers**

### Board Executives

**Alan Delmonte**  
Chief Executive & Accounting Officer

**David McCormick<sup>2</sup>**  
Finance Director

**Craig Pemberton<sup>3</sup>**  
Finance Director

## 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. As Accounting Officer I can confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and that I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

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  
30 April 2020

## Governance statement

The Cabinet Office guidance for approval of senior pay mandates that pay and remuneration levels at and above a defined threshold for certain public appointments must also be approved by the Chief Secretary to the Treasury (CST).

During the audit of HBLB's 2018/19 accounts, the NAO queried whether CST approval had been sought for three appointments, given that their actual or pro rata salaries are above the threshold where CST approval is needed under HMT's senior salary pay guidance.

The three roles in scope were: Chairman (a DCMS Ministerial appointment who was appointed in 2009) subsequently reappointed and two appointments made by the HBLB Board, Chief Executive (from 2013) and the previous Finance Director (2017-2019).

Specifically for the Chairman, there was no requirement to review salaries of the individual already in post when the pay controls originally came into force in 2010. The Chairman's salary was already over the threshold when he was appointed in 2013, extended in 2017, and again in 2019 and it was not clear in the 2013

or 2018 (current) guidance that approval was needed where an appointment pre-dated the introduction of the pay controls.

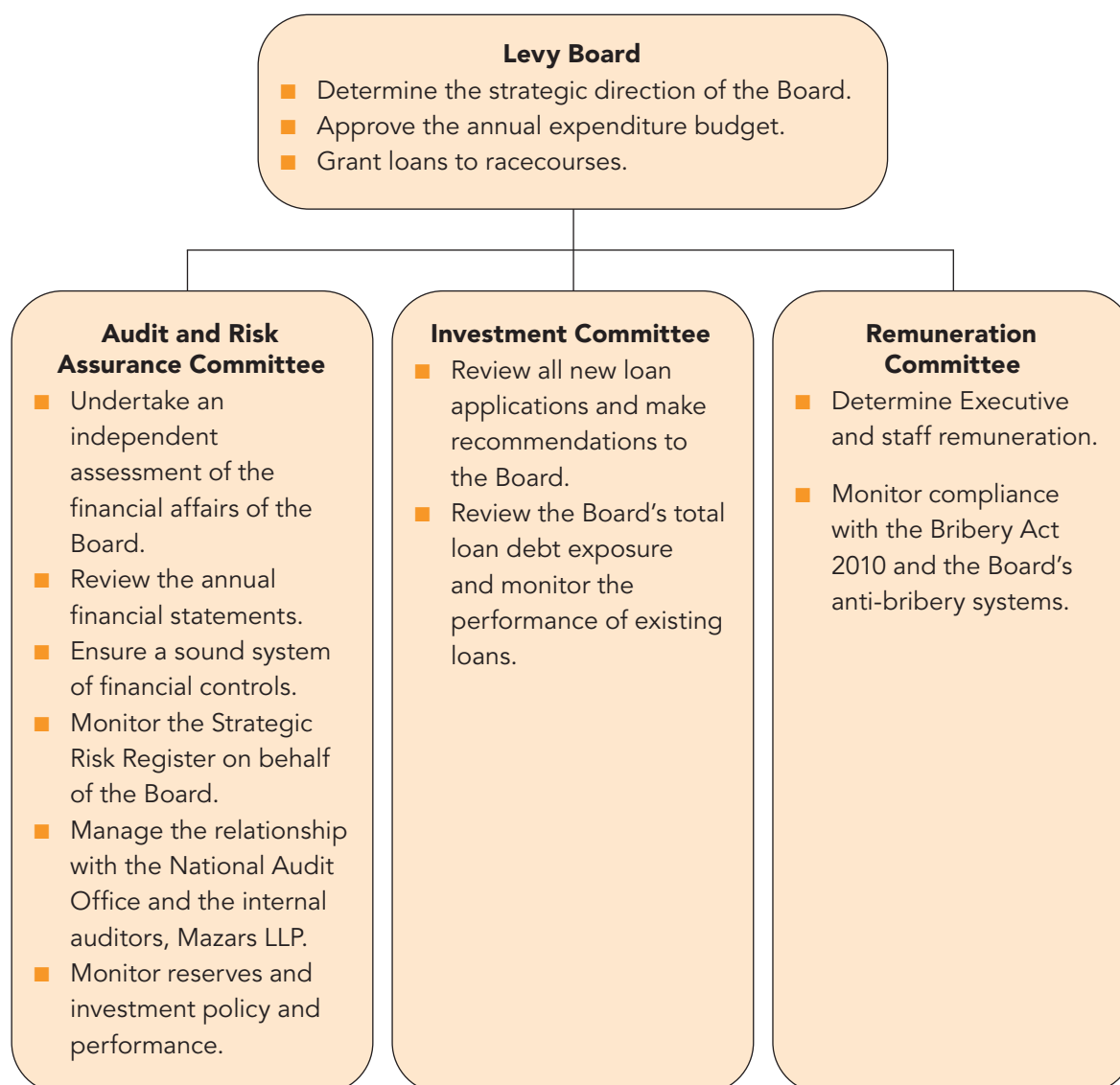
HBLB has the statutory authority, contained in the Betting, Gaming and Lotteries Act 1963, to set the pay and conditions of all its staff and agents as it thinks appropriate. Until queried by the NAO, this statutory authority formed the basis of all appointments made by the HBLB, supported by DCMS, including the Chief Executive and previous Finance Director. Since following this up, HM Treasury has determined that the senior salary guidance still applies regardless of the 1963 Act and therefore retrospective approval was required.

Salary levels for the three roles are: Chairman £63,650 for up to 5 days per month (full time equivalent – £275,817 p.a.); Chief Executive £147,000 (April 2013) and £176,339 (April 2019); and Finance Director (left April 2019) £110,000 for 2.5 days a week (full time equivalent – £224,176 p.a.).

Given the updated position and advice received, DCMS and HBLB worked closely with Treasury to obtain retrospective CST approval which was subsequently received for all three appointments. CST approval will be sought for all future HBLB appointments that meet the salary threshold.

## 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 2019, the Board was comprised of 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 and this was extended to 31 March 2020.

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 then 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](http://www.hblb.org.uk).

## The Audit and Risk Assurance Committee

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

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 2018/19.

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 2018/19, 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 2018/19 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 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 2018/19 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 met twice via conference call to discuss new loan applications.

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 2018/19.

## The Remuneration Committee

The Remuneration Committee met once in 2018/19 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 (Chair), 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 2018/19 Members’ attendance at Board and Committee meetings is shown in the table below:

Board member	Appointed by	Board Meetings	Audit and Risk Assurance Committee	Remuneration Committee	Investment Committee
Paul Lee Chairman	Secretary of State for Digital, Culture, Media and Sport	8	–	1	2
Lord Risby	Secretary of State for Digital, Culture, Media and Sport	7	3	1	2
David Armstrong <sup>1</sup>	Jockey Club	1	1	–	–
Maggie Carver <sup>2</sup>	Jockey Club	5	1	–	2
Philip Freedman <sup>3</sup>	Jockey Club	6	–	1	–
Nick Rust	Jockey Club	6	–	–	–
Mike O’Kane	Association of British Bookmakers and the Remote Gambling Association	8	3	1	2
<b>Total number of meetings</b>		<b>8</b>	<b>3</b>	<b>1</b>	<b>2</b>

<sup>1</sup> Appointed on 25 March 2019

<sup>2</sup> Resigned on 25 March 2019

<sup>3</sup> Resigned on 25 April 2019

## 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 page 7). This process has been in place for the year ended 31 March 2019 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 in 2018/19 and 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 2018/19.

## 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 required to work within the constraints of the Levy Regulations. The Board is looking to put in place additional measures to improve the forecasting of the Levy.

## 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:

- The adequacy and effectiveness of key controls for banking and expenditure.
- High-level review of progress made in implementing the closure plan.

The review of the closure plan was conducted at a time when the closure of HBLB was still a high probability. Subsequent to the audit being performed, the Legislative Reform Order was withdrawn by Government and HBLB did not close on 31 March 2019 as was planned.

The review of the key controls over banking and expenditure provided substantial assurance and no significant weaknesses were identified.

## Information management

The Board has suffered no protected personal data incidents during the year ended 31 March 2019 or prior years and has made no reports to the Information Commissioner's office.

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



## Regularity of expenditure

I confirm that there were no instances of material irregularity, losses or special payments in the year ended 31 March 2019.

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 Horse Race Betting Levy Board during 2018/19.

### **Alan Delmonte**

Chief Executive and Accounting Officer  
Horse Race Betting Levy Board  
30 April 2020

## 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 and this was extended until 31 March 2020 in March 2019. His contract provides for approximately five days' 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 2018/19, pension contributions totalling £17,204 (2017/18: £16,398) 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. HBLB is required to seek CST approval for its appointments where the proposed salary meets the salary thresholds.

#### Sickness absence

Average sickness absence per person employed by the Board during the year ended 31 March 2019 was 2.2 days (2017/18: 3.7 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 and Diversity Policy, and continues to monitor recruitment and employment. HBLB's policy is to select employees on their individual merits and abilities irrespective of gender, sexual orientation, gender reassignment, marital status, race, nationality, colour, ethnic background, religion, belief, age or disability. 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 benefits in kind of the Board members who are remunerated as well as the Chief Executive and Finance Director. The Chief Executive also

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

	2018/19			2017/18 <sup>8</sup>		
	Salary	Benefit in kind (to nearest £100)	Total	Salary	Benefit in kind (to nearest £100)	Total
	£000	£	£000	£000	£	£000
<b>Board Members<sup>3</sup></b>						
Paul Lee – Chairman	60-65 <sup>9</sup>	8,300 <sup>4</sup>	70-75	60-65 <sup>9</sup>	13,000 <sup>4</sup>	75-80
Lord Risby	15-20	100 <sup>4</sup>	15-20	15-20	–	15-20
Neil Goulden Resigned on 10 April 2017	–	–	–	0-5	–	0-5
Mike O'Kane	15-20	100 <sup>4</sup>	20-25	15-20	–	15-20
<b>Chief Executive and Accounting Officer</b>						
Alan Delmonte <sup>1</sup>	180-185 <sup>2</sup>	4,000 <sup>5</sup>	185-190	170-175 <sup>2</sup>	2,900	175-180
<b>Finance Director</b>						
David McCormick <sup>7</sup>	110-115	600 <sup>6</sup>	110-115	105-110	600	110-115

### Note:

<sup>1</sup> Pension contributions totalling £17,204 (2017/18: £16,389) were paid to the Board's group personal pension plan on behalf of Alan Delmonte.

<sup>2</sup> Includes travel allowance of £10,000 (2017/18: £5,000 – Effective from the middle of the year) received during the year.

<sup>3</sup> The Jockey Club appointed Board Members do not receive any remuneration.

<sup>4</sup> 27.5% of Board members' expenses together with the corresponding PAYE and National Insurance contributions on these expenses are paid on their behalf by HBLB.

<sup>5</sup> Private medical expenses and cost of staff social expenditure and corresponding tax paid on behalf of Chief Executive.

<sup>6</sup> Cost of staff social expenditure and corresponding tax paid on behalf of Finance Director.

<sup>7</sup> Pension contributions totalling £Nil (2017/18: £Nil) were paid to the Board's group personal pension plan on behalf of David McCormick.

<sup>8</sup> These figures have been restated in order to account for benefits in kind that were previously not included in the prior year calculation.

<sup>9</sup> The salary received by the Chairman is pro-rated.

The Finance Director of the Board was the highest full time equivalent (FTE) earner in 2018/19. This was 4.17 times (2017/18: 4.67) the median remuneration of the workforce, which was £53,299 (2017/18: £46,599). The ratio is calculated by dividing the midpoint of the highest paid director’s remuneration band of £222,500 (2017/18: £217,500) 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 FTE director, which is the Finance Director. 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.

	2018/19 FTE	2017/18 FTE
Permanent staff	10.2	10.0
Temporary staff	–	–
	<b>10.2</b>	<b>10.0</b>

The aggregate payroll costs of these persons were:

	2018/19 £000	2017/18 £000
Payroll staff salaries	753	721
Social security	88	88
Pension costs	55	56
Redundancy costs	–	3
Other staff costs	82	93
	<b>978</b>	<b>961</b>

## Breakdown of staff numbers – Subject to audit

The breakdown of staff numbers as at 31 March 2019 was as follows:

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

There were no redundancy payments in 2018/19 (2017/18: 1) and there were no off-payroll engagements during the year (2017/18: nil).

Exit package cost band	2018/19			2017/18		
	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	–	–	–	–	–	–
<b>Total number of exit packages</b>	–	–	–	1	–	1

## Parliamentary Accountability Disclosures – Subject to audit

### Losses Statement

	2018/19	2017/18
Total number of losses	–	–
Total value of losses	–	–

### Special Payments

	2018/19	2017/18
Total number of special payments	–	–
Total value of special payments	–	–

## Remote contingent liabilities – Subject to audit

In addition to contingent liabilities reported within the meaning of IAS 37, HBLB also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of a contingent liability. In the current year HBLB had no material liabilities that met this definition (2017/18: £Nil).

## 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: 31<sup>st</sup> 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  
30 April 2020



## 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 2019 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 2019 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.

### 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.

### Conclusions relating to going concern

I am required to 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 for a period of at least twelve months from the date of approval of the financial statements. 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. I have nothing to report in these respects.

### 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

Officers 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.
- 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, but does not include 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.

**Gareth Davies**  
**Comptroller and Auditor General**  
**5 May 2020**

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

## Statement of comprehensive net expenditure for the year ended 31 March 2019

	Notes	2019 £000	2018 £000
<b>Income</b>			
Levy income receivable for:			
Horserace Betting Levy Regulations	2a	83,207	90,101
56th Levy Scheme	2a	–	4,244
Previous years' Schemes	2a	(488)	630
		<b>82,719</b>	<b>94,975</b>
Other income	2a	1,314	(520)
Interest receivable	2a	369	252
<b>Total income</b>		<b>84,402</b>	<b>94,707</b>
<b>Expenditure</b>			
Improvement of horseracing	4a	(79,334)	(70,428)
Other expenditure	4b	(3,385)	(3,337)
<b>Total expenditure</b>		<b>(82,719)</b>	<b>(73,765)</b>
<b>Operating surplus</b>		<b>1,683</b>	<b>20,942</b>
Income tax	6	–	–
<b>Surplus for the year</b>		<b>1,683</b>	<b>20,942</b>
<b>Total comprehensive income for the year</b>		<b>1,683</b>	<b>20,942</b>

The surplus for the year arose from continuing operations.

The notes on pages 42 to 58 form part of these accounts.

## Statement of financial position as at 31 March 2019

	Notes	2019 £000	2018 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	88	98
Loans	9a	111	1,342
<b>Total non-current assets</b>		<b>199</b>	<b>1,440</b>
<b>Current assets</b>			
Trade and other receivables	8	15,267	18,026
Loans due within one year	9a	1,428	1,875
Financial assets	11	–	10,005
Cash and cash equivalents	12	69,247	36,915
<b>Total current assets</b>		<b>85,942</b>	<b>66,821</b>
<b>Total assets</b>		<b>86,141</b>	<b>68,261</b>
<b>Current liabilities</b>			
Trade and other payables	13	(38,073)	(20,562)
Provisions	14	–	(1,312)
<b>Total current liabilities</b>		<b>(38,073)</b>	<b>(21,874)</b>
<b>Total assets less total current liabilities</b>		<b>48,068</b>	<b>46,387</b>
<b>Non-current liabilities</b>			
Provisions	14	(60)	(62)
<b>Total non-current liabilities</b>		<b>(60)</b>	<b>(62)</b>
<b>Total net assets</b>		<b>48,008</b>	<b>46,325</b>
<b>Reserves</b>	16	<b>48,008</b>	<b>46,325</b>

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

**Alan Delmonte**

Chief Executive and Accounting Officer

30 April 2020

The notes on pages 42 to 58 form part of these accounts.

## Statement of cash flows for the year to 31 March 2019

	Notes	2019 £000	2018 £000
<b>Cash flow from operating activities</b>			
Operating surplus for the year		1,683	20,942
<b>Adjustments for:</b>			
Depreciation	5, 7	27	58
Interest receivable		(369)	(252)
Fair value adjustment for loans receivable	4a, 9b	(14)	(29)
Decrease/(Increase) in trade and other receivables	8	2,759	(11,250)
Increase in trade and other payables	13	17,511	8,023
Decrease in provisions	14	(1,314)	1,317
<b>Cash consumed by operations</b>		<b>20,283</b>	<b>18,809</b>
Income tax	6	–	–
<b>Net cash flow from operating activities</b>		<b>20,283</b>	<b>18,809</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment	7	(17)	(2)
Net loans repaid by racecourses	9b	1,692	1,926
Interest and investment earnings		369	252
<b>Net cash flow from investing activities</b>		<b>2,044</b>	<b>2,176</b>
<b>Cash flow from financing activities</b>			
Net amounts transferred from/(to) financial assets	11	10,005	(10,005)
<b>Net cash flow from financing activities</b>		<b>10,005</b>	<b>(10,005)</b>
<b>Net increase in cash and cash equivalents</b>		<b>32,332</b>	<b>10,980</b>
Cash and cash equivalents at 1 April		36,915	25,935
<b>Cash and cash equivalents at 31 March</b>		<b>69,247</b>	<b>36,915</b>

The notes on pages 42 to 58 form part of these accounts.

## Statement of changes in reserves for the year ended 31 March 2019

	Reserves* £000
At 1 April 2017	25,383
<b>Changes in reserves 2018</b>	
Surplus for 2018	20,942
<b>Total comprehensive income for 2018</b>	<b>20,942</b>
<b>Balance at 1 April 2018</b>	<b>46,325</b>
<b>Changes in reserves 2019</b>	
Surplus for 2019	1,683
<b>Total comprehensive income for 2019</b>	<b>1,683</b>
<b>Balance at 31 March 2019</b>	<b>48,008</b>

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

The notes on pages 42 to 58 form part of these accounts.



## NOTES TO THE ACCOUNTS FOR THE YEAR TO 31 MARCH 2019

**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 2018/19. 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 from the date of approving the accounts.

In January 2019, the Government took the decision to withdraw the draft Legislative Reform Order which would have abolished the Horserace Betting Levy Board and transferred its functions to the Gambling Commission and Racing Authority. This means that HBLB will continue with its existing statutory responsibility beyond 31 March 2019.

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 2018/19 Government Financial Reporting Manual (FReM) issued by HM Treasury. A copy of the Accounts Direction can be obtained from HBLB.

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

### **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 16 Leases. Although HMT are deferring the adoption of IFRS 16 in the FReM until 1 April 2020, it has been agreed that DCMS will take early adoption of the standard, requiring recognition in ALBs individual accounts from 1 April 2019. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. HBLB will not be materially affected by the adoption of IFRS 16.

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

### **Change in accounting policies**

On 1 April 2018, HBLB adopted IFRS 9 – Financial instruments and IFRS 15 – Revenue from contracts with customers. The adoption of these new standards has resulted in changes to the accounting policies for financial instruments and revenue recognition.

### **Financial instruments**

Prior to the adoption of IFRS 9, the Board classified its financial instruments in accordance with IAS 39. The adoption of IFRS 9 has resulted in a change to these classifications. Under IFRS 9 the classification of each financial instrument is determined by the business model for the asset and whether the cash flows on the asset are solely payments of principal and interest. This change in accounting policy has not resulted in any material impact on the current or prior year and the impact on each line item of the primary financial statements is shown below.

### **Revenue recognition**

Prior to the adoption of IFRS 15, the Board recognised Levy income in terms of IAS 18. The adoption of IFRS 15 has resulted in a change to how the Board recognise revenue which is now recognised in accordance with the five stage model as set out in IFRS 15. This change in accounting policy has not resulted in any material impact on the current or prior year and the impact of each line item of the primary financial statements is shown below.

### **Adoption of IFRS 9**

The Board has adopted IFRS 9 with effect from 1 April 2018. The prior period has not been restated but any differences between the previous carrying amounts and those under IFRS 9 at initial application have been recognised as part of the opening balance of reserves. The cumulative impact of this adjustment is nil.

The following table shows the classification of financial assets and liabilities on transition to IFRS 9.

	IAS 39 classification	IFRS 9 classification	IAS 39 carrying amount 31 March 2018	IFRS 9 carrying amount 1 April 2018
			£'000	£'000
<b>Financial assets</b>				
Loans	Loans and receivables	Amortised cost	3,217	3,217
Trade and other receivables	Loans and receivables	Amortised cost	18,026	18,026
Fixed term cash deposits	Loans and receivables	Amortised cost	10,005	10,005
Cash and cash equivalents	Loans and receivables	Amortised cost	36,915	36,915
<b>Financial liabilities</b>				
Trade and other payables	Amortised cost	Amortised cost	20,562	20,562

The following table shows the impact on the primary financial statements since the adoption of IFRS 9.

Impact of changes in accounting policy	2018/19 As reported	2018/19 Adjustments	2018/19 Balances without adoption of IFRS 9	2017/18 As reported	2017/18 Adjustments	2017/18 Balances without adoption of IFRS 9
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Statement of comprehensive net expenditure</b>						
Total comprehensive income for the year	1,683	–	1,683	20,942	–	20,942
<b>Statement of financial position</b>						
Total assets	86,141	–	86,141	68,261	–	68,261
Total liabilities	(38,133)	–	(38,133)	(21,936)	–	(21,936)
Reserves	48,008	–	48,008	46,325	–	46,325

### Adoption of IFRS 15

The Board has adopted IFRS 15 Revenue from Contracts with Customers as interpreted by the FReM with effect from 1 April 2018 and applied the standard to Levy income.

The IFRS 15 guidance produced by HM Treasury states that “within the public sector, there may be difficulty in identifying a contract in the traditional sense, particularly

in relation to fees, levies and charges that are not classified as taxation”. It goes on further to state that “the definition of a contract has been expanded to include legislation or regulations which provides the ability for the entity to impose a charge on the customer and the requirement for the customer undertaking the relevant activities to be liable to pay the charge. The existence of such legislation/

regulations and the practice of the government imposing the fee, levy or charge is deemed akin to customary business practices.”

- IFRS 15 introduces a five-stage model for the recognition of revenue from contracts with customers. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:
  - Identify the contract(s) with customers
  - Identify the performance obligations in the contract
  - Determine the transaction price
  - Allocate the transaction price to the performance obligations in the contract
  - Recognise revenue when the entity satisfies a performance obligation

Under IFRS 15 as interpreted by the FReM, HBLB is therefore deemed to have contracts with bookmakers and betting exchange providers by virtue of the underlying legislation which requires HBLB to 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 education
- The improvement of horseracing

Individual bookmakers and betting exchange providers do not receive a direct benefit as a consequence of payment of the Levy and neither do they influence directly how the Board allocates and spends Levy income. However, HBLB does recognise that the Levy indirectly benefits them by the Board’s application of Levy funds in accordance with its three statutory objectives which in turn supports one of the Board’s general objectives

which is to support horseracing in a form which retains high standards of integrity and is attractive to the racehorse owner, the racegoer and the off-course punter. This indirect link means that under IFRS 15 as interpreted by the FReM, HBLB is deemed to have a performance obligation to the bookmakers and betting exchange providers of collecting the statutory Levy and applying the funds for the purposes set out in the underlying legislation.

This one performance obligation applies to all bookmakers and betting exchange providers who are required to make statutory Levy contributions and is settled over the course of the Levy year in a straight line manner as HBLB performs this role.

Levy income is therefore recognised on a straight line basis evenly throughout the year once it has been confirmed at the end of the Levy year by each bookmaker and betting exchange provider submitting their annual Form of Declaration which confirms the transaction price which amounts to the Levy income due for the year.

Levy income represents variable consideration under IFRS 15 as it is dependent on bookmakers’ profits in the leviable period.

Once the Form of Declaration has been submitted the bookmaker and betting exchange provider is given 28 days to settle any Levy liability that is due. There is not considered to be any material or significant financing component.

The application of IFRS 15 has created no difference in the measurement and recognition of revenue compared to that under the previous standard, IAS 18 Revenue and this is illustrated in the following table.

Impact of changes in accounting policy	2018/19	2018/19	2018/19	2017/18	2017/18	2017/18
	As reported	Adjustments	Balances without adoption of IFRS 9	As reported	Adjustments	Balances without adoption of IFRS 9
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Statement of comprehensive net expenditure</b>						
<b>Income</b>						
Horserace Betting Levy Regulations	83,207	–	83,207	90,101	–	90,101
56th Levy Scheme	–	–	–	4,244	–	4,244
Levy from previous years' schemes	(488)	–	(488)	630	–	630
Total comprehensive income for the year	1,683	–	1,683	20,942	–	20,942
<b>Statement of financial position</b>						
Total assets	86,141	–	86,141	68,261	–	68,261
Total liabilities	(38,133)	–	(38,133)	(21,936)	–	(21,936)
Reserves	48,008	–	48,008	46,325	–	46,325

## 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 2019. 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. In the current year the amount recognised relates to the reversal of a provision against this line item that was raised in the prior year.

#### *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 yet met recognition criteria and 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) Cash and cash equivalents**

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

**f) Discount rates**

Where financial assets or liabilities are required to be presented at amortised cost, these are discounted utilising a suitable discount rate. In 2018/19, the rates chosen are in line with guidance supplied by HM Treasury (0.7%).

**g) Financial assets**

In accordance with IFRS 9, each financial asset is classified at initial recognition or at the point of first adoption of IFRS 9. The classification of each financial asset is determined by the business model for the asset and whether the cash flows on the asset are solely payments of principal and interest.

**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. Loans were previously classified as loans and receivables and initially measured at fair value and carried at amortised cost under IAS 39. Under IFRS 9, loans are classified as financial assets at amortised cost. The business model for managing these financial assets is to hold the loans to collect contractual cash flows only and these cash flows are considered to be solely payments of principal and interest.

**Trade and other receivables:** Trade and other receivables were previously classified as loans and receivables under IAS 39. Under IFRS 9, these assets are classified as financial assets at amortised cost. The business model for managing this financial asset is to hold the assets to collect contractual cash flows only and these cash flows are considered to be solely payment of principal and interest.

**Fixed term cash deposits:** Fixed term deposits are held to maturity in bank accounts with a maturity date that is greater than three months. Under IFRS 9, these deposits are classified as financial assets at amortised cost.

**Impairment of financial assets:** The Board makes use of the simplified approach to impairment allowed under IFRS 9 for assets that are classified as financial assets at amortised cost. This means that a loss allowance for an amount equal to lifetime expected credit losses (ECL) is recognised upon initial recognition or at the point of first adoption of IFRS 9. HBLB has considered the need for impairment but has not recognised any due to the value of this being considered immaterial. The Board makes use of a provision matrix to calculate the lifetime ECL for each financial asset and takes into account factors such as past payment history, creditworthiness, security held and future economic conditions when assessing the value of the lifetime ECL. The provision matrix has not been disclosed as the value of expected credit losses is considered immaterial.

**h) 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.

**i) 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 one significant source of income being statutory contributions from bookmakers and betting exchange providers, and the segmental reporting reflects the Board's management and internal reporting structure.

**j) 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.

**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.



#### 4. Expenditure costs

##### 4a. Improvement of horseracing

	2019 £000	2018 £000
<b>Horsemen</b>		
Prize money	46,825	44,766
Prize money for divided races	211	1,440
Plus 10	1,530	1,280
NH Elite Mares' Scheme	146	94
NH Mare Owners' Prize Scheme	209	246
Appearance Money scheme	6,208	1,578
Transitional Fund	440	175
	<b>55,569</b>	<b>49,579</b>
<b>Racecourses</b>		
Fixture incentive scheme	2,259	3,056
Fair value adjustment to racecourse loans	(14)	(29)
	<b>2,245</b>	<b>3,027</b>
<b>Raceday services</b>		
Raceday services	17,076	16,363
	<b>17,076</b>	<b>16,363</b>
<b>Training</b>		
Industry recruitment, training and education	2,307	1,261
	<b>2,307</b>	<b>1,261</b>
<b>Other</b>		
Point-to-point meetings	389	198
Ownership & Horse Population	735	–
Promotion of Racing & Customer Growth	795	–
Betting Industry Partnership	103	–
Equine Influenza	115	–
	<b>2,137</b>	<b>198</b>
	<b>79,334</b>	<b>70,428</b>

**4b. Other expenditure**

	<b>2019 £000</b>	<b>2018 £000</b>
Breed societies	115	115
Advancement of veterinary science and education	1,256	1,402
Administration costs	1,867	1,706
Bookmakers' Committee costs	–	26
Replacement of Horserace Betting Levy Costs	145	86
Charitable payments	2	2
	<b>3,385</b>	<b>3,337</b>

**4c. Staff costs – Included within Administration costs**

	<b>2019 £000</b>	<b>2018 £000</b>
Payroll staff salaries	753	721
Social security	88	88
Pension costs	55	56
Redundancy costs	–	3
Other staff costs	82	93
	<b>978</b>	<b>961</b>

**5. Surplus**

	<b>2019 £000</b>	<b>2018 £000</b>
This has been arrived at after charging:		
Remuneration of Board Members and Chief Executive	306	291
Depreciation	27	58
Operating lease rentals	101	132
Auditors' remuneration – no charge for non-audit services:		
– External audit	45	30
– Internal audit and other services	5	4

**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 (2017/18: £Nil).

## 7. Property, plant and equipment

	Leasehold improvements £000	Furniture and equipment £000	Total £000
<b>Cost:</b>			
At 1 April 2018	329	183	512
Additions	–	17	17
Disposals	–	(120)	(120)
<b>At 31 March 2019</b>	<b>329</b>	<b>80</b>	<b>409</b>

<b>Depreciation:</b>			
At 1 April 2018	238	176	414
Charge for the year	20	7	27
Disposals	–	(120)	(120)
<b>At 31 March 2019</b>	<b>258</b>	<b>63</b>	<b>321</b>

<b>Net book value:</b>			
At 31 March 2018	91	7	98
<b>At 31 March 2019</b>	<b>71</b>	<b>17</b>	<b>88</b>

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

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

<b>Net book value:</b>			
At 31 March 2017	145	9	154
<b>At 31 March 2018</b>	<b>91</b>	<b>7</b>	<b>98</b>

**8. Trade and other receivables**

	<b>2019 £000</b>	<b>2018 £000</b>
Trade and other receivables	168	36
Amounts due from bookmakers in respect of Levy income	15,021	17,854
Prepayments and accrued income	78	136
	<b>15,267</b>	<b>18,026</b>

All the above amounts are due within one year.

**9. Loans**

	<b>2019 £000</b>	<b>2018 £000</b>
<b>Secured:</b>		
Repayable within five years	1,394	3,238
<b>Unsecured:</b>		
Repayable within five years	152	–
<b>Total loans at historic cost</b>	<b>1,546</b>	<b>3,238</b>
Fair value adjustment	(7)	(21)
<b>Total loans at net present value</b>	<b>1,539</b>	<b>3,217</b>
<b>Loans included above due within one year</b>	<b>1,428</b>	<b>1,875</b>
<b>Loans due in more than one year</b>	<b>111</b>	<b>1,342</b>

Loans granted after 1 April 2012 attract an interest charge of 4% per annum. At the year end, £1,394,049 of the notional loan balance (2017/18: £3,238,432) was secured against the racecourse assets of the borrowers.

The loans are stated at net present value. In 2018/19, the discount rate prescribed by HM Treasury, 0.7%, has been utilised (2017/18: 0.7%).

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

	<b>2019 £000</b>	<b>2018 £000</b>
Balance at 1 April	3,217	5,114
Loan interest	79	149
Loans made to racecourses	150	–
Loans repaid by racecourses	(1,921)	(2,075)
Fair value adjustment to racecourse loans	14	29
<b>Balance at 31 March</b>	<b>1,539</b>	<b>3,217</b>

The fair value adjustment to racecourse loans has been recognised as racecourse expenditure under costs related to the improvement of horseracing (see note 4a). For the purposes of IFRS 13, the Board considers that the fair value of the loans should be determined based on Level 3 inputs (i.e. unobservable inputs), as the racecourse loans are not traded on an observable market. There has been no change in this classification during 2017/18 or 2018/19.

## 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 at the year-end, all of the Board's reserves were held in instant access accounts and at other times during the course of the year some reserves were held in 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 creditworthiness 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 34.

**11. Financial assets**

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

	<b>2019</b> <b>£000</b>	<b>2018</b> <b>£000</b>
Balance at 1 April	10,005	–
Net change in financial assets	(10,005)	10,005
<b>Balance at 31 March</b>	<b>–</b>	<b>10,005</b>

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

	<b>2019</b> <b>£000</b>	<b>2018</b> <b>£000</b>
Balance at 1 April	36,915	25,935
Net change in cash and cash equivalent balances	32,332	10,980
<b>Balance at 31 March</b>	<b>69,247</b>	<b>36,915</b>

**12a. Cash and cash equivalents**

	<b>2019</b> <b>£000</b>	<b>2018</b> <b>£000</b>
The following balances at 31 March were held at:		
Commercial banks and cash in hand	69,247	36,915
	<b>69,247</b>	<b>36,915</b>

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

	<b>2019</b> <b>£000</b>	<b>2018</b> <b>£000</b>
Capital credit grants	5,008	4,006
Accruals	2,883	2,106
Amounts due to bookmakers in respect of Levy income	29,815	13,857
Trade and other creditors	336	565
Social Security	31	28
	<b>38,073</b>	<b>20,562</b>

Capital credit grants comprise grant payments to racecourses that are allocated for future capital projects but have not been drawn down at 31 March 2019.

#### 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 £60,218 (2017/18: £61,712).

In 2018/19, the discount rate adopted is -2.42% (2017/18: -2.42%).

	Provision for Dilapidation £000	Potential Amounts due to Bookmakers £000	Total £000
Balance at 1 April 2018	62	1,312	1,374
Provision not required written back	–	(1,312)	(1,312)
Unwinding of discount	(2)	–	(2)
<b>Balance at 31 March 2019</b>	<b>60</b>	<b>–</b>	<b>60</b>

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

	2019 £000	2018 £000
Current	60	62
Non-current	–	1,312
	<b>60</b>	<b>1,374</b>

#### 15. Commitments under operating leases

At 31 March 2019, the Board was committed to making the following payments in respect of operating leases.

	2019 £000	2018 £000
Obligations under operating leases comprise:		
Buildings:		
Within 1 year	111	174
After 1 year but not more than 5 years	287	623
	<b>398</b>	<b>797</b>



**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 £560,274 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. At 31 March 2019 an amount of £68,000 was still due to the BHA.
- The Horserace Betting Levy Board made payments to the Racehorse Owners Association (ROA) amounting to £597,566. These were grant payments for the Ownership and Horse Population initiative. The ROA is a related party by virtue of it having been one of the parties which nominated, for formal approval by the Jockey Club, one of the Board members of HBLB. At 31 March 2019 an amount of £126,191 was still payable to the ROA.
- The Horserace Betting Levy Board made payments to the Thoroughbred Breeders Association (TBA) amounting to £163,000. These were grant payments for an Economic Impact Study and towards the TBA Education and Employment programme. The TBA is a related party by virtue of Philip Freedman being a member of the TBA and one of the Board members of HBLB.
- The Horserace Betting Levy Board made payments to the Gambling Commission during the year amounting to £125,813. These were payments made in relation to costs incurred by the Gambling Commission for the anticipated closure of HBLB and transfer of certain responsibilities to the Gambling Commission. The Legislative Reform Order that would have resulted in the closure of HBLB was withdrawn by the Government in January 2019. At 31 March 2019 an amount of £77,324 was payable to the Gambling Commission.
- During the year the Gambling Commission paid the Horserace Betting Levy Board £98,049. These receipts were in relation to costs in relation to office space sub-let to the Gambling Commission by HBLB.
- The Gambling Commission is a related party by virtue of the fact that it shares a sponsoring Government Department with HBLB being the Department for Digital, Culture, Media and Sport (DCMS).

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 2019, are £4.2m (2017/18: £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 2019, analysed by the period during which the commitment expires, are as follows:

	2019 £000	2018 £000
Within 1 year	2,019	1,333
After 1 year but not more than 5 years	2,131	851
<b>Total financial commitments</b>	<b>4,150</b>	<b>2,184</b>

During the year, the Board approved four loans to racecourses totalling £1.2m (2017/18: Nil). As at 31 March 2019 only 1 of these loans, with a total of £0.2m, had been drawn down.

### 19. 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: 31<sup>st</sup> 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*).

### **20. Events after the Reporting Period**

The outbreak of COVID-19 during March 2020 has resulted in the introduction of general lockdown guidance being issued by the Government and the suspension of all horse racing in Great Britain until at least the end of April. At the time of signing an estimate of the financial impact of the outbreak and suspension of racing cannot be made however it is expected that there will be a reduction in originally forecast Levy income for 2020/21 as well as a reduction in the amount of expenditure incurred due to the suspension of racing. The extent of this impact will depend on the length of the suspension.

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



CCS0419058372  
978-1-5286-1253-1