

2016–17 Annual Report and Accounts



The Horserace Betting Levy Board Annual Report and Accounts 2016/17

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

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HC 98

Front cover: *Might Bite (Nico de Boinville) takes the water before going on to win the Grade 1 RSA Novices' Chase at Cheltenham, 15 March 2017*
Photograph: Edward Whitaker, Racing Post



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CHAIRMAN'S STATEMENT



In my Chairman's Statement for the year ending 31st March 2016, six months after I had taken up my appointment, I noted that we

faced some challenging times. The Levy had been falling but, by being able to use reserves that had been built up over a substantial period, distributions had been maintained, and particularly prize money payments. I said that there were several long-running issues to be addressed, the first being the need for the Levy to extend to bookmakers that operated offshore. This was touched on again a year later when I said that, without that change, there was not a level playing field between bookmaking operators and, more particularly, the Levy was likely to drop as betting moved online and therefore offshore. That drop has in fact proved to be faster and more dramatic than was then imagined.

It is particularly pleasing, therefore, that, as I write this report, legislation has been enacted so that Levy is now payable by bookmakers offshore who generate profits on British horseracing as a result of bets placed by individuals located in Britain.

The new operative legislation, the Horserace Betting Levy Regulations 2017 (the "2017 Regulations") removes a great deal of uncertainty that has surrounded the amount of Levy payable and how that is set. The Government has determined that the rate of Levy should be 10% of gross profits, subject to a review within seven years. Therefore, we now expect a significant increase in Levy yield in the years to come. This is something to be celebrated and congratulations are properly due to all of those people in Government and in Racing who have worked hard to achieve this.

A legal obligation now rests upon bookmakers to make payments in accordance with the 2017 Regulations. The Levy Board will do everything it can to seek to collect Levy from all those who are due to pay it. I wish to acknowledge and thank the bookmaking industry as a whole for the helpful and constructive approach which it has taken in its dealings with the Levy Board during this period of transition.

I began this report by referring to an earlier time when the Levy had been falling. That has been our recent experience too over the last few years but, again, we had built up substantial reserves. As a result, we have been able to maintain distribution and particularly the contribution of prize money at the same level as it had been in 2016, a level significantly greater than five years before. We now have the real prospect of increased income so that that expenditure can be maintained in the current calendar year and hopefully increased in the future.

The 2017 Regulations came into effect on 25th April 2017, and therefore there will be two Schemes for Levy payment in operation this year. The first, which operated for 24 days, was the 56th Levy Scheme which was a rollover of the 55th with a headline rate of 10.75%.

In the year under review, to 31st March 2017, our income under the statutory Levy Scheme had fallen from £54.5m to £49.8m. We have nevertheless had the benefit of payments under the Authorised Betting Partners arrangements. Accordingly, the deficit for the year was some £7.5m.

The previous Government announced that it intended, having achieved the first part of its proposals for reform of the Levy, to transfer the collection of the Levy to the Gambling Commission and distribution carried out by a newly created Racing Authority. On the conclusion of these transfers, the Levy Board would be wound up.

We await an announcement from Government on the next steps, but obviously, while the Levy Board remains, the focus of our efforts will continue to be to operate efficiently and as cost-effectively as possible, providing the same level of service to Racing and Betting as has been the case to date.

It would not be accurate to say, therefore, that it has been a normal year, although the "Keep Calm and Carry On" plaque which I have in my office has often seemed particularly apposite. An enormous amount of work has been undertaken by the Executive and staff of the Levy Board this year, both in relation to unchanged day to day operations and also the considerable additional burden arising from the legislative amendments. This has meant that Alan Delmonte, our Chief Executive, has been very busy indeed, often in very demanding circumstances. Alan and the staff have worked tirelessly to assist all parties and especially the

Government to achieve a smooth transition into the new environment established by the 2017 Regulations.

I also wish to mention Rob Skeggs, our Finance Director from 2009 until April 2017. Rob decided to take on a new role as Finance Director of Tattersalls having been first class in his role with the Levy Board, and we are all extremely grateful – me in particular – for his professionalism, wisdom and general good humour in extraordinary times. We have been fortunate in securing the services on a part-time basis of David McCormick, who has considerable experience of Racing and its finances. Tasha Rose, our Head of Operations, has accepted an exciting offer with the Hong Kong Jockey Club. She, too, has been a key player in a harmonious team, overseeing the complexities of our distributions to Racing with great skill and a readiness to help, with nothing too much trouble. We wish her every success.

Upon the 2017 Regulations coming into effect, the Bookmakers' Committee was abolished. The 2017 Regulations require that the Levy Board includes a bookmaking appointee and I am very pleased that the betting associations have chosen Mike O'Kane, previously Chairman of the Bookmakers' Committee, to take that position.

As ever, I am grateful to my Board colleagues for their contribution. I was sorry that, having provided such insight at Board meetings, Neil Goulden stepped down to concentrate on other activities and, in particular, his involvement with a potential new pool betting operation under development by a consortium of racecourses. For the time being, myself and Lord Risby continue as the two Government Appointed Members.

As we look forward to 2017 and beyond, it is in a spirit of optimism for British Racing. Major issues appear resolved. Of course, there are differences between Racing and Betting as one

would expect and not simply those relating to the rate of Levy. However, there is one area of common ground shared by the industry as whole, which is the ambition that British Racing remains the best in the world now and for the future and that all parties should work together to achieve that.

Paul Lee
Chairman

Purpose

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

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

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

Objectives

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

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



Principal risks

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

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

At the year-end the number of risks included on the Strategic Risk Register totalled seven (2015/16: seven).

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

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

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

What is the issue?

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

What are we doing?

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

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

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

What is the issue?

A human pandemic could result in the movement of people and horses being halted and might impact on the staging of horse racing fixtures and/or the operational capacity of the Board.

What are we doing?

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

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

What is the issue?

The Levy yield is calculated as a function of bookmakers' gross profits on British horseracing and therefore is difficult to forecast accurately. In addition, under the new Levy mechanism a number of new operators are liable for Levy however there is no historic data for these operators.

What are we doing?

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

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

What is the issue?

The Board provides a guarantee to the Trustees of the BHA final salary pension scheme, which would be called if the BHA could no longer afford to meet its pension obligations.

What are we doing?

The liability of the Board is capped at a maximum of £30.3m and, if triggered, this guarantee payment would be spread over five years. The life of this guarantee period extends to 2024.

Area of risk	Likelihood	Financial Impact	Change
Credit risk			Stable

What is the issue?

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

What are we doing?

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



Area of risk	Likelihood	Financial Impact	Change
Diminution in Board Activities	●	●	↔ Stable

What is the issue?

The announcement in March 2016 by the Government that the current Levy system will be replaced by a new model, which was implemented on 25th April 2017 and a new structure which is now estimated to be in place by early 2018. The Board faces the challenge of managing this transformation process in as orderly manner as possible at a time when the associated uncertainty could result in staff retention issues.

What are we doing?

The Executive are working with DCMS to ascertain the requirements of the wind-down and transfer of the Levy Board’s activities. Redundancy and retention schemes recommended by the Remuneration Committee have been approved by Government and communicated to staff.

Area of risk	Likelihood	Financial Impact	Change
Racing and Betting business models and environment	●	●	↑ Increasing

What is the issue?

The Racing industry has a number of significant non-Levy income streams including, but not limited to, media rights income, sponsors and racegoers. Declines in these revenues may not have an immediate impact on the Board per se, but a reduction in the ability of racecourses to maintain and increase current prize money levels could lead to the withdrawal of owners who are not replaced, creating a fall in the horse population, which could have a knock-on impact on the fixture list and hence Levy yield.

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

What are we doing?

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

Going concern

International Accounting Standard 1 and the FReM 2016/17 require the Board Members to assess the Board's ability to continue as a going concern. In order to do this, the Board Members are required to make a judgment, at a particular point in time, about inherently uncertain future outcomes of events or conditions. In the case of the Board, the impact of Government's announcements that the Board will be closed down in early 2018, is considered an uncertain event.

In order to effect the changes proposed, the Government will enact primary legislation.

In making their assessment of going concern the Board Members have referenced the 2016/17 FReM and in particular the interpretation of going concern in the public sector context. The FReM states that for non-trading entities, such as the Board, the anticipated continuation of the provision of a service in the future, as evidenced by inclusion in published documents, is normally sufficient evidence of going concern.

As at the date of signing the accounts, on the basis of all available information, the Board Members understand from all Government announcements that it is the intention that the role of the Board will be discontinued in early 2018, and two of the main functions of the Levy Board (setting the rate of the Levy and collecting it) will continue within the public sector.

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 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 2016/17 Annual Report and Accounts.

Priorities and Performance

The accounts presented in this annual report show information for the fiscal year 2016/17 and income and expenditure are summarised on this basis, under the principal classifications. The Board, however, agrees the vast majority of its expenditure allocation on a calendar year basis and therefore all references to years in this report should be taken to refer to a calendar year, unless otherwise stated.

The Board agreed specific priorities for 2016/17, which were included within its annual business plan that was published on the Board’s website (www.hblb.org.uk).

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

Priority		Performance
1.	Prize Money <ul style="list-style-type: none"> ■ The Board will focus on increasing the prize money allocation in its distributions. ■ The Board will incentivise racecourses by linking its grants to a racecourse’s executive and sponsorship prize money contributions and Levy generation. ■ The Board will review on an ongoing basis the effects of the Board’s model for prize money distribution. 	2017 Prize money allocation (Budget): £49.3m 2016 Prize money allocation (Actual): £48.4m
2.	Fixture Criteria <ul style="list-style-type: none"> ■ The Board will carry out detailed, ongoing analysis of the Fixture List and race programme, including the analysis of betting and other relevant data, and make recommendations to optimise the Fixture Criteria, focusing on Levy generation. 	2017 Fixture Criteria Gaps: 0 2016 Fixture Criteria Gaps: 0 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 two fixtures are programmed on Good Friday. More information on the Fixture Criteria can be found on the Board’s website (www.hblb.org.uk).
3.	Integrity <ul style="list-style-type: none"> ■ The Board will contribute to the provision of cost-effective technical, security and regulatory services for the protection of the integrity of racing, in the interests of the racing public, punter and participant. 	2017 Raceday Services Grants (Budget): £16.4m 2016 Raceday Services Grants (Actual): £16.4m For 2017, the method of the apportionment of grants for the provision of technical, security and regulatory services for the protection of the integrity of racing remain broadly unchanged, compared to 2016, within the same financial allocation.
4.	Financial support for the improvement of racecourses <ul style="list-style-type: none"> ■ The Board will continue to operate the capital credit grants scheme. 	2016/17 Grants allocated to the capital credits scheme: £8.6m 2015/16 Grants allocated to the capital credits scheme: £7.1m Further information on the operation of the capital credit grants scheme can be found on the Board’s website (www.hblb.org.uk).

Priority		Performance
5.	Levy Income <ul style="list-style-type: none"> The Board will undertake an analysis of trends in leviable income. 	The Board continues to analyse trends in leviable income which is used to ensure the reserves policy is adhered to.
6.	Government <ul style="list-style-type: none"> The Board will work with the Department for Culture, Media and Sport on requirements relating to the replacement of the Horserace Betting Levy. 	The Horserace Betting Levy Regulations 2017 came into force on 25 April 2017.

Financial Summary

For the year ended 31 March 2017 total income was £65.1m (2015/16: £70.0m). Levy receipts in the 55th Levy Scheme were £4.7m lower than the previous year. The final outturn for Levy income was £3.6m higher than originally budgeted, with the result that the Board incurred a smaller deficit for the year than originally planned.

The 2016/17 deficit of £7.5m (2015/16: £8.1m deficit) has resulted in the Board's reserves falling from £32.9m, at the end of 2015/16, to £25.4m at 31 March 2017.

During the year, including all amounts held in interest bearing term deposit accounts (categorised as Financial Assets in this Annual Report), the Board incurred a negative cash flow of £12.3m (2015/16: negative cash flow of £2.7m). The negative cash flow was mitigated to some extent by loan repayments from racecourses, which were not re-lent, and instead utilised for working capital. The total year-end cash balance, including bank term deposits, was £25.9m (2015/16: £38.2m).

Improvement of horseracing

The table below sets out further details of the Board's 2017 budget and 2016 actual allocation to the Improvement of Horseracing on a calendar year basis:

	2017 Budget Flat	2017 Budget Jump	2017 Budget Total	2016 Actual Total
	£'000	£'000	£'000	£'000
General Prize Fund – Racecourse fixtures	17,668	16,639	34,307	33,916
Lead Fixture Fund	375	375	750	–
Additional Friday evenings	30	–	30	–
Winter jump	–	540	540	416
Blanket all-weather fixtures	1,586	–	1,586	1,586
BHA twilight fixtures	1,403	12	1,415	1,429
Sunday appearance money	279	456	735	645
British Champions Day	382	–	382	382
Future Champions Day	215	–	215	215
Good Friday Lingfield	120	–	120	120
Race incentive fund	4,387	1,880	6,267	6,235
Divided race fund	1,092	208	1,300	1,636
Breeders prizes	–	432	432	365
BOBIS / Plus 10	1,250	–	1,250	1,250
Sub-total prize money (rounded)	28,787	20,542	49,329	48,195
Additional voluntary contribution fund			–	238
Total prize money			49,329	48,433
Raceday services grants			16,441	16,434
Fixture incentive fund			2,492	2,939
Industry training and education			1,200	1,297
Point-to-point			250	256
Total – Improvement of horseracing			69,712	69,359

Prize Money

Total prize money again increased, with 2016 seeing a new record of £139.8m of which the Board contributed £48.4m. The Board's budgeted allocation to prize money in 2016 was £48.9m (2015: £52.3m), figures reflecting the £4m expenditure reduction on 2015, which the Board agreed in September 2015 against a backdrop of declining Levy income. The £4m in savings were achieved by a combination of specific and pro-rata reductions to both prize money and non-prize money headings. The actual amount spent on prize money in 2016 calendar year was £48.4m (2015: £51.0m.) 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 2016 was the third year in which the new GPF calculation process was in operation. The GPF mechanism applies a greater weighting (60%) of reward to forward-looking Executive Contribution (EC), a racecourse's own contribution to prize money and this again encouraged an increase in racecourse investment in prize money in 2016. For fixtures specifically linked to the GPF model, the average amount of EC per relevant GPF fixture increased by 14% on the flat and 8% for jump compared to 2015.

The total 2017 prize money budget is broadly similar to that of 2016. New for 2017 is the Lead Fixture Fund (LFF) and a trial of three additional Friday evening fixtures. The LFF, funded by HBLB and administered by BHA, is to encourage an increase in prize money and define a 'Lead fixture' every Sunday, Monday and Tuesday.

Raceday Services Grants

For 2016, the method of the apportionment of grants for the provision of technical, security and regulatory services for the protection of the integrity of racing remained broadly similar, compared to 2015, with the same total financial allocation of £16.4m. One small change in 2016 was that the non-criteria 3rd Sundays, 5th Saturdays and unfunded Bank Holidays were not eligible to receive a grant whereas in 2015 they were. The change was introduced to discourage the staging of a fixture in a non-criteria slot.

Fixture Incentive Fund

The allocation for the Fixture Incentive Fund (FIF) for 2016 was £2.9m (2015: £3.0m), a budget subject to the pro-rata budget reduction along with other 2016 prize money headings as noted above. The distribution of the fund to eligible fixture types remain unchanged from 2015. The Channel 4 Late Race Payment Fund – historically paid from the FIF – ceased to operate in 2016.

Industry Recruitment, Training and Education

In 2016, the Board committed grants totalling £1.2m to recruitment, training and education in the racing and breeding industries, according to a programme developed by 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 Industry Training and Education programme and provided justification for the 2016 allocations.

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

In addition, the programme offers jockey coaching and continuation training; nutritional education; courses for senior amateur riders, assistant trainers and head lads; 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. In 2016 the Board's student was shared with the British Racing School, enabling her to experience first-hand two very different areas of the industry. We were pleased when she went on to a full time position with the School.

The Board continued its involvement with the Thoroughbred Racing Industries MBA course at Liverpool University. Students from the first two-year part time course, which started in the autumn of 2015, will graduate in mid 2017, and bursaries were awarded by HBLB to three excellent students taking part in the second part time course from October 2016. 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 total grant budget to Point-to-Points for the 2016/17 season was maintained at £250,000. The tiered fixture payment scheme has been repeated, underpinning a balanced spread of fixtures over the entire season from December through to June.

Having noted the useful data that emerged from the 2015 opinion survey of those who attend or take part in Point-to-Points, the Board was pleased to agree to the Point-to-Point Authority's new promotional support proposals for 2016. Within a cap of £10,000, two new promotional initiatives were launched. First, a professionally-produced guide to PR and marketing was produced, with the intention of helping individual Point-to-Points make the most of their key selling points. Secondly, to draw attention to Point-to-Point as a thriving market place for young horses being aimed at National Hunt racing, success boxes were placed in the Racing Post results section highlighting any British Pointing graduates winning under rules. From January to June 2016, this totalled 122.

Advancing veterinary science and education

The Board approved a budget allocation of £1.5m for 2016 (2015: £1.8m) and endorsed the recommendations of its Veterinary Advisory Committee ('VAC') for expenditure in the year.

HBLB's veterinary research funding supports work aimed at:

- benefiting the health and well-being of horses, particularly the Thoroughbred
- minimising the impact and improving the clinical management of disease and injury in all age groups
- promoting successful breeding and production
- preventing and treating injury in racehorses.

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

In 2016, work began on:

- 4 new research projects
- 3 equine post doctoral fellowships
- 2 clinical scholarships
- 4 small projects

As part of the Board's strategic approach towards surveillance and proactive response to control and minimising the risks of infectious disease, two major rolling programmes at the Animal Health Trust were maintained in 2016. 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.

2016 saw the launch of EquiBiosafe, the mobile app version of the HBLB Codes and including the NTF's own codes for training yards. The app replaces the printed version of the Codes and can be updated at any time if required. The app is available free of charge to any user. The hope is that it will help to promote good biosecurity practice throughout the whole equine world.

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

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

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

The membership of the Committee at 31 March 2017 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 2016 was £115,000.

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

In order to assist the Societies in promoting the rare equine breeds, the Board contributed towards the costs of the Rare Breeds Heritage Show. The event, which relies to a great extent on voluntary help, showcases the most vulnerable breeds with demonstrations and competitions. In 2016, all the supported breeds were present at the Show which attracted national media coverage.

Administration costs

The Board strives to provide a highly cost-effective service to its stakeholders. Excluding the Bookmakers' Committee, the Board's administration costs in 2016/17 were £1.8m, which represents a 2.2% increase on the previous year.

Compliance with public sector payment policy

The Board's policy is to pay all invoices within 30 days of receipt unless a longer payment period has been agreed or the amount billed is in dispute. In the year to 31 March 2017 98% of invoices, totalling £1.5m, were paid within 30 days of receipt.

The Levy Board and the Environment

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

A full sustainability report has not been included, as organisations occupying less than a total of 1,000m² of floor area or with fewer than 250 FTE staff are exempt from providing this information.

Alan Delmonte

Chief Executive and Accounting Officer
 Horserace Betting Levy Board

28 June 2017

The 56th Levy Scheme

The 56th Levy Scheme was determined on 1 December 2016 by the Secretary of State for Culture, Media and Sport, who directed that the terms of the 55th Levy Scheme should continue to have effect for 2017/18 until such time as the Horserace Betting Levy Regulations 2017 come into force. The Horserace Betting Levy Regulations 2017 were signed by the Sports Minister on 24 April 2017 and came into effect on 25 April 2017, which ended the 56th Levy Scheme. The terms of the 56th Levy Scheme are summarised below, with a bookmaker's Levy liability being calculated by reference to the gross profit on British Horserace Betting Business (BHBB). The full Levy Scheme can be found on www.hblb.org.uk.

	56th Levy Scheme
Off-course betting through Licensed Betting Offices (LBOs) - Operators with more than 100 LBOs	10.75%
Off-course betting through LBOs - Operators with 100 or fewer LBOs	Abated rate applies to those of its LBOs (up to a maximum of 30) which have gross profits on BHBB of less than £57,257
Flat Rate Rebate applicable to LBOs generating £60,000 or less gross profit on BHBB	£1,100 per LBO, up to a maximum of 30 in any chain and £500 for all other LBOs
Flat Rate Rebate applicable to LBOs generating gross profit on BHBB of between £60,001 and £60,999	£500 pro-rata
Internet and telephone	10.75%
Bet-brokers including betting exchanges, where gross profits is defined as gross commission on BHBB deducted from the winnings paid out to bettors and bet-takers	10.75%
Spread betting	2.15%
On-course betting	£240
Point-to-Point and/or harness racing and/or trotting events only	£192

Horserace Betting Levy Regulations 2017

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

Board Members and Officers

The Board Members, Observers and Board Executives as at 31 March 2017 were as follows. Full details of Board Members who served during the year are shown on page 22.

Board Members

Paul Lee*

Chairman

Maggie Carver**

Chairman, Racecourse Association

Philip Freedman**

Chairman, Horsemen's Group

Neil Goulden*¹

Government Appointed Member

Mike O'Kane

Chairman, Bookmakers' Committee

Lord Risby*

Government Appointed Member

Nick Rust**

Chief Executive, British Horseracing Authority

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

¹Resigned on 10 April 2017.

Observers

Mark Chambers

Howard Chisholm

Bookmakers' Committee

Board Executives

Alan Delmonte

Chief Executive & Accounting Officer

Rob Skeggs²

Finance Director

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

²Left on 9 April 2017.

A Register of Board Members' Interests is available online (www.hblb.org.uk) and note 17 on page 45 provides details of transactions during the year in which there was a related interest.

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

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

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

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

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

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

Functions of the Board

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

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

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

Information Given To Auditors

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

Alan Delmonte

Chief Executive and Accounting Officer
 Horserace Betting Levy Board

28 June 2017

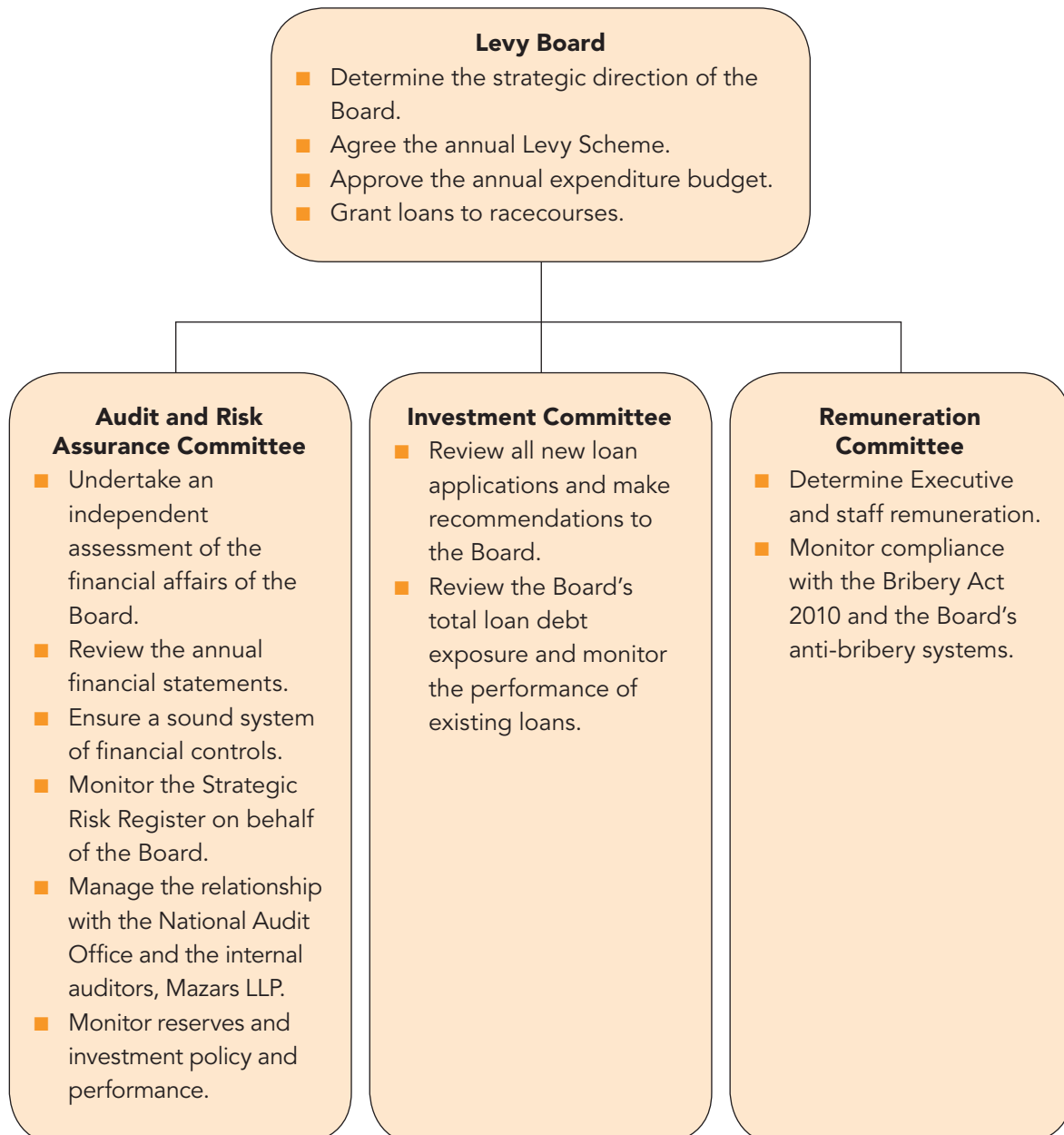
Governance statement

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

(‘the Code’), where they are relevant to the Board, including ‘Managing Public Money’. There were no departures from the Code in 2016/17.

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 2017, the Board comprised the Chairman and the other two Government Appointed Members, appointed by the Secretary of State for Culture, Media and Sport; three Board Members appointed by the Jockey Club; and one Board Member appointed by the Bookmakers' Committee.

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

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

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

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

The Audit and Risk Assurance Committee

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

A Government Appointed Member other than the Chairman of the Board usually takes the position of Committee Chair. Neil Goulden was Chair of the Audit and Risk Assurance Committee for 2016/17.

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 2016/17, the Audit and Risk Assurance Committee met on four occasions. Each meeting was attended by the Chief Executive, the Finance Director, the Finance Manager and representatives from the National Audit Office (external auditors) and Mazars LLP (internal auditors). The programme of work in 2016/17 is set out below.

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

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

Since the year end, the Committee has considered the Completion Report presented by the National Audit Office and the 2016/17 Annual Report and Accounts and concluded that taken as a whole these are fair, balanced and understandable and has advised the Board accordingly.

The Investment Committee

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

During the year the Committee was not required to meet, since there were no new loan applications and no issues with the recoverability of existing loans.

A Government Appointed Member other than the Chairman of the Board usually takes the position of Committee Chair. Lord Risby was Chair of the Investment Committee for 2016/17.

The Remuneration Committee

The Remuneration Committee met once in 2016/17 and determined the Executive and staff remuneration in line with the powers conferred on the Board by s.24(7) of the Betting, Gaming and Lotteries Act 1963. At the year end the Committee members were Lord Risby (Chairman), Paul Lee, Neil Goulden, 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 2016/17 Members’ attendance at Board and Committee meetings is shown in the table below:

Board member	Appointed by	Board Meetings	Audit and Risk Assurance Committee	Remuneration Committee
Paul Lee Chairman	Secretary of State for Culture, Media and Sport	9	–	1
Neil Goulden	Secretary of State for Culture, Media and Sport	9	3	1
Lord Risby	Secretary of State for Culture, Media and Sport	6	–	1
Maggie Carver	Jockey Club	9	3	–
Philip Freedman	Jockey Club	9	–	1
Nick Rust	Jockey Club	8	–	–
Mike O’Kane	Bookmakers’ Committee	9	4	1
Total number of meetings		9	4	1

Bookmakers' Committee

The Bookmakers' Committee, up until the implementation of the Horserace Betting Levy Regulations 2017, recommended annually to the Board the categories, rates, conditions and definitions of the Levy Scheme for the following year and, if appropriate, considered revising such recommendations in light of the observations of the Board.

The Bookmakers' Committee therefore was under remit to make recommendations to the Board, by the statutory deadline of 31 October 2016, for the terms of the 56th Levy Scheme.

The formal recommendations of the Bookmakers' Committee, put forward to the Board on 27 October 2016, proposed a

reduction in the rate that applied to Licensed Betting Offices, Telephone/internet betting and Exchange Betting from 10.75% to 7.5%.

Following deliberation, a majority of the Board rejected the recommendations of the Bookmakers' Committee. Therefore, the 56th Levy Scheme was referred to the Secretary of State for Culture, Media and Sport for Determination.

The 56th Levy Scheme (1 April 2017 to 24 April 2017) was determined on 1 December 2016 and represents a continuation of the terms of the 55th Levy Scheme. The 56th Levy Scheme ended on 24 April 2017 as the Government signed the Horserace Betting Levy Regulations 2017 into effect from 25 April 2017.

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

Mike O'Kane (Chairman)	Ladbrokes plc
Howard Chisholm (Vice Chairman)	ABB
Lucy Capon (until June 2016)	Ladbrokes plc
Mark Chambers	Gala Coral Group
Dominic Ford	ABB
James Henderson (until June 2016)	William Hill plc
Andy Hornby	Gala Coral Group
Keith Johnson	NAB
Greg Knight	ABB
Reg Ozcan	The Sporting Exchange
Will Roseff	ABB
David Steele	William Hill plc
Andrew Watson	NAB

General Secretary: Stu McInroy (until 3 June 2016)

Notes:

ABB: Appointed by the Association of British Bookmakers

NAB: Appointed by the National Association of Bookmakers

Internal Control and Risk Management

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Board's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process to identify the principal risks to the achievement of the Board's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically (see Principal Risks on pages 7 to 9). This process has been in place for the year ended 31 March 2017 and up to the date of approval of the annual reports and accounts, and accords with Treasury guidance. No significant failings or weaknesses were identified as a result of the review of the effectiveness of the Board's internal control. Accordingly, the Board has concluded that its internal control framework and systems are effective.

Quality of data

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

Risk Management Framework

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

- Racecourse loans and capital credits.
- Counter fraud related to wind-up of the Levy Board.
- Follow up on the recommendations identified as part of the 2015/16 review.

Their work concluded that, at the time of their review, no significant weaknesses were identified within the key control framework for racecourse loans and capital credits and this provides substantial assurance that risks material to the achievement of the HBLB's objectives in respect of this area are adequately managed.

The counter fraud review was an advisory review of the likely common areas of fraud that HBLB should be aware of during a winding up process and consequently no assurance was given over this section.

The follow up work in relation to the prior years' review confirmed that all recommendations have been satisfactorily implemented.

Information Management

The Board has suffered no protected personal data incidents during the year ended 31 March 2017 or prior years and has made no reports to the Information Commissioner's office.

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

Regularity of Expenditure

I confirm that there were no instances of material irregularity, losses or special payments in the year ended 31 March 2017.

There is nothing of which I am aware that leads me to believe that the Board's systems of control are not adequate and I believe that this statement gives a true reflection of corporate governance of the Horserace Betting Levy Board during 2016/17.

Alan Delmonte

Chief Executive and Accounting Officer
Horserace Betting Levy Board

28 June 2017

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

Neil Goulden (resigned 10 April 2017) and Lord Risby were appointed as Government Appointed Members of the Board with effect from 1 January 2016 on fixed term contracts for a period of up to four years. The total time commitment for the Government Appointed Members of the Board is expected to be approximately two to three days per month.

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

Chairman of the Bookmakers' Committee

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

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

Jockey Club Appointees

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

Chief Executive

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

The Chief Executive is not eligible to receive a bonus payment and none of his salary is performance related. During 2016/17, pension contributions totalling £15,600 (2015/16: £15,294) were paid by the Board on his behalf.

Remuneration Policy

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

Sickness Absence

Average sickness absence per person employed by the Board during the year ended 31 March 2017 was 2.2 days (2015/16: 2.2 days).

Equality

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

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

(ii) Information subject to Audit

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

	2016/17			2015/16		
	Salary	Benefit in kind (to nearest £100)	Total	Salary	Benefit in kind (to nearest £100)	Total
	£000	£	£000	£000	£	£000
Board Members						
Paul Lee – Chairman	60 – 65	–	60 – 65	60 – 65	–	60 – 65
Neil Goulden	15 – 20	–	15 – 20	0 – 5	–	–
Lord Risby	15 – 20	–	15 – 20	0 – 5	–	–
Mike O’Kane	15 – 20	–	15 – 20	15 – 20	–	15 – 20
Chief Executive and Accounting Officer						
Alan Delmonte ¹	155 – 160	2,100	155 – 160	150 – 155	2,200	155 – 160

Note:

¹ Pension contributions totalling £15,600 (2015/16: £15,294) were paid to the Board's group personal pension plan on behalf of Alan Delmonte.

The Chief Executive of the Board was the highest earner in 2016/17. This was 3.60 times (2015/16: 3.73) the median remuneration of the workforce, which was £43,907 (2015/16: £41,561).

The median remuneration of the Board's workforce is calculated by reference to remuneration of the staff members, including the Government Appointed Board Members and the Chairman of the Bookmakers' Committee, but excluding the highest paid director, which is the Chief Executive. In calculating the total remuneration of staff members, the remuneration is based on their full time equivalent salary where appropriate

and annualised for employees in post at the reporting period end date but who have not been employed for the entire year. In calculating the total remuneration of the Government Appointed Board Members and the Chairman of the Bookmakers' Committee, the remuneration is based on the sum actually paid to them and annualised where they are in post at the reporting period end date but have not been employed for the entire year.

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

Staff numbers and costs

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

	2016/17 FTE	2015/16 FTE
Permanent staff	11.7	14.5
Temporary staff	0.1	0.1
	11.8	14.6

The aggregate payroll costs of these persons were:

	2016/17 £000	2015/16 £000
Payroll staff salaries	791	902
Social security	93	99
Pension costs	75	83
Other staff costs	69	95
	1,028	1,179

Breakdown of staff numbers

The breakdown of staff numbers as at 31 March 2017 was as follows:

	Male	Female
Number of Board Members of each sex	6	1
Number of senior managers of each sex	1	0
Number of employees of each sex	4	8

There were no compulsory or other redundancy payments in 2016/17 (2015/16: nil) and there were no off-payroll engagements during the year (2015/16: nil).

Alan Delmonte

Chief Executive and Accounting Officer
Horserace Betting Levy Board

28 June 2017

Contingent liabilities

British Horseracing Authority Pension Scheme

On 30th 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 31st December 2008, the terms of the original agreement between the Board and the BHA were changed by a deed of amendment dated 30th October 2009.

Following the actuarial valuation of the Scheme as at 31st December 2011, a new deed of amendment was agreed, which was signed on 11th 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 31st December 2019 (*2009 agreement: £985,000 per annum*) and £624,000 per annum for the period from 1st January 2020 and ending on 30th September 2024 (*2009 agreement: £nil per annum*);
- (b) Guarantee until the earlier of
 - (i) 31st December 2024 and (ii) the date a future actuarial valuation of the Scheme discloses that there is no longer a past deficit on the basis of the December 2006 Actuarial Assumptions (*2009 agreement: 31st December 2019*) the full Scheme wind-up liabilities; up to a maximum of £30.3m (*2009 agreement: £30.3m*) in total, payable in five equal annual instalments, only in the event that the Scheme is wound up by its

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

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

Home of Horseracing Trust

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

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

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

I certify that I have audited the financial statements of the Horserace Betting Levy Board for the year ended 31 March 2017 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Reserves; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Corporate governance report, Remuneration and staff report and Parliamentary accountability and audit report that is described in that report as having been audited.

Respective responsibilities of the Board, Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Horserace Betting Levy Board's affairs as at 31 March 2017 and of the deficit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Betting, Gaming and Lotteries Act 1963 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

5 July 2017

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

Statement of comprehensive net expenditure for the twelve months ended 31 March 2017

	Notes	2017 £000	2016 £000
Income			
Levy income receivable for:			
55th Levy Scheme (comparative is 54th Levy Scheme)	2a	49,800	54,500
Previous years' Schemes	2a	96	185
		49,896	54,685
Other income	2a	14,812	14,534
Interest receivable	2a	357	775
Total income		65,065	69,994
Expenditure			
Improvement of horseracing	4a	(68,872)	(74,340)
Other expenditure	4b	(3,683)	(3,793)
Total expenditure		(72,555)	(78,133)
Operating deficit		(7,490)	(8,139)
Income tax	6	–	–
Deficit for the year		(7,490)	(8,139)
Total comprehensive loss for the year		(7,490)	(8,139)

The deficit for the year arose from continuing operations.

The notes on pages 36 to 46 form part of these accounts.

Statement of financial position as at 31 March 2017

	Notes	2017 £000	2016 £000
Assets			
Non-current assets			
Property, plant and equipment	7	154	263
Loans	9	3,077	5,134
Total non-current assets		3,231	5,397
Current assets			
Trade and other receivables	8	6,776	1,333
Loans due within one year	9	2,037	2,791
Financial assets	11	–	2,019
Cash and cash equivalents	12	25,935	36,217
Total current assets		34,748	42,360
Total assets		37,979	47,757
Current liabilities			
Trade and other payables	13	(12,539)	(14,827)
Total current liabilities		(12,539)	(14,827)
Total assets less total current liabilities		25,440	32,930
Non-current liabilities			
Provisions	14	(57)	(57)
Total non-current liabilities		(57)	(57)
Total net assets		25,383	32,873
Reserves	16	25,383	32,873

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

Paul Lee
Chairman
28 June 2017

Alan Delmonte
Chief Executive and Accounting Officer
28 June 2017

The notes on pages 36 to 46 form part of these accounts.

Statement of cash flows for the year to 31 March 2017

	Notes	2017 £000	2016 £000
Cash flow from operating activities			
Operating deficit for the year		(7,490)	(8,139)
Adjustments for:			
Depreciation	5, 7	109	54
Interest receivable		(357)	(775)
Fair value adjustment for loans receivable	4a, 9a	(47)	(281)
Decrease/(Increase) in trade and other receivables	8	(5,443)	2,998
(Decrease)/Increase in trade and other payables	13	(2,288)	244
Increase/(Decrease) in provisions	14	–	(3)
Cash consumed by operations		(15,516)	(5,902)
Income tax	6	–	–
Net cash flow from operating activities		(15,516)	(5,902)
Cash flow from investing activities			
Purchase of property, plant and equipment	7	–	–
Disposal of property, plant and equipment	7	–	–
Net loans repaid by/(advanced to) racecourses	9a	2,858	2,419
Interest and investment earnings		357	775
Net cash flow from investing activities		3,215	3,194
Cash flow from financing activities			
Net amounts transferred from financial assets	11	2,019	12,823
Net cash flow from financing activities		2,019	12,823
Net increase/(decrease) in cash and cash equivalents		(10,282)	10,115
Cash and cash equivalents at 1 April		36,217	26,102
Cash and cash equivalents at 31 March		25,935	36,217

The notes on pages 36 to 46 form part of these accounts.

Statement of changes in reserves for the year ended 31 March 2017

	Reserves* £000
At 1 April 2016	32,873
Changes in reserves 2017	
Deficit for 2017	(7,490)
Total comprehensive loss for 2017	(7,490)
Balance at 31 March 2017	25,383

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

The notes on pages 36 to 46 form part of these accounts.

NOTES TO THE ACCOUNTS FOR THE YEAR TO 31 MARCH 2017

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 2016/17 despite the uncertainties over the future of the Board, due to the continuation of two of the Board's functions within the public sector. The accounts are prepared under the historical cost convention, except provisions and loans receivable that are stated at fair value.

The accounts have been prepared in a form as directed by the Secretary of State for Culture, Media and Sport and meet the disclosure and measurement requirements, in so far as they are considered to be applicable to the Board, of the 2016/17 Government Financial Reporting Manual (FReM) issued by HM Treasury.

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

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

periods. Judgements made by management in the application of the FReM that have a significant effect on the accounts and estimates with a significant risk of material adjustment in the next year are discussed below.

Betting, Gaming and Lotteries Act 1963

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

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

Section:

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

Improvement of breeds of horses

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

Advancement or encouragement of veterinary science or veterinary education

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

Improvement of horseracing

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

Administration

25(2)(c)

Charitable payments

25(2)(d)

Loans granted and investments made

Accounting developments

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

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

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

2. Accounting policies

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

a) Revenue

Levy income

Receivable from bookmakers, Levy income represents the total amount which it is estimated will be collected in respect of the Levy Scheme for the 55th Scheme (for the year ended 31 March 2017). In addition Levy income includes an amount in respect of adjustments to Levy estimates made in previous years.

Other income

Other income principally comprises other non-statutory contributions received from bookmakers and is recognised under the accrual method.

Interest receivable

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

b) Leases

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

c) Improvement of horseracing and veterinary grants

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

d) Property, plant and equipment

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

The estimated useful economic lives are as follows:

Short leasehold premises – Over the period of the lease

Furniture and equipment – 36 to 60 months

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

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

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

e) Trade and other receivables

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

f) Discount rates

Where financial assets or liabilities are required to be presented at amortised cost, these are discounted utilising a suitable discount rate. In 2016/17, the rates chosen are in line with guidance supplied by HM Treasury.

g) Financial assets

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

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

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

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

h) Provisions

A provision is recognised in the statement of financial position when the Board has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. In 2016/17, the rates chosen are in line with guidance supplied by HM Treasury.

i) Pension schemes

The Board operates a defined contribution pension scheme. The cost of the defined contribution scheme is charged to the Board’s comprehensive net expenditure account in the year to which it relates.

j) Segmental reporting

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

3. Key sources of estimation uncertainty

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

The key source of estimation uncertainty at the end of the reporting period that has a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is in relation to the estimate of amounts due from/to bookmakers in respect of Levy income. The Levy income is derived from the actual 55th Levy Scheme Forms of

Declaration received from bookmakers by the date of approval of these annual accounts and management's estimate in respect of the Levy income attributable to the Forms of Declaration yet to be submitted. For the year ended 31 March 2017, the estimated Levy income represented less than 1.5% of the total Levy income.

4. Expenditure costs

4a. Improvement of horseracing

	2017 £000	2016 £000
Horsemen		
Prize money	44,217	46,707
Prize money for divided races	1,679	1,558
British owners' & breeders' incentive scheme	–	502
Plus 10	1,330	1,136
Breeders' prizes scheme	257	398
Mare Owners' Prize Scheme	105	22
Appearance money scheme	663	625
Additional Voluntary Contributions expenditure	206	2,814
	48,457	53,762
Racecourses		
Fixture incentive scheme	2,624	2,955
Fair value adjustment to racecourse loans	(47)	(281)
	2,577	2,674
Raceday services		
Raceday services	16,490	16,526
	16,490	16,526
Training		
Industry training	1,085	1,116
	1,085	1,116
Other		
Point-to-point meetings	258	239
Miscellaneous	5	23
	263	262
	68,872	74,340

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

4b. Other expenditure

	2017 £000	2016 £000
Breed societies	100	115
Advancement of veterinary science and education	1,501	1,594
Administration costs	1,792	1,753
Bookmakers' Committee costs	141	330
Replacement of Horserace Betting Levy Costs	146	–
Charitable payments	3	1
	3,683	3,793

4c. Staff costs

Within administration costs are the following staff costs. Further details can be found in the Remuneration Report on Page 26.

	2017 £000	2016 £000
Payroll staff salaries	791	902
Social security	93	99
Pension costs	75	83
Other staff costs	69	95
	1,028	1,179

5. Deficit

	2017 £000	2016 £000
This has been arrived at after charging:		
Remuneration of Board Members and Chief Executive	296	264
Depreciation	109	54
Operating lease rentals	220	174
Auditors' remuneration – no charge for non-audit services:		
– External audit	33	33
– Internal audit and other services	7	8

6. Taxation

The charge for income tax represents tax charged in the accounts of the Board in respect of interest received less grant payments made to charitable bodies. Other revenue and expenditure of the Board is not taxable or tax deductible. There was no tax payable or refundable in the year (2015/16: £nil).

7. Property, plant and equipment

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

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

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

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

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

Net book value:			
At 31 March 2015	286	31	317
At 31 March 2016	248	15	263

8. Trade and other receivables

	2017	2016
	£000	£000
Trade and other receivables	21	21
Amounts due from bookmakers in respect of Levy income	1,984	215
Amounts due from bookmakers in respect of non-statutory contributions	4,557	846
Prepayments and accrued income	214	251
	6,776	1,333

All the above amounts are due within one year.

9. Loans

	2017	2016
	£000	£000
Secured:		
Repayable within five years	5,057	8,021
Unsecured:		
Repayable within five years	107	–
Total loans at historic cost	5,164	8,021
Fair value adjustment	(50)	(96)
Total loans at net present value	5,114	7,925
Loans included above due within one year	2,037	2,791
Loans due in more than one year	3,077	5,134

The loans granted prior to 1 April 2012 are interest free. Loans granted after this date attract an interest charge of 4% per annum. At the year end, £5,057,486 of the notional loan balance (2015/16: £8,021,486) was secured against the racecourse assets of the borrowers.

The loans are stated at net present value. In 2016/17, the discount rate prescribed by HM Treasury, 0.7%, has been utilised (2015/16: 0.7%).

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

	2017	2016
	£000	£000
Balance at 1 April	7,925	10,063
Loan interest	241	497
Loans made to racecourses	–	6,791
Loans repaid by racecourses	(3,099)	(9,707)
Fair value adjustment to racecourse loans	47	281
Balance at 31 March	5,114	7,925

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 2015/16 or 2016/17.

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 during the year, in light of the Governments proposed plans and timetable for the closure of the Board, the Board transferred all of its matured investment funds from fixed rate deposits to instant access accounts. The Board does not have any debt and as such is not exposed to fluctuations in interest rates in this regard. The Board is not directly exposed to any foreign currency risk.

Liquidity risk

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

Credit risk

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

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

On 30 July 2007 the Board entered into an agreement with the British Horseracing Authority (BHA), the Jockey Club and Trustees of the Jockey Club Pension Fund and Life Assurance Scheme, now known as the BHA Pension Scheme (the 'Scheme'), to guarantee the payment by the BHA of certain contributions to the Scheme. Accordingly, the Board has a contingent liability in the event of the BHA becoming unable to meet its obligations. Further information is shown on page 29.

In January 2014 the Board executed a guarantee to Weatherbys Bank to underwrite an overdraft facility to be granted in favour of the Home of Horseracing Trust. Accordingly, the Board has a contingent liability in the event of the Home of Horseracing Trust becoming unable to meet its obligations. Further information is shown on page 29.

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.

	2017	2016
	£000	£000
Balance at 1 April	2,019	14,842
Net change in financial assets	(2,019)	(12,823)
Balance at 31 March	–	2,019

12. Cash and cash equivalents: Movement in the year

	2017	2016
	£000	£000
Balance at 1 April	36,217	26,102
Net change in cash and cash equivalent balances	(10,282)	10,115
Balance at 31 March	25,935	36,217

12a. Cash and cash equivalents

	2017	2016
	£000	£000
The following balances at 31 March were held at:		
Cash at banks and in hand	25,934	26,353
Bank deposits maturing in less than three months	1	9,864
	25,935	36,217

13. Current liabilities: Trade and other payables

	2017	2016
	£000	£000
Capital credit grants	7,335	5,825
Accruals	1,371	2,135
Amounts due to bookmakers in respect of Levy income	3,249	5,266
Trade and other creditors	548	1,565
Social security	36	36
	12,539	14,827

Capital credit grants comprise grant payments to racecourses that are allocated for future capital projects but have not been drawn down at 31 March 2017.

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. Included within this lease agreement is a break clause that permits the Board to terminate its lease in September 2018. It has been assumed that this break option will be exercised. Management's estimate of the cost of work required, discounted in accordance with IAS 37, is £57,000.

In 2016/17, the discount rate adopted of -2.70% is in line with guidance supplied by HM Treasury for cash flows of between zero and five years (2015/16: -1.55%). The provisions are analysed as current and non-current as follows:

	2017 £000	2016 £000
Current	–	–
Non-current	57	57
	57	57

15. Commitments under operating leases

At 31 March 2017, the Board was committed to making the following payments in respect of operating leases.

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

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

16. Reserves

Reserves represent the cumulative undistributed historic surpluses of the Board.

17. Related parties

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

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

- Philip Freedman, a Board Member, is a trustee of the Wavertree Trust which received training grants of £46,000 (2015/16: £184,000).
- Neil Goulden, a Government Appointed Board Member, was the Chairman of the Responsible Gambling Trust which received a charitable donation from HBLB of £250 (2015/16: £Nil).

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

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

18. Other financial commitments

The Board estimates that the future costs to completion, in respect of grants payable for the advancements of veterinary science and education at 31 March 2017, are £2.2m (2015/16: £3.5m). These grants can cover a period of more than one year and in some cases the grants may relate to projects of up to four years in duration. Practical experience and history has shown that it is very probable that the total, or at least a significant proportion of the total value, of these grants will be drawn down over the life of the project and it is only in exceptional cases that this does not occur. The Board's view is that the obligating event is the actual performance of the research work and that the accounting treatment of grants for the advancements of veterinary science and education should be limited to recognising, in each financial year, only the costs incurred by the grant recipient. The payments to which the Board is committed as at 31 March 2017, analysed by the period during which the commitment expires, are as follows:

	2017	2016
	£000	£000
Within 1 year	1,610	2,137
After 1 year but not more than 5 years	569	1,328
Total financial commitments	2,179	3,465

During the year, the Board did not approve any new loans to racecourses. (2015/16: One loan of £2.0m).

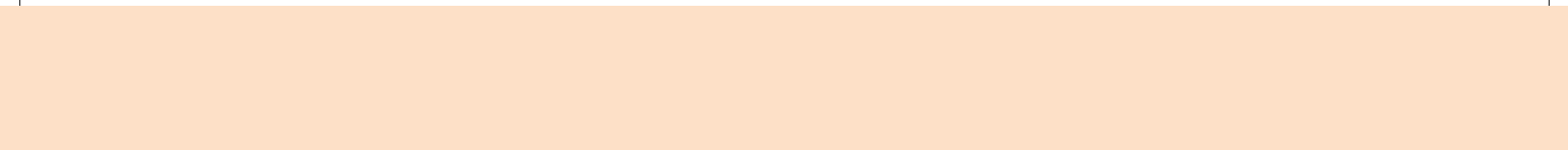
19. Contingent liabilities

Full details of contingent liabilities are given on page 29.

20. Events after the Reporting Period

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

The Horserace Betting Levy Regulations 2017 came into force on 25 April 2017. These regulations apply to all gambling operators who offer bets on horseracing in Britain, including operators required to hold a remote operating licence (within the meaning of the Gambling Act 2005).



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