

De Minimis Assessment: Self-Certification Template



Department for
Digital, Culture
Media & Sport

Title of regulatory proposal	The Legislative Reform (Horserace Betting Levy) Order 2018
Stage	Final
Lead Department/Agency	DCMS
Expected date of implementation	01/04/2019
Origin	Domestic
Date	2018
Lead Departmental Contact	James Perkins (james.perkins@culture.gov.uk , 020 7211 6920)
Departmental Triage Assessment	EANDCB (2014 prices) = £0.1m (rounded to the nearest £100,000)

Call in criteria checklist	
Significant distributional impacts (e.g. significant transfers between different businesses or sectors)	No
Disproportionate burdens on small businesses	No
Significant gross effects despite small net impacts	No
Significant wider social, environmental, financial, or economic impacts	No

Significant, novel, or contentious elements	No
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SUMMARY

<p>Rationale for Government intervention</p> <p>The Horserace Betting Levy Board (HBLB) collects the statutory Horserace Betting Levy from bets placed on British horseracing by customers in Britain, and distributes Levy funds in support of statutory objectives. The Horserace Betting Levy Appeal Tribunals were established to deal with disputes relating to the collection of the Levy.</p> <p>Since the Levy was reformed in April 2017, many of the functions of the HBLB have fallen away or have been significantly reduced. The Levy rate must no longer be determined annually and approved by the HBLB as it is now fixed at 10% in legislation, while the number of bookmakers required to pay the Levy has fallen from over 600 to fewer than 50. The Appeal Tribunals have not convened since at least the 1990s.</p> <p>The Government believes there is a rationale for intervention, to amend the legislation governing the Levy to reduce financial costs and administrative burdens on businesses affected by the Levy. The policy objectives of the second phase of reforms are to streamline the administration of the Levy and to reduce administrative inconveniences and financial costs on those affected by the Levy. The reforms are expected to reduce administrative costs and therefore increase the proportion of Levy funds available to support the Levy beneficiaries.</p>
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Summary of policy options

Option 0: Do nothing

The HBLB continues to collect the Levy and distribute Levy funds in support of British horseracing, and the Levy Appeal Tribunals continue to exist as formal entities.

Option 1: Reform the system for administering the Levy

Reform the administration of the Horserace Betting Levy to transfer responsibility for collection and enforcement of the Levy to the Gambling Commission which will transfer Levy receipts to a designated body representative of one or more of the Levy beneficiaries (e.g. the British horseracing industry) which will manage the allocation and application of Levy funds in line with the statutory objectives.

This option would enable a reduction in the costs of administering the Levy through efficiency gains, for example relating to economies of scale (e.g. existing governance arrangements at the Gambling Commission). It would also enable a reduction in administrative processes, as British horseracing would have direct responsibility for allocating Levy funds in support of British horseracing, without an additional layer of decision-making. There would be an inbuilt incentive for the designated body to ensure administrative costs are kept to a minimum, to ensure that greatest possible amount of Levy funding is available to support the British horseracing industry.

The Government's preferred option is Option 1.

Summary of business impact of Option 1

The Equivalent Annual Direct Cost to Business (EANDCB) as a result of Option 1 is estimated to amount to £0.1 million, and is therefore well below the £5m threshold for self-certification. This estimate comprises of transition costs to business incurred prior to implementation and in year 1 following the reforms.

The overall business impact of the Government's preferred option is positive. There are marginal quantifiable benefits to the British horseracing industry, as a reduction in the cost of administering the Levy will result in an increase in available funds for British horseracing. There are multiple non-quantifiable benefits to the British horseracing industry in terms of a simplified system for the allocation of funding, and direct control over expenditure which will enable development of long-term strategic funding plans.

There are non-quantifiable benefits to the betting industry where the decision to pass collection and enforcement to the Gambling Commission will reduce a number of burdens. For example, bookmakers already pay money (licence fees) and provide information on horseracing profits (regulatory returns) to the Commission as part of the condition of holding a British gambling licence.

DETAIL & SUPPORTING EVIDENCE

Rationale for Government intervention

The Horserace Betting Levy Board (HBLB) is a small arm's length body of DCMS with 10 FTE staff in 2017/18. The HBLB collects a statutory Levy from bets on British horseracing, and allocates and distributes Levy funds in line with statutory objectives.

Reduced role of HBLB

Following a series of consultations¹ on options for modernising the Levy, legislative reforms were implemented in April 2017² which extended the requirement to pay the Levy to offshore bookmakers and betting exchange providers, and fixed the Levy rate at 10% of gross profits on leviable bets. An 'exempt amount' of £500,000 was also introduced, which had the effect of exempting many smaller bookmakers - in particular most on-course bookmakers who already pay contributions directly to racecourses - from the requirement to pay the Levy.

As a result of these reforms, many of the original functions of the HBLB have fallen away or been significantly reduced:

Due in large part to the exempt amount of £500,000, the number of bookmakers now required to pay the Levy has fallen from over 600 to fewer than 50. This means that there are now significantly less bookmaker returns to verify and process, as well as significantly reduced potential for disputes;

As the Levy rate is now fixed at 10% and the exempt amount set in legislation, the previous complex system of differing Levy rates and rebates no longer applies. Therefore there is no longer a requirement for the Levy Board to agree a Levy Scheme annually on the basis of recommendations made by the Bookmakers' Committee, which has now been abolished³. The establishment of a fixed rate has also removed the potential for disputes by bookmakers over rates and rebates.

Levy Appeals Tribunals

The Horserace Betting Levy Appeal Tribunal for England and Wales and the Horserace Betting Levy Appeal Tribunal for Scotland⁴ allow a bookmaker to appeal against decisions made by the HBLB. The Tribunals have the power to confirm, increase or reduce the assessment of levy liability. The tribunals have not been used in the past 25 years and, following the implementation of a fixed rate, their role is now largely anachronistic. They nonetheless continue to exist as statutory public bodies.

Financial costs or administrative inconveniences

¹ Extending the Horserace Betting Levy - a consultation on implementation, 2014
<https://www.gov.uk/Government/consultations/extending-the-horserace-betting-levy-a-consultation-on-implementation>

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³ The betting sector is currently represented by an appointee on the HBLB Board.

⁴ The Betting, Gaming and Lotteries Act 1963

The Government considers that there are a number of financial burdens or administrative burdens which will be reduced or removed by the draft Order including:

- Reduction in administrative inconveniences associated with making payments and providing information to separate bodies;
- Reduction in administrative inconvenience to the horseracing industry relating to the fixture funding allocation process;
- Reduction in financial costs to the Levy beneficiaries.

The Government has provided further details of the above in the accompanying Explanatory Document.

Conclusion

The Government therefore believes there is a strong rationale for intervention, to amend the legislation governing the Levy in order to:

- remove or reduce the administrative burdens currently in place relating to distribution and, through the resulting efficiency savings, to increase the proportion of Levy funds available to support the British horseracing industry;
- reduce administrative burdens on businesses who pay the Levy;
- abolish the defunct Levy Appeals tribunals in favour of existing remedies⁵;
- devolve responsibility for the allocation and application of Levy funds to the Levy beneficiaries.

Policy options

The Government is seeking to streamline the administration of the Levy and to reduce administrative inconveniences and financial costs on those affected by the Levy.

It is envisaged that the legislative reforms will streamline compliance processes for betting operators, thereby reducing administrative inconveniences. It is also envisaged that the reforms will simplify the process of applying Levy funds for the benefit of British horseracing, thereby reducing administrative inconveniences for the racing industry.

The Government estimates that the legislative reforms will result in a small annual reduction in the costs associated with administering the Levy as well as providing increased opportunities for cost reductions in the future. As the costs of collecting and applying the Levy are met by Levy funds, this will increase the amount of funding available to be spent for

⁵ Under existing procedures, bookmakers will be able to appeal against a decision to revoke their licence by the Gambling Commission. Bookmakers will also have recourse to Judicial Review if they wish to challenge decisions by the Gambling Commission relating to the assessment of the Levy due.

the benefit of British horseracing. This will also be of indirect financial benefit to the betting industry.⁶

Option 0: Do nothing

The HBLB continues to collect the Levy and apply Levy funds in support of British horseracing, and the Levy Appeal Tribunals continue to exist as formal entities, with associated personnel, without being required to convene.

Quantifiable costs and benefits

- The HBLB's administration costs amounted to £1.7m in 2017/18 - the first year of the new Levy system.⁷ The HBLB's administration costs averaged £1.9m per annum in the five year period to 2017/18⁸.
- The HBLB have estimated that administration costs could reduce to £1.5m in 2019/20, were the Board to continue to administer the Levy. The HBLB also estimate a potential further reduction of £0.15m per annum as a result of a full review of the operational structure. However, HBLB consider the further reduction could be higher or lower than £0.15m as it is not possible to provide an accurate estimate without a full review of operational structure and processes.
- Conversely, it could also be argued that 2017/18 operating costs reflect the HBLB's assumption that it is due to be wound down imminently, and therefore costs may be lower than they would be if the HBLB were not in line for closure. In particular, there has been a reduction in staff due to the impending closure, and a winding down of some operations.

Non-quantifiable costs and benefits

- This option would entail a continuation of the duplicative administrative processes described above and in the accompanying Explanatory Document, whereby the interlinked processes for allocating fixtures and funding are carried out by disparate bodies, leading to several areas of overlap in the fixtures and funding process. This represents an opportunity cost in terms of Levy funds that would otherwise be available to support the sport.
- This option would allow for the retention of existing expertise within the HBLB.

Option 1: Reform the system for administering the Levy

⁶ The common interest between the racing and betting sectors arises from horseracing activities providing benefits to the betting sector by creating betting opportunities. A detailed economic analysis of the common interest between the racing and betting sectors, including common interest cost estimates, is provided in the Frontier Economics report "An economic analysis of the the funding of horseracing" (June 2016).

<https://www.gov.uk/Government/publications/an-economic-analysis-of-the-funding-of-horseracing>

⁷ Reforms to the Levy took effect on 25th April 2017. From 1st April - 24th April; the previous Levy scheme and legislative framework was in effect.

⁸ Period from 2013/14 to 2017/18 (all years excludes cost of the Bookmakers' Committee).

Reform the administration of the Horserace Betting Levy, so that:

- the Gambling Commission is given statutory powers to assess and collect the Levy, as well as proportionate enforcement powers;
- the Levy Appeal Tribunals are abolished in favour of existing remedies⁹;
- a designated body, appointed by the Secretary of State, manages the allocation and application of Levy funds in line with statutory requirements.

Assessment of business impact

Year 1 cost to business is £0.48m (transition costs). The gross annual cost to business over ten years is estimated at £0.1m (unchanged from consultation). This qualifies the proposal for self-certification on the basis of Business Impact, as the measure has a gross annual impact of less than £5m (in all years).

Quantifiable costs and benefits

The Government considers that the reforms are likely to result in a marginal reduction in total administration costs related to the Horserace Betting Levy of £0.24m per annum. This is less than the estimated saving set out at consultation stage (£0.6m per annum) which reflects an increase in estimated annual operating costs relating to the Racing Authority. In net present value terms, the benefit of reduced administration costs, (taking into account transition costs) is estimated at £0.69m over a 10 year appraisal period.

Racing Authority

The Racing Authority's estimated annual operating costs are £1.11m (£0.7m at consultation). This follows the adoption of a revised operational model by the Racing Authority to ensure a smooth transition to the new arrangements. The Racing Authority considers that a transitional period of no longer than 12 months from implementation of the reforms is required to ensure a smooth transition. It is therefore likely that costs will fall following the transitional period. However, it would be inappropriate to speculate on future costs of the optimal structure of the Racing Authority, given it is a small organisation and costs relating to operational structure include staff roles.

The Racing Authority's revised estimates include increased staffing costs related to providing a commitment that the majority of current HBLB staff with a role in the distribution process will have the opportunity to transfer to the Racing Authority. This will ensure the retention of expertise and knowledge of existing HBLB staff. The Racing Authority estimate also include costs for a second Independent Director (not included in consultation stage estimates) which has been included to provide improved decision making and rigour to Board discussions.

Gambling Commission

⁹ Under existing procedures, bookmakers will be able to appeal against a decision to revoke their licence by the Gambling Commission. Bookmakers will also have recourse to Judicial Review if they wish to challenge decisions by the Gambling Commission.

The Gambling Commission's estimated annual operating costs are £0.3m (£0.2m at consultation). The Commission's estimate is based on the assumption that most of the liable licensees will pay the correct amount but does include some estimate of potential compliance costs.

Table 1: Annual Levy administration costs for Option 1 compared to Option 0

(£)	Option 0: Do nothing	Option 1: Reform
HBLB	1,630,000	0
Gambling Commission	0	280,000
Gambling Operators	0	0
Racing Authority	0	1,110,000
Racing industry participants	0	0
Total annual cost	1,630,000	1,390,000
Net annual saving	0	240,000

Costs rounded to the nearest £10,000.

The figures used in this analysis are based on the HBLB's actual annual costs for 2017/18 (£1.71m) with a deduction of approximately £0.08m to reflect an expected reduction in the cost of the HBLB's accommodation costs. An estimate of HBLB annual costs was used at consultation stage in the absence of actual data on HBLB's annual costs under the new legislation.

The figures used for the Racing Authority and the Gambling Commission's annual costs are informed by estimates provided by those bodies.

This Government estimates an annual administrative saving of **£0.24m** based on the information above. Further details on estimated administration costs is provided in Annex A. This option would also involve transition costs for the HBLB, Gambling Commission and the Racing Authority (set out below in table 2).

It should be noted that applying the HBLB's best case estimate of potential future operating costs (£1.34m), which incorporates a review of operational structure, there would be a net annual cost of £0.05m rather than a £0.24m net annual saving from pursuing Option 1 based on current information. However, it is also possible that the Racing Authority's estimated costs may, similarly, reduce following the transitional period and pending a review of operational structure, increasing the scale of the benefits realised through reduced annual costs over the appraisal period. Due to the inherently uncertain nature of forecasts it is difficult to accurately predict exactly what the difference will be between the HBLB's annual cost and the annual cost for the Gambling Commission and Racing Authority going forward but, on the balance of the evidence, we consider there will be administrative cost savings as a result of the reforms through efficiency gains, for example

relating to economies of scale (e.g. existing governance arrangements at the Gambling Commission).

Betting industry

It is not anticipated that there will be any increase in annual costs for betting businesses from the proposed reforms. Responses received from the betting sector to the consultation did not raise concerns about an increase in annual costs. We expect a number of non-quantifiable benefits (set out below).

Racing industry

There are quantifiable benefits to the British horseracing industry, as a reduction in the cost of administering the Levy is likely to result in a marginal increase in funds available for the benefit of British horseracing. On the basis of the estimates above, the Government anticipates that the Government's preferred option will result in an additional **£0.24m p.a.** in Levy funds available to support the sport.

Racing industry participants will benefit from multiple non-quantifiable benefits (set out below) which may translate into financial savings.

Non-quantifiable costs and benefits

Betting industry

Transferring the collection of the Levy to the Gambling Commission - an existing arm's length body - which carries out an analogous function in collecting licence fees from bookmakers - provides opportunities to reduce administrative burdens for businesses which pay the Levy.

Betting operators are required under the terms of their licence to provide regulatory returns to the Gambling Commission, including in relation to their horseracing business. The returns must include details of the operator's gross profits. Under the current system operators must also provide information separately to the HBLB in order for their Levy liability to be assessed. The proposed legislative reforms therefore create opportunities to eliminate duplication in this and other such processes.

In addition to the reduced burden as a result of dealing with one rather than two organisations, we consider that the proposed legislative reforms will create further opportunities for the Gambling Commission to reduce administrative and compliance burdens on betting operators. Further detail is provided in the accompanying Explanatory Document.

Racing industry participants

The Government believes that enabling the British horseracing sector to have direct control over the allocation and application of Levy funds would allow for more streamlined and efficient decision-making processes. In particular, a designated body representative of British horseracing could participate¹⁰ in both the fixtures and funding processes, creating

¹⁰ Under the current system it is deemed inappropriate for the HBLB, as a Government body, to participate in meetings of the Fixtures and Funding Group as these involve sensitive commercial

the potential for the processes to merged and one set of joint policies to be developed. Further detail is set out in the accompanying Explanatory Document.

Transitional Costs

We estimate total one off transitional costs of £1.4m. This includes an estimated £0.48m in transitional costs to business, including the betting and racing industries. The remaining transition costs fall to public bodies affected by the changes.

Table 2: Option 1 Transitional costs

<u>Cost to business</u>	<u>Transition costs (non-Levy financed)</u>
Racing industry participants	<10,000
Racing Authority	430,000
Gambling operators	50,000
Total transition cost to business:	480,000
<u>Cost to public bodies</u>	<u>Transition costs (Levy-financed)</u>
Gambling Commission	250,000 ¹¹
HBLB	660,000
Total transition cost to public bodies	910,000

Costs rounded to the nearest £10,000.

Racing industry participants

discussion. The Fixtures and Funding Group is comprised of representatives of the BHA, the Racecourse Association and the Jockey club.

¹¹ The Gambling Commission's transitional costs prior to the implementation of the reforms have been financed by the HBLB. This reflects the importance of ensuring a smooth transition to the new arrangements to ensure the effective collection of the Levy from day one. The estimate therefore includes funds already paid to the Commission by HBLB, future funding considered likely to be required prior to implementation and set up costs which will likely fall during year one following implementation.

The British Horseracing Authority, acting on behalf of the Racing Authority, has said there will be a full programme of communication with racecourses (and other potential grant recipients) from the Racing Authority, allowing all recipients to familiarise themselves with the application functions and processes of the new body in advance of the transfer of functions from the HBLB. The Racing Authority is likely to produce guidance to inform stakeholders of new processes or requirements.

We have identified three key racing industry bodies (Horsemen's Group, Racecourse Association and British Horseracing Authority) and 60 racecourses¹² in Britain which will be affected by the legislation. We estimate that it will take a financial account manager in each organisation two hours to read the new legislation and inform other members of staff. Data from the Annual Survey of Hours and Earnings 2016¹³ shows that the median hourly wage for financial account managers is £18.99 uplifted by 30 per cent¹⁴ to cover non-labour costs £24.69. Transitional costs for racing industry participants are therefore estimated at £3,110.94 (based on a total of 63 racing participants).

Racing Authority

The Racing Authority estimate transitional costs (including legal fees, independent member recruitment costs, setup costs, and website and system development) totalling £430,000.

Gambling operators

Affected stakeholders in the betting industry will need time to read and understand the legislative changes and how it will affect their businesses. Operators will be required to make payments to the Gambling Commission as opposed to the HBLB. It is envisaged that the Gambling Commission will issue guidance to assist operators in understanding the requirements.

We assume that it will take one day for a manager to familiarise themselves with the new legislation and oversee any changes to payment processes required (as a result of being required to make Levy payments to the Gambling Commission, for which operators have an existing relationship in relation to payment of licence fees, as opposed to the HBLB) and two hours for a financial account manager to make the required changes.

Data from the Annual Survey of Hours and Earnings 2016^{15,16} shows that the median hourly wage for a corporate manager and director is £22.36 uplifted by 30 percent to cover non-labour costs £29.07. If we assume one working day is eight hours, this cost is therefore £232.54. The median hourly wage for a financial account manager, uplifted by 30 percent to cover non-labour costs is £24.69 (£49.38 for two hours). The total costs incurred per operator are therefore estimated at £281.92.

¹² British Horseracing Authority, <https://www.britishhorseracing.com/racing/racecourses/>

¹³ Office for National Statistics, 2016 revised, table 14
<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/dataset/s/occupation4digitsoc2010ashtable14>

¹⁴ CM Network, International Standard Cost Model, page 19, <http://www.oecd.org/gov/regulatory-policy/34227698.pdf>

¹⁵ Ibid.

¹⁶ 2017 data is currently provisional and therefore we have used 2016 revised figures.

In addition, it is possible there may be further transitional costs in year one for gambling operators if the Gambling Commission make any changes to reporting and payment processes to reduce administrative burdens on business. We estimate potential costs of £627.60 per operator, based on one day for a corporate manager to familiarise themselves with any changes (at a cost of £232.54) and two days for a financial account manager to make any necessary changes (at a cost of £395.04 based on a median hourly wage of £24.69 x 16 hours).

The number of gambling operators required to pay the levy is c.50. Transitional costs for gambling operators are therefore estimated at £45,447 (the sum of £627.60 x 50 and £281.94 x 50). This equates to less than £1,000 per operator.

Gambling Commission

The Government estimates that the Gambling Commission's transitional costs relating to the preparation required to take on the collection and enforcement functions of the Horserace Betting Levy is £250,000. The Commission's transitional costs prior to the implementation of the reforms have been financed by the HBLB. This reflects the importance of ensuring a smooth transition to the new arrangements to ensure the effective collection of the Levy from day one. The estimate includes funds already paid to the Commission by HBLB, future funding considered likely to be required prior to implementation and set up costs which will likely fall during year one following implementation.

Cost estimates include recruitment or transfer of staff costs, creation of finance processes and ledger, creation of compliance and enforcement policies and procedures, development of guidance and governance documents, communications, and the cost of assessing the legal risks associated with adoption of new functions by the Gambling Commission.

Horserace Betting Levy Board

The HBLB have estimated total closure costs in relation to wind up of the organisation to be £657,000. This reflects the potential liability regarding the HBLB's rental lease which runs until November 2022 (3.25 years after the target date of 1 April 2019 for implementation of these reforms). The HBLB are working with Government to mitigate this liability.

For the purpose of this assessment, we consider it reasonable to estimate that HBLB will be liable for 6 months of costs in relation to the rental lease (post-closure) when providing an estimate of HBLB's closure costs. This has reduced from the consultation stage assessment at which point it was considered more likely that HBLB would incur one year of charges and reflects progress made by HBLB to mitigate the liability in future.

The estimate includes property rent, rates and services charges (for six months), general legal fees, provision for contract terminations and staff contractual redundancy and termination costs.

Conclusion

The Equivalent Annual Direct Cost to Business (EANDCB) as a result of reforms under Option 1 is estimated to amount to **£0.1 million** NPV (Net Present Value) over 10 years. This estimate comprises transition costs to business incurred in year 1 following the reforms, as well as estimated annual costs to the designated body representative of the British horseracing industry.

Table 3: Net impact of Option 1

(£)	Transitional costs	Annual costs/benefits	NPV (10 year)
Option 0: Do nothing	0.0m	-1.63m	
Option 1: Reform	-1.39m	-1.39m	
Net impact of Option 1	-1.39m	0.24m	0.69m

Costs rounded to the nearest £10,000. The fact the annual cost of option 1 equals the total of the transitional costs of option 1 when rounded is coincidental

Table 4: NPV, BNPV and EANDCB of Option 1

Option 1	(£m)
Net present value (10 year) (£m)	0.69
Business NPV (BNPV) (£m)	-0.48
EANDCB (10 year) (£m)	0.1

Risks and assumptions

The following risks and assumptions are associated with Option 0:

- Levy reforms came into effect in April 2017. Operating costs for the former, more resource-intensive Levy scheme (with annually reviewed differing rates and no exempt amount) would not enable a comparison of like-with-like, therefore have not been used in this analysis.
- As 2017/18 represents the first year since the reforms took effect, it is difficult to predict ongoing steady-state costs were the HBLB not in closure mode.

The following risks and assumptions are associated with Option 1:

- For the purposes of this assessment, future costs for the HBLB are based on financial returns from FY 17/18. They've been adjusted to reflect a prospective saving relating to a specific accommodation cost reduction. The HBLB believe their

costs may reduce further with revisions to their operating model. To mitigate for optimism, and, adopting a cautious approach we have not chosen to reflect this in our baseline cost for the HBLB.

- Annual costs for the Racing Authority are based on estimates provided by that organisation, in the absence of actual data. The Racing Authority cost estimates are based on a transition model which includes the transfer of some HBLB distribution staff pending a review of the Racing Authority's operating model in the first year. We have not sought to pre-empt the outcome of any review and therefore the estimate does not include any further indicative savings.
- The assumption has been made that the Racing Authority will not incur similar senior staffing costs to the HBLB. This is based on the fact that directors of the Racing Authority will not be entitled to remuneration (with the exception of the two independent members).¹⁷
- The assumption has been made that transition costs to betting businesses will be minimal. Responses received from the betting sector to the consultation did not raise concerns about transition costs under this option, which supports this assumption.
- The HBLB's transitional cost estimate assume a requirement to pay rent, rates and property charges for a 6 month period. This is lower than the assumption at consultation stage (12 months) and is informed by ongoing work by HBLB to mitigate the liability relating to their rental lease.
- The assumption has been made that this option will not cause any increase in steady state costs to betting businesses. Responses received from the betting sector to the consultation did not raise concerns about an increase in steady state costs under this option, which lends credence to this assumption.
- The Gambling Commission has included some annual costs relating to compliance (i.e. send reminders to those operators who haven't paid). If any enforcement action is needed to pursue operators for non-payment of levy, the Gambling Commission may incur additional costs. However, it is anticipated that, with only c. 50 operators required to pay the Levy, that such enforcement would be exceptional and the associated financial risk is low.
- It has generally been assumed that the Racing Authority would seek to streamline processes to keep administrative costs to a minimum. The basis for this assumption is that the designated body is required to maintain the confidence of the Levy beneficiaries in the reformed legislation.

Call-in check list explanations

Distributional Impacts

¹⁷ As set out in the Racing Authority's Articles of Association, <https://beta.companieshouse.gov.uk/company/11355119/filing-history>

There are no significant distributional impacts.

Small and Micro Business Assessment (SaMBA)

There are no disproportionate effects on small businesses.

Gross Effects

There are no significant gross effects.

Wider Impacts

There are no significant wider impacts.

Significant, Novel, or Contentious

There are no significant, novel or contentious effects.

ANNEX A - Full breakdown of annual/estimated expenditure

To compare annual costs for the administrative bodies we worked with the HBLB to develop a template to capture the headline annual costs. The template was then distributed to all three bodies to complete, including stating any relevant assumptions against costs. In the case of the GC and RA; the costs shown represent estimates of administration for 2019/20 (which is the first year the administrative changes would take effect in line with the target implementation date). In the case of HBLB, the costs shown represent actual costs incurred during 2017/18.

The Horserace Betting Levy Board (HBLB)

The HBLB's 2017/18¹⁸ annual administration costs amounted to £1.7m. The HBLB were also asked to provide an estimate of administration costs for 2019/20 for comparative purposes.

HBLB expenditure	Steady-state costs in FY 2019/20 (£) (financed by Levy funds)
Staffing costs (c.10 FTE)	£964,358
Non-executive costs	£160,253
Accommodation costs	£170,354
IT development & maintenance costs	£48,000
Travel & subsistence costs	£26,000
Audit & tax costs	£31,800
Legal & professional costs	£28,000
Printing, postage & stationery costs	£22,000
Capital expenditure costs	£0

¹⁸ Levy reforms came into effect in April 2017. Operating costs under the new Levy scheme (i.e. for FY17/18) were not known at the time the consultation was published. Operating costs for the former, more resource-intensive Levy scheme (with annually-reviewed variable rates and no exempt amount) do not enable a comparison of like-with-like, therefore have not been used in this analysis. It should be noted, however, that the operating costs for FY17/18 reflect the HBLB's assumption that it is due to be wound down imminently, therefore FY 17/18 staff and other costs are potentially lower than they would be if the HBLB were not in closure mode.

Depreciation costs	£0
Other costs	£34,500
Total	£1,485,265 per annum

Gambling Commission

To fulfil their duty to collect and enforce the Horserace Betting Levy, the Gambling Commission estimate that in a steady state the following ongoing costs would be incurred.

Gambling Commission expenditure	Steady-state costs in FY 2019/20 (£) (financed by Levy funds)
Staffing costs	£257,284
Non-executive costs	£0
Accommodation costs	£11,349
IT development & maintenance costs	£2,931
Travel & subsistence costs	£0
Audit & tax costs	£3,167
Legal & professional costs	£0
Printing, postage & stationery costs	Included in 'Accommodation costs'
Capital expenditure costs	£0
Depreciation costs	£0
Other costs	£5,719
Total	£280,450 per annum

Racing Authority

To fulfil their duty to apply the Horserace Betting Levy, the Racing Authority estimate that they would incur the following ongoing annual operating costs.

Racing Authority expenditure	Steady-state costs in FY 2019/20 (£) (financed by Levy funds)
Staffing costs	£665,000
Non-executive costs	£107,410
Accommodation costs	£86,370
IT development & maintenance costs	£50,000
Travel & subsistence costs	£23,000
Audit & tax costs	£45,000
Legal & professional costs	£50,000
Printing, postage & stationery costs	£23,000
Capital expenditure costs	£0
Depreciation costs	£12,500
Other costs	£46,000
Total	£1,108,280 per annum

Meaning of terms

Item	Includes
Staffing costs	Salaries, cross-charged time (e.g. senior executive time), temporary staff, national insurance, pensions, staff recruitment, staff welfare, death benefit insurance, private health care, permanent health insurance, staff training and staff medicals.
Non-executive costs	Board members' salaries/fees and committee costs (e.g. Veterinary Advisory, Betting Patterns Working Party or equivalents).
Accommodation costs	Rent, rates, service charge and repairs & maintenance.
IT development & maintenance costs	Licences and IT maintenance.
Travel & subsistence costs	Board members' expenses, staff expenses and meeting & conferences.
Audit & tax costs	Audit, tax and internal audit costs.
Legal & professional costs	Debt recovery, capital projects, HR consultancy, benefits advice and legal costs.
Printing, postage & stationery costs	Printing & stationery, postage, couriers and newspapers.
Capital expenditure costs	Computers and fixture and fittings.
Depreciation costs	Short leasehold, computers and fixtures & fittings.
Other costs	Insurance, communications and other (including bank charges).