



# The Horserace Betting Levy Board Annual Report and Accounts 2013/14

# **The Horserace Betting Levy Board Annual Report and Accounts 2013/14**

Annual Report and Accounts presented to Parliament pursuant to Section 31 of the Betting, Gaming and Lotteries Act 1963 (as amended by Article 3(2) of the Gambling Act 2005 (Commencement No. 6 and Transitional Provisions) Order 2006 (SI 2006/3272)).

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Photograph: Racingfotos.com

Front Cover – *Dawn Approach (left) defeats Toronado in the 2013 St James's Palace Stakes at Royal Ascot*



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## CHAIRMAN'S STATEMENT



### ANNUAL REPORT

I am delighted to report on a busy year of achievement in the activities of the Board.

In particular, we have been able to deliver continued improvement in our financial position in both income and capital. This has been achieved against a background of greater accord and understanding between betting and racing, providing evidence of the value of the Board on which many of the important parties are represented.

It is, I believe, a very useful forum for discussion between them and provides a platform for continued discussions elsewhere. Consistent with this, the 53rd Levy Scheme was settled ahead of the deadline of 31st October as had been the case for the 52nd Levy Scheme.

In terms of our distribution policy, there has been further emphasis on increasing our prize money contribution which, in calendar year 2014, is forecast to reach £56 million compared to £50 million in 2013.

Our income in 2013/14 was up by 5% from the previous year when including the voluntary contributions for which we are most grateful. The most significant such contribution was that of Betfair at £7.8 million. Net assets at 31st March stood at £45 million, almost triple that of the low point struck in 2011. This level of reserves now provides both a degree of comfort in our future planning and has also enabled us to reintroduce racecourse loans, a facility much appreciated by racecourses.

Overall, the Board's total budgeted expenditure for the calendar year 2014 has been set at £82 million, up 7% on the £76 million which was the budget for the previous year. These figures compare to actual spend on a calendar year basis of £59 million in 2011 and £65 million in 2012, reflecting again the continued recovery in our financial position, achieved in part by further significant savings in administrative and operational costs.

It is sometimes said that one area in which the Levy system is flawed is that it is confrontational, setting one side of the industry against the other. This is a view which I have never shared. Indeed, as I have said, I believe that the presence of various parties around the Board table is an advantage. We do not seek confrontation, let alone litigation, but agreement and accord. Even in commercial negotiations the conversation has to start with one side making an offer which is exactly what happens in our world.

In line with this view, and the benefit we seek to bring to the industry, I was delighted to be asked to facilitate discussions which began in the spring of last year between some of the key stakeholders in racing and the four major retail bookmakers, William Hill, Ladbrokes, Coral and Betfred. The aspiration in these discussions was the achievement of a multi-year accord which would be complementary to the Levy system, with the additional voluntary contributions offered by the bookmakers to be administered through the Board. The dialogue continued through

the summer and, in what I might describe as a bout of late autumn sunshine, we were able to conclude discussions in October whereby the bookmakers undertook, with certain caveats, to make additional voluntary contributions at a rate of £4.5 million per Levy year for four years. The arrangement also saw the four bookmakers agree to underwrite a combined contribution payable through the statutory Levy of not less than £47.5m per year, which adds significantly to the Board's confidence in planning its expenditure programme.

Then, the Chancellor of Exchequer in his 2014 Budget Speech announced additional taxation on B2 gaming machines. In the opinion of the bookmakers, the income generated from these machines is critical to the viability of many Licensed Betting Offices which, in turn, are the source of the overwhelming proportion of betting revenue subject to Levy. Other changes to the way in which the machines are operated may follow whilst, in addition, the bookmakers are also having to adapt their business model in the light of the introduction of the point of sale basis of taxation for general betting duty which will become effective at the end of 2014.

The Government also announced at that time its intention to launch a consultation exercise as to how the Levy will be extended to capture offshore income with a view to this being part of Levy income for the 55th Scheme in the year 2016/17. A further consultation around Levy reform, abolition or some other new mechanism is also anticipated later this year.

We believe that this consultation will seek views on a range of options likely to include the development of commercial arrangements, the introduction of a horserace betting right and the modernisation of the existing Levy structure. The Board will continue to provide the Government with every support and assistance in these matters.

In relation to the extension of the Levy to betting income currently generated offshore, my own position, and indeed that of the Board, has been consistent that this income – in many cases previously generated onshore – should be subject to Levy. In my opinion, to do otherwise is really to penalise the purely onshore operators who cannot therefore carry on their businesses on a level playing field.

If the Levy is extended to capture offshore income not currently caught, the question will arise as to what should be the appropriate rate of Levy. That is clearly a debate for the future but all parties are desirous of generating an improvement in betting turnover and providing reasons why bookmakers should thereby promote the horseracing betting product rather than the reverse.

I have already mentioned that a contributory factor to our improved financial position has been the further reduction in administrative and operational costs. The past year saw the Board move from having three executives to two, following the appointment of Douglas Erskine-Crum as chief executive of Juddmonte and the reallocation of responsibilities. I wish to express in the strongest possible terms my appreciation and that of the whole of the Board for the excellent work of Alan Delmonte, our Chief Executive, and Rob Skeggs, our Finance Director, whose workload is undoubtedly more onerous following this reorganisation. Additionally, we have now moved to new and smaller offices and, going forward, there will be a material reduction in our office accommodation costs. I have mentioned Alan and Rob but it would be wrong not to pay great tribute to the rest of the very capable and hardworking team. Everybody contributes to a harmonious and effective operation, which is seen as such across racing and betting.

I also give my thanks again to my Board colleagues for their work and support. In April of this year, we bid farewell to Paul Darling who stepped down from the Board shortly before the end of his second three-year term. He did so to take up a new appointment as Chairman of the Association of British Bookmakers so he will not, fortunately, be lost to the betting and racing world. Paul joined the Board in 2008 at a very difficult time for the organisation. His involvement at that time was pivotal to the recruitment of new staff, he continued to make a significant contribution to the atmosphere which I have referred to already and his input at Board discussions was always wise, considered and appreciated by us all.

On a personal note, I have valued enormously his support and encouragement, not forgetting the most important of all contributions – his laughter.

It is my good fortune to be Chairman of the Levy Board and I am privileged and proud to hold that position. I very much enjoy the contacts I make with those who work in the two interdependent areas of the industry whose endeavours provide excitement and entertainment to millions of people. For that, we are all most grateful.

**Paul Lee**  
Chairman

## CHIEF EXECUTIVE'S REVIEW



As the Chairman's Statement has noted, the continuing restoration of the Board's finances made possible a welcome further affordable increase in expenditure in 2014.

Of the Board's three statutory objectives, it is customary that the substantial majority of expenditure is directed towards "the improvement of horseracing" and, in particular, to prize money. This area has been the principal beneficiary of the extra funds at the Board's disposal in 2014.

We are also able to provide an additional £200,000 to our veterinary science and education research programme, in its 50th year, and an increase of the same amount in the grant towards the racing and breeding's recruitment, training and education initiatives. The latter have undergone examination and re-evaluation by the BHA after a request to do so by the Board.

It has also been possible again to make interest-bearing loans of over £8m to racecourses for various capital projects which do much to enhance the longer term attraction of racegoing, an essential ingredient in ensuring racing's ongoing place among major spectator sports.

In order to provide racing's organisations with an opportunity to make detailed recommendations for the distribution of the Board's main racing-related funds, the Board asked the BHA, on behalf of the sport, early in 2013 to coordinate views among its stakeholders. In the summer, the Board received a proposal which, overall, sought limited changes to established methods that the Board has in place for its distribution of funds to the sport.

The Board is therefore continuing to provide grants towards a range of established prize money headings and also towards the costs of regulation and integrity services. Additionally, there remains a scheme to provide incentive payments to racecourses that stage fixtures in midweek winter slots, which play an important role in generating Levy and other betting income.

The key proposals for change that racing made surrounded the methods used in allocating the largest heading of prize money, General Prize Fund (GPF) grants, previously known as Basic Daily Rates (BDRs).

The Board broadly accepted the revised model, which is a further refinement of the incentive-driven mechanism that the Board has had in place in recent years. It introduces an element of each racecourse's award being related to advance commitments to prize money in the coming year. Previously, the Board's awards to BDRs were based on a racecourse's past prize money contribution. From 2015, the entire prize money element of GPFs will be on a prospective basis, designed to provide racecourses with further encouragement to invest in prize money given that there will be an immediate reward in contributions from the Board.

With the Board's Business Plan continuing to adopt prize money as a priority area of expenditure, it is pleasing that the 2014 budgeted contribution of £56.4m is the highest figure since 2009. Included within this was an allocation of £178,000 on Good Friday, distributed between Lingfield's

All Weather Finals Day and Musselburgh's fixture. The success of racing on Good Friday was widely recognised and from a betting perspective performed on par with an average terrestrially-televised Saturday, a fine achievement in year one, particularly without terrestrial coverage.

Good Friday represented the creation of a new fixture slot but it was, as ever, the staging of fixtures within the Board's Fixture Criteria structure that generated Levy income day in, day out. It is recognised by all parties involved that the maintenance in recent years of a programme of over 1,450 fixtures has applied pressure on field sizes when there has been a static to falling horse population. There has never been a greater focus on looking to optimise the race programme, a complex task to which the Board's executive makes a contribution primarily through the analysis of betting data from major bookmakers.

Included in this work was a large project to assess the number of race clashes occurring in a calendar year and the estimated financial impact. Following the analysis, which suggested that Levy income could be affected negatively by some £800,000 a year, protocols were put in place by the BHA with the aim of reducing the number of scheduled race clashes and, where possible, diminish unscheduled race clashes on the day of the event via better on the ground communication between racecourse officials and media companies. The Board has also part funded, with the BHA, new roles designed to provide dedicated resource in this area from summer 2014.

Among the initiatives overseen in 2013 by the Board's Betting Patterns Working Party was a trial of 13 Tuesday twilight fixtures between September and November, to which the Board contributed £201,000. These fixtures produced significantly in excess of this sum in Levy, which led to an amendment of the Board's Fixture Criteria to make possible additional twilight fixtures at these times in future years.

It was pleasing that, during the year, our IT team continued development of the web interface that allows bookmakers to submit details of their annual Levy return online. A new feature, introduced in time for the end of the 52nd Levy Scheme, provides exempt bookmakers and bookmakers who only stand on racecourses and/or point-to-point tracks with the opportunity to sign their year-end Levy form electronically at the time of submission. This move to a wholly online system benefits in the region of 750 bookmakers who are now no longer required to print, physically sign and post their Levy form to the Board each year.

I noted a year ago that the organisation's operating costs were continuing to fall, albeit that, with staff numbers at probably a record low in its history, the opportunity for further savings is very limited. Accommodation costs will however fall by just under £200,000 per annum following the Board's relocation in February 2014 to smaller premises shared with non-departmental public bodies and similar organisations. Overall, the Board is now operating at over 30% less cost, in real terms, than six years ago.

It was with great sadness that colleagues past and present learned of the death of Patrick Nixon in July 2013. Patrick served as Secretary to the Bookmakers' Committee from 1997 to 2009 and, more recently, as Chairman of the Trustees of the Board's retirement benefits scheme. For very many people, he was an unfailing source of good advice and good humour in equal measure and is much missed.

**Alan Delmonte**  
Chief Executive



## 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 five 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.

## Strategy

In addition to the five general objectives, the Board agrees specific priorities for each year. These priorities are included within the Board's annual business plan, which is published on the Board's website each year ([www.hblb.org.uk](http://www.hblb.org.uk)) and can be summarised as follows:

### Prize Money

- The Board prioritises prize money contributions and seeks to allocate its distributions in such a way as to incentivise racecourses to increase their prize money contributions by linking grants to executive and sponsorship prize money contributions and to Levy generation.

### Fixture Criteria

- Operating within the constraints of the general race programme it is the Board's objective to optimise the Fixture Criteria, focusing on Levy generation.

**Integrity**

- 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.

**Financial support for the horseracing industry**

- The Board will provide financial support for the horseracing industry through loans to racecourses and support the financing of racecourse projects by the capital credit grants scheme.

**Financial Stewardship**

- The Board will seek to maintain reserves at no less than £30m and not more than £40m.

**Performance**

In a business environment, an organisation might measure its performance on the basis of income or profit. As the Board is comprised of representatives of the payers and recipients of Levy funds, this makes such measures difficult to adopt. Instead, the Board assesses successful performance by monitoring outcomes.

The accounts presented in this annual report show information for the fiscal year 2013/14 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.

Prize money	Prize money allocation	2014 £56.4m	2013 £50.0m
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The Board's allocation to prize money in 2014 increased by £6.4m (12.8%).

Following a major review in 2013 of the principles that apply to the Board's allocation of funds to prize money, in 2014 and future years the General Prize Fund (GPF), which is the largest prize money allocation, will be divided 60% "Merit" (the amount reflecting a racecourse's prize money contribution) and 40% "Betting" (based on the amount of betting turnover generated by each racecourse's eligible fixtures), rather than being equally split as in previous years. It is envisaged that this amendment will act as a further incentive to racecourses to invest in prize money. Additionally, the Board agreed to move to a new system that will result in the GPF allocations being based on prospective 2014 "Merit" contributions rather than previous years' performance.

Information on the allocation of prize money can be found on the Board's website ([www.hblb.org.uk](http://www.hblb.org.uk)).

Fixture Criteria	Fixture Criteria Gaps	2014 0	2013 0
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The Fixture Criteria is regarded as the optimal pattern of fixtures throughout the year; therefore it is sub-optimal, in Levy generation terms, that any fixtures occur outside the Fixture Criteria if some Fixture Criteria slots remain unfilled.

Much of the work surrounding the Fixture Criteria is accomplished through the Betting Patterns Working Party (BPWP) comprised of Racing and Betting appointees, with Levy Board chairmanship and executive support. The main function of the BPWP, reporting to the Levy Board, is to consider analysis of the betting performance of races with a view to recommending mutually beneficial changes to the race programme to maximise Levy generation and make best possible use of the horse population. The BPWP analyses the fixture list and race programme, monitors betting performance and data, takes account of horse population trends, oversees the funding of new initiatives and implements action plans to avoid gaps in the race programme.

More information on the Fixture Criteria can be found on the Board's website ([www.hblb.org.uk](http://www.hblb.org.uk)).

Integrity	Raceday Services Grants	2014 £16.4m	2013 £16.5m
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For 2014, grants for the provision of technical, security and regulatory services for the protection of the integrity of racing remain unchanged, compared to 2013.

Financial support for the horseracing industry	Loans approved to racecourses	2014 £8.6m	2013 £8.0m
	Capital Credit Grants Scheme	£3.5m	£0.7m

The following priorities are applied to loans to racecourses:

- A. Capital improvements needed as a result of British Horseracing Authority/legal requirements.
- B. Non-revenue-generating loans for horse specific projects e.g. turf, drainage, stabling.
- C. Revenue-generating loans.
- D. Loans to parties other than racecourses for the improvement of horseracing or other Board responsibility.
- E. Racecourse loans for non-horse specific projects.

The Capital Credit Grants Scheme enables racecourses to accrue all or part of their grant payments from the Board, which can then be drawn down for future use to support capital projects, including meeting repayments of loans from the Board, subject to the Board's approval of each capital project.

Financial stewardship	Reserves	2014 £45.0m	2013 £42.3m
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At March 2014 reserves are in excess of the target range determined by the Board, of between £30m and £40m, which is a direct result of the 52nd Levy Scheme yield exceeding forecast.

### Principal risks

The evaluation of strategic or 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 therefore forms the basis of determining the total value retained as reserves. The Strategic Risk Register is considered and approved by the Board at least three times a year, to ensure effective monitoring of risks.

Executive managers within the individual departments have responsibility for the development and maintenance of the internal control framework.

At the year end the number of risks included on the Strategic Risk Register totalled eight (2012/13: seven). These are continually monitored and each principal risk has an impact analysis and a risk evaluation. 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 the risk is addressed.

The principal risks identified by the Board are set out in the table below, together with the actions taken to mitigate these risks. With the exception of the final risk, ‘Decline in Racing’s non-Levy income’, which is new this year, the principal risks are broadly unchanged from the previous year.

Risk	Mitigation
<p><b>Infectious diseases (Animal)</b></p> <p>Equine diseases are an ever-present danger to the horse population and pose the risk of stopping horseracing or preventing the transportation of animals. In both of these circumstances there could be a significant decline in the Levy yield, although this would be matched by a reduction in Levy grants paid.</p>	<p>The Board has agreed two-year funding for the infectious disease service, the equine influenza programmes at the Animal Health Trust considered essential to provide diagnostic and surveillance capability for endemic, new and emerging equine infectious diseases.</p> <p>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.</p> <p>The Board maintains reserves for an immediate contingency fund, which could be made available to the Racing industry at short notice.</p>
<p><b>Disease pandemic (Human)</b></p> <p>A human pandemic could result in the movement of people and horses being stopped and the banning of horserace meetings.</p>	<p>The impact of this risk on the Board’s operations is included in the Business Continuity Plan.</p>
<p><b>Short-term stoppages to horseracing</b></p> <p>It is recognised that horseracing could cease for a sustained period due to unplanned eventualities, such as severe weather, industrial action or animal rights activists.</p>	<p>The net impact on the Board of short term stoppages is limited, though there may be a knock-on effect in subsequent years if reduction in income affects the scale of participation or the disruption to the racing programme leads to a change in betting habits.</p> <p>The Board continues to adopt a cautious approach to budgeting and designates specific funds for supporting additional races and fixtures at short notice.</p>

Risk	Mitigation
<p><b>Difficulties in forecasting Levy income</b></p> <p>The Levy yield is currently calculated as a function of bookmakers' gross profits on British horseracing and therefore it is difficult to forecast and is subject to a number of key factors, such as changes in the product's margin; the popularity of the sport compared to other betting products; and the location of internet and telephone bookmakers outside of Britain.</p>	<p>Both the 52nd and 53rd Levy Schemes have been underpinned by minimum guarantees provided by the largest retail bookmakers. In addition, significant specific voluntary contributions are provided to the Board through Betfair's five-year deal with Racing and the negotiations for the 53rd Levy Scheme also resulted in a four-year undertaking from William Hill, Ladbrokes, Coral and Betfred to make additional voluntary contributions to the Board.</p>
<p><b>BHA final salary pension scheme</b></p> <p>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.</p>	<p>The liability of the Board is capped at a maximum of £30.3m. If triggered, the guarantee payment would be spread over five years. The guarantee period is until 2024.</p>
<p><b>Credit risk</b></p> <p>The Board is exposed to a credit risk that could arise from either a bookmaker or a racecourse encountering financial difficulties.</p> <p>With the exception of the very largest bookmakers, the impact on the Board of a default on a Levy debt is considered low.</p> <p>The impact of a loan to a racecourse remaining unpaid could, in some cases, be much greater.</p>	<p>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.</p> <p>It is often the case that little or no warning is given when a company begins to experience financial difficulties. The Board therefore ensures that all racecourse loans in excess of £200,000 are fully secured by legal debentures and charges over land.</p>
<p><b>Abolition of the Board</b></p> <p>The potential abolition of Board, following the 2014 Government Budget announcement, may result in uncertainty, possibly creating staff retention issues.</p> <p>The earliest possible date for abolition is, realistically, 1st April 2016. However the timetable is not dictated by the Board.</p>	<p>Regular liaison with DCMS ensures that the Board is kept abreast of developments related to potential abolition.</p> <p>The Board operates a Reserves policy that is designed to ensure that sufficient funds are available and not committed, in order that it could fulfil all of its obligations pre and post wind-up.</p>
<p><b>Decline in Racing's non-Levy income</b></p> <p>The Racing industry has a number of significant 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.</p>	<p>The Board has limited scope to manage this risk and therefore continued cautious budgeting is relied upon to reduce the impact of unforeseen changes.</p>

**Alan Delmonte**

Chief Executive and Accounting Officer  
Horserace Betting Levy Board

25th June 2014



## Board Members, Officers and Advisers

### Board Members

**Paul Lee\***  
Chairman

**Paul Darling QC\***

**Paul Bolt\***

**Ian Barlow\*\***  
Chairman, Racecourse Association

**Paul Bittar\*\***  
Chief Executive, British Horseracing Authority

**Philip Freedman\*\***  
Chairman, Horsemen's Group

**Will Roseff**  
Chairman, Bookmakers' Committee

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

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

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Barclays Bank Plc  
Lloyds Bank Plc  
NatWest Bank Plc  
Weatherbys Bank Limited

### Observers

**Thomas Murphy**  
**Mike O'Kane**  
Bookmakers' Committee

### Board Executives

**Alan Delmonte**  
Chief Executive & Accounting Officer

**Rob Skeggs**  
Finance Director

### Auditors

Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
London SW1W 9SP

### Solicitors

Herbert Smith Freehills LLP  
Burgess Salmon LLP

## 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 and must give 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.

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 published 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.

### **Alan Delmonte**

Chief Executive and Accounting Officer  
Horserace Betting Levy Board

25th June 2014

## Governance statement

As Accounting Officer for the Horserace Betting Levy Board, I am responsible for ensuring that an appropriate corporate governance framework is in place that supports the achievement of the Board's policies, aims and objectives, which are in accordance with the Betting, Gaming and Lotteries Act 1963 (as amended). This governance 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, including 'Managing Public Money', in 2013/14.

## Governance Framework

The Members of the Levy Board, led by the Chairman, Paul Lee, oversee the activities of the Board. The day to day activity of the Board is managed by the Board's Executives, who were led by the Chief Executive, Alan Delmonte, from 8th April 2013 for the remainder of the year ended 31st March 2014, following the departure of Douglas Erskine-Crum on 7th April 2013.

Board Members are responsible for the strategic direction of the Board and for the performance of the Executives. They are also responsible for agreeing the annual Levy Scheme, approving the annual expenditure budget and granting loans to racecourses. The Chief Executive, as Accounting Officer, is responsible for maintaining a sound system of internal control that supports the achievement of the Board's policies, aims and objectives. The Accounting Officer also ensures that the Board complies with the principles of the Corporate Governance Code ('the Code'), where they are relevant to the Board. There were no departures from the Code in 2013/14.

## The Board

As at 31st March 2014, 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 four years in the case of the Chairman and three years for the other two Government Appointed Members and may be renewed for a further term. The terms of appointment of other Board Members are as proposed by their appointing bodies.

The Chairman meets the other two Government Appointed Members regularly allowing him to make clear what is specifically expected of them and to assess their performance.

Papers for board meetings are circulated in advance of the relevant meeting and, when a Board member is unable to attend, he or she continues to be provided with a full copy of the papers and has the opportunity to comment on the matters discussed. 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 December 2012 when it was concluded that, bearing in mind the representative nature of the Board, the Board has performed effectively. The Board will reassess its effectiveness in spring 2014.

During 2013/14, Members of the Board and the Chief Executive devoted a significant amount of time to securing agreement of the terms of the 53rd Levy Scheme and facilitating the four-year arrangement between the four largest retail bookmakers and Racing for additional voluntary contributions of £4.5m per year into a Levy Board Incentive Fund. The other principal topic for discussion by the Board, as a whole, was the consideration in detail of a new policy for the distribution of Board grants.

The work of the Board is supported by sub-committees, which comprise members of the Board. All of the Board's sub-committees are chaired by one of the three Government Appointed Board Members. More information on these sub-committees is below. In 2013/14 the attendance at Board and Committee meetings is shown in the table:

Board member	Appointed by	Board Meetings 10 meetings	Audit and Risk Assurance Committee 3 meetings	Remuneration Committee 2 meetings	Investment Committee* 4 meetings
Paul Lee Chairman	Secretary of State for Culture, Media and Sport	10	–	2	–
Paul Bolt	Secretary of State for Culture, Media and Sport	9	3	–	–
Paul Darling QC	Secretary of State for Culture, Media and Sport	10	–	2	4
Ian Barlow	Jockey Club	6	3	–	3
Philip Freedman	Jockey Club	10	–	–	–
Paul Roy (to 30th June 2013)	Jockey Club	3	–	–	–
Paul Bittar (from 1st July 2013)	Jockey Club	6	–	–	–
Will Roseff	Bookmakers' Committee	10	3	2	4

\* The Standing Orders of the Investment Committee permit members who were unable to attend meetings to be represented by an alternate.

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

## The Audit and Risk Assurance Committee

The role of the Audit and Risk Assurance Committee is to undertake an independent assessment of the financial affairs of the Board, to review the financial statements and to ensure that there is a sound system of financial controls. Although the Audit and Risk Assurance Committee is an advisory body with no executive powers, it acts as the conscience of the Board and provides insight and strong constructive challenge where required. The full terms of reference are available on the Board's website, [www.hblb.org.uk](http://www.hblb.org.uk).

The Committee is chaired by Paul Bolt with Ian Barlow and Will Roseff as the other members, both of whom are chartered accountants with extensive listed (or equivalent) board experience and skilled in all aspects of corporate governance. The Chairman of the Audit and Risk Assurance Committee reports to the Board after each Committee meeting.

In 2013/14 the Audit and Risk Assurance Committee met three times. Each meeting was attended by the Chief Executive, the Finance Director, the Finance Manager and representatives from the National Audit Office and Mazars LLP. The programme of work in 2013/14 is set out below.

The Committee continued to scrutinise the Board's banking and investment arrangements and monitor the cash flow forecasts and counter-party risk policy. During the year the Committee considered a report from the Executive that reviewed alternative investment options for the cash balances held by the Board. Although it was acknowledged that with current interest rates the funds held were currently losing value against inflation, the Committee agreed that the principal objective was to remain within safe investment parameters and the Board was unlikely to be able to invest for a five to ten year timeframe.

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, received an updated report on the risk of fraud and approved revised Financial Regulations that detailed the internal controls in place. As part of its work on controls the Committee approved the scope of work of the internal auditors (Mazars LLP) and reviewed their findings, none of which were considered fundamental or significant.

In respect of the 2012/13 financial year end the Committee devoted significant consideration to a revised accounting treatment for grants paid for the advancement of veterinary science and education. The culmination of this work was a change in accounting policy for the year to 31st March 2013 with a related prior period adjustment.

During the year the Committee noted the scope of the audit work proposed by the National Audit Office and received a report on the interim audit. The Committee also reviewed the style and content of the Annual Report and Accounts in light of the changes to the Corporate Governance Code and the new format presented in this Annual Report and Accounts reflect this analysis.

Since the year end, the Committee has considered the 2013/14 Annual Report and Accounts and the related Completion Report presented by the National Audit Office and concluded that taken as a whole they are fair, balanced and understandable and has advised the Board accordingly. In reaching this opinion the Committee determined that the key area of judgement, the estimate of amounts due from/to bookmakers in respect of Levy income, had been appropriately appraised by the Executive.

## The Remuneration Committee

The Remuneration Committee, comprising Paul Darling (Chairman), Paul Lee and Will Roseff, met twice in 2013/14 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.

Additionally, the Committee received a report from the Chief Executive on the implementation of the new management structure and after consideration of a benchmarking study approved a new travel and expenses policy that will apply to the Board.



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 Internal and External Gifts and Hospitality Registers, at every meeting.

## The Investment Committee

The Investment Committee met four times in 2013/14. During the year, the Committee was chaired by Paul Darling and the other members were Ian Barlow and Will Roseff.

The Investment Committee deliberated at length on the question of continuing to utilise the Board's assets to make loans to racecourses and, mindful of counter-party risk, the specific question of the maximum size of loans to individual racecourses and racecourse groups.

The Investment Committee received new applications and approved five racecourse loan applications, having assessed the financial health of the applicants. This work included a detailed assessment of the underlying credit risk arising from potential borrower financial stress and impact of external factors (such as industry funding and prize money levels).

## The Bookmakers' Committee

The function of the Bookmakers' Committee is to recommend annually to the Board the categories, rates, conditions and definitions of the Levy Scheme for the following year and, if appropriate, to consider 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 31st October 2013, for the terms of the 53rd Levy Scheme.

The Bookmakers' Committee's Recommendations, put forward to the Board in October 2013, were on the understanding that the Board and the Bookmakers' Committee would continue to use reasonable endeavours to achieve, in 2014, a fixture programme of a minimum of 1,450 criteria fixtures, an improvement in the average number of runners per race across all codes and afford bookmaking representatives greater influence in respect of the fixture programme. In particular, race planning would continue to be targeted to deliver a minimum of 7 races per racecard and a minimum of 6 runners per race.

The 53rd Levy Scheme (1st April 2014 to 31st March 2015) was agreed on 23rd October 2013, with Levy Board members approving unanimously the Recommendations from the Bookmakers' Committee.

The Members of the Bookmakers' Committee in 2013/14 are as follows:

Will Roseff <sup>1</sup> (Chairman)	ABB
Thomas Murphy <sup>2</sup> (Vice Chairman)	William Hill plc
Warwick Bartlett (to April 2013)	ABB
Mark Chambers	Gala Coral Group
Howard Chisholm	ABB
Martin Cruddace (to September 2013)	The Sporting Exchange
Dominic Ford (from June 2013)	ABB
Susannah Gill (from October 2013 to February 2014)	The Sporting Exchange
Neil Goulden (to January 2014)	Gala Coral Group
Andy Hornby (from February 2014)	Gala Coral Group
Keith Johnson	NAB
Greg Knight	ABB
Mike O'Kane	Ladbrokes plc
Reg Ozcan (from March 2014)	The Sporting Exchange
Nick Rust	Ladbrokes plc
Ralph Topping	William Hill plc
Andrew Watson	NAB
General Secretary: Stu McInroy	

**Notes:**

<sup>1</sup> Re-appointed as Chairman on 7th March 2013

<sup>2</sup> Re-appointed as Vice-Chairman on 24th March 2013

ABB: Appointed by the Association of British Bookmakers

NAB: Appointed by the National Association of Bookmakers

## The 53rd Levy Scheme

The 53rd Levy Scheme will in most respects continue the terms of the 52nd Levy Scheme with a bookmaker's 2014/15 Levy liability being calculated by reference to the gross profit on British Horserace Betting Business (BHBB).

	53rd Levy Scheme	52nd Levy Scheme
Off-course betting through Licensed Betting Offices (LBOs) – Operators with more than 100 LBOs	10.75%	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 £55,860	Abated rate applies to those of its LBOs (up to a maximum of 30) which have gross profits on BHBB of less than £54,180
Flat Rate Rebate for the first 30 LBOs in any chain	£758	£735
Flat Rate Rebate for all other LBOs	£191	£185
Internet and telephone	10.75%	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%	10.75%
Spread betting	2.15%	2.15%
On-course betting	£234	£227
Point-to-Point and/or harness racing and/or trotting events only	£187	£181

In addition to the agreement of the 53rd Levy Scheme, the four largest retail bookmakers (William Hill, Ladbrokes, Coral and Betfred) have agreed a four-year undertaking with Racing (the British Horseracing Authority, the Racecourse Association and the Horsemen's Group) to make additional voluntary contributions of £4.5m per year into a newly-created Incentive Fund with effect from April 2014. Furthermore, as part of the arrangement, the four bookmakers have agreed to underwrite a combined contribution payable through the statutory Levy of not less than £47.5m per year, as well as the £4.5m additional voluntary contributions.

## Contributions by the Successor Company to the Horserace Totalisator Board (Betfred)

Following the sale of the Tote, the Betting, Gaming and Lotteries Act 1963, the Horserace Betting Levy Act 1969 and the Horserace Betting and Olympic Lottery Act 2004 were amended. The effect of these changes is that the Board separately negotiates the contributions due from Betfred in respect of its pool betting operations, and Betfred is not subject to the Levy Scheme in respect of these operations. In October 2013 the Levy Board agreed that, in respect of its pool betting operations, Betfred will contribute for the 53rd Levy Scheme at 10.75% of gross profit on BHBB as if it were a bookmaker, which is the same rate that was agreed with Betfred for the 52nd Levy period.

## 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, pages 12-13). This process has been in place for the year ended 31st March 2014 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.

## 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 is greatly assisted, with respect to income estimates, by the Bookmakers' Committee which provides quarterly updates on the likely Levy yield, based on actual trading information from licensed betting offices 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 audit plan. During the year, Mazars LLP carried out specific reviews on:

- Counter Fraud;
- Loans to racecourses and the capital credit grants scheme;
- Follow up on recommendations arising from the 2012/13 internal audit review.

No significant control issues were identified by their work for the year ended 31st March 2014.

## Information Management

The Board has suffered no protected personal data incidents during the year ended 31st March 2014 or prior years and has made no reports to the Information Commissioner's office.

## 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.

There is nothing of which I am aware that leads me to believe that the Board's systems of control are not adequate.

**Alan Delmonte**

Chief Executive and Accounting Officer  
Horserace Betting Levy Board

25th June 2014



## 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 between three and four years.

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

Paul Darling was appointed as a Government Appointed Member of the Board for the three years commencing 14th July 2011. Paul Bolt was appointed as a Government Appointed Member of the Board on 3rd October 2011 on a term of up to three years. The total time commitment for the Government Appointed Members of the Board is expected to be approximately two-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.

The appointments of the Government Appointed Members of the Board are not pensionable, none of their salary is performance related and no pension contributions have been paid by the Board on their behalf.

#### Chairman of the Bookmakers' Committee

The Chairman of the Bookmakers' Committee is appointed as a Board Member (section 24(2) of the Betting, Gaming and Lotteries Act 1963 (as amended)). Will Roseff was re-appointed as Chairman of the Bookmakers' Committee for a two-year term commencing on 7th March 2013. 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 none of his salary is performance related.

#### Jockey Club Appointees

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

#### Chief Executive

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

Under s.24(7) of the Betting, Gaming and Lotteries Act 1963 (as amended), the Levy 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 the Chief Executive. The Chief Executive is not eligible to receive a bonus payment and none of his salary is performance related. Pension contributions totalling £14,672 have been paid by the Board on his behalf.

Alan Delmonte succeeded Douglas Erskine-Crum as Chief Executive with effect from 8th April 2013.

## Sickness Absence

Average sickness absence per person employed by the Board during the year ended 31st March 2014 was 5.3 days (2012/13: 1.8 days). This increase from the prior year is attributable to two members of staff receiving extended hospital treatment for chronic medical conditions. Excluding these individuals, the average sickness absence per employee was 1.5 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 benefits in kind of the Board members who are remunerated. None of these individuals are entitled to receive performance related bonuses.

	2014				2013			
	Board salaries £	Benefits in kind <sup>1</sup> £	Pension contributions <sup>2</sup> £	Total £	Board salaries £	Benefits in kind <sup>1</sup> £	Pension contributions <sup>2</sup> £	Total £
<b>Board Members</b>								
Paul Lee – Chairman	63,650	–	–	63,650	63,020	–	–	63,020
Paul Bolt – Government Appointed Member	19,665	–	–	19,665	19,470	–	–	19,470
Paul Darling – Government Appointed Member	19,665	–	–	19,665	19,470	–	–	19,470
Will Roseff – Chairman of the Bookmakers' Committee	19,665	–	–	19,665	19,470	–	–	19,470
<b>Chief Executive and Accounting Officer</b>								
Douglas Erskine-Crum (left 7th April 2013)	2,945	126	–	3,071	230,000	5,457	–	235,457
Alan Delmonte (appointed 8th April 2013)	146,724	1,876	14,672	163,272	–	–	–	–
	<b>272,314</b>	<b>2,002</b>	<b>14,672</b>	<b>288,988</b>	<b>351,430</b>	<b>5,457</b>	<b>–</b>	<b>356,887</b>

Notes:

<sup>1</sup> Private medical insurance

<sup>2</sup> Contributions to group personal pension plan

Following the Hutton Fair Pay Review, the Board is required to disclose the relationship between the remuneration of the highest-paid director in the organisation and the median remuneration of the organisation's workforce.

The Chairman of the Board was the highest earner in 2013/14, based on his full time equivalent salary of £172,385 (2012/13: Chief Executive and Accounting Officer for the Board, £235,457). This was 3.26 times (2012/13: 4.10) the median remuneration of the workforce, which was £52,920 (2012/13: £57,394). With the exception of the Chairman of the Board, no employees in 2013/14 received remuneration in excess of the Chief Executive and Accounting Officer.

The median remuneration of the Board's staff is calculated by reference to remuneration of the staff members, including the two independent Government Appointed Board Members and the Chairman of the Bookmakers' Committee, but excluding the Chairman who is the highest paid director. In calculating the total remuneration of employees, 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.

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

	2014 £	2013 £
Highest Earner's total remuneration	172,385	235,457
Median total remuneration	52,920	57,394
<b>Ratio</b>	<b>3.26</b>	<b>4.10</b>

## Breakdown of staff numbers

The breakdown of staff numbers as at 31st March 2014 was as follows:

	Male	Female
Number of Board Members of each sex	7	–
Number of Senior Managers of each sex	1	–
Number of employees of each sex	4	9

### Alan Delmonte

Chief Executive and Accounting Officer  
Horserace Betting Levy Board

25th June 2014

## Operating review

### **Income** **2013/14: £78.5m**      **2012/13: £74.8m**

The Levy yield for the 52nd Levy Scheme is £70.1m (51st Levy Scheme: £66.7m). Other income received includes non-statutory contributions totalling £7.9m (2012/13: £7.6m) and against a backdrop of very low interest rates, interest receivable, including loans to racecourses, of £0.5m (2012/13: £0.4m) was generated.

### **Expenditure**

The accounts presented in this annual report show information for the fiscal year 2013/14, although the Board actually agrees the vast majority of its expenditure allocation on a calendar year basis. Therefore all references to years in this section should be taken to refer to a calendar year, unless otherwise stated.

### **Improvement of horseracing** **2014: £77.6m**      **2013: £71.2m**

In addition to the various prize money schemes and payments to racecourses referred to in the Strategic Report, the Board also supports Industry Training and Point-to-Point racing.

#### ***Industry Training and Education***

The Board's commitment to training and education programmes in the racing and breeding industry includes a grant to the British Horseracing Education and Standards Trust (BHEST) to support activities that include stable staff training and recruitment, jockey continuation training, nutritional education programmes, life skills and functional skills, the pony racing series and the Racing to School education programme.

The Board also supports the National Stud in its provision of specialist training for careers in the thoroughbred breeding industry through the internationally renowned Diploma Course, the Apprenticeship Programme and the Stud Secretaries' course. The Stud also provides short term work experience for school pupils, college students, veterinary undergraduates and breeders.

The Board grants funds to the TBA Education and Employment Scheme, which focuses on providing employer support, promotion of recruitment and careers in the racing and breeding industries and continuation of industry qualifications and professional development.

The Board has been a sponsor of the industry renowned BHA Graduate Programme since its inception over 20 years ago. The programme, intended for graduates or final year degree students, provides an invaluable insight into the many organisations and functions in racing, breeding and betting. The Board again took on a student on placement as part of the programme and was pleased to be able to offer her a permanent role thereafter.

The Board is continuing to assist with the preparatory work to create a MBA programme to cover a mix of traditional business subjects and also specialisations relating to racing. The course is set to be operational in 2015.

**Point-to-point**

Point-to-pointing makes a significant contribution to National Hunt racing, and in recognition of this the Board has supported point-to-points through the payment of grants since 1974. The new method of fixture payments trialled in 2013, which is similar to the Board's Fixture Incentive Fund for horseracing under the Rules of Racing, will continue for 2014. The success of these methods will be reviewed at the end of the year.

The table below sets out further details of the Board's 2014 budget and 2013 actual allocation to the Improvement of Horseracing on a calendar year basis:

Improvement of Horseracing	2014 Flat £'000	2014 Jump £'000	2014 Total £'000	2013 Total £'000
General prize fund – Racecourse fixtures	20,467	15,857	36,324	35,304
Winter jump	–	601	601	437
Transitional fund	–	–	–	276
Blanket all-weather	1,647	–	1,647	1,372
BHA twilight fixtures	1,465	–	1,465	1,261
Sunday appearance money	275	460	735	697
British Champions Day	400	–	400	300
Future Champions Day	225	–	225	–
Good Friday Lingfield	126	–	126	–
Race incentive fund	4,569	1,990	6,559	6,516
Saturday handicap fund	25	47	72	125
Racing and betting incentive – twilights	65	65	130	–
Racing and betting incentive fund	330	220	550	798
Divided race fund	854	546	1,400	1,396
Breeders prizes	–	400	400	395
British owners' and breeders incentive scheme	1,253	–	1,253	1,090
<b>Sub-total prize money (rounded)</b>	<b>31,701</b>	<b>20,186</b>	<b>51,887</b>	<b>49,967</b>
Additional voluntary contribution fund			4,500	–
<b>Grand total prize money</b>			<b>56,387</b>	<b>49,967</b>
Fixture incentive payments			3,000	3,148
Raceday services grants			16,400	16,492
Industry training and education			1,222	1,010
Point-to-point			250	250
Great British Racing International			350	350
<b>Grand Total – Improvement of horseracing</b>			<b>77,609</b>	<b>71,217</b>

**Other expenditure**

**(a) Advancing veterinary science and education 2014: £1.8m**

**2013: £1.6m**

In line with recommendations of the Board's Veterinary Advisory Committee seven research projects are being supported, four of which are being part-funded by The Racing Foundation, including the investigation of potential vaccines against *Rhodococcus equi* infection in foals,

African Horse Sickness and Grass Sickness. Also being supported by The Racing Foundation is a project to look at whether monitoring racehorse gait will aid the early detection of musculoskeletal injury.

New in 2014 is the Small Projects Grants Fund reserved for programmes of no longer than a year's duration focusing on specific issues of direct and immediate practical application to the health and wellbeing of the Thoroughbred. In addition, the Board has decided to fund a four-year clinical scholarship in equine sports medicine, concentrating on respiratory disorders; and three research scholarships. These educational awards help to attract top quality veterinary surgeons into the equine field.

Funding was maintained for the rolling programmes focusing on infectious disease and equine influenza, as part of the Board's strategic approach of surveillance and proactive response to control and minimising the risks of infectious disease. For more information see the 2014 Codes of Practice, <http://codes.hblb.org.uk>.

The Board is grateful for the valuable contributions made by the members of the Veterinary Advisory Committee who are as follows:

Professor Willie Donachie BSc PhD CBiol FIBiol (*Chairman*)  
 Professor Colin Farquharson BSc PhD  
 Professor Celia Marr BVMS MVM PhD DEIM DipECEIM MRCVS  
 Professor Peter O'Shaughnessy BSc PhD  
 Professor Chris Proudman MA Vet MB PhD Cert EO FRCVS RCVS  
 Professor Stuart Ralston BVM&S MRCVS  
 Mr Chris Rea BVM&S MRCVS  
 Professor Falko Steinbach PhD MRCVS

The new Racehorse Health website (<http://racehorsehealth.hblb.org.uk>) provides summaries of recent and current Levy Board funded research on diseases and injuries of the Thoroughbred.

**(b) Improvement of breeds of horses** **2014: £115,000** **2013: £115,000**

The allocation of grants to rare horse and pony breed societies was increased for 2013 to include a new allowance towards the testing of non-Thoroughbred stallions for Contagious Equine Metritis. This initiative is aimed at encouraging the universal adoption of the Codes of Practice in an effort to reduce the risks to the British Thoroughbred herd.

Equine breeds that are listed by the Rare Breed Survival Trust in categories 1 to 4 on breeding numbers and risk factors are eligible for Board grant funding. Each funded breed society submits an annual funding proposal supported by plans directly relevant to the improvement of the breed. Societies contribute at least 20% of the value of the grant from their own resources. Board funding enables them to promote pure breeding and market the breed to stimulate demand and long term sustainability. More information can be found on the Board's website, [www.hblb.org.uk](http://www.hblb.org.uk).

**(c) Administration costs****2013/14: £2.2m****2012/13: £3.0m**

The Board's administration costs include the one-off costs associated with the move in February 2014 from the office suite in Victoria to a new office situated at 21 Bloomsbury Street. The prior year figure includes the legal fees associated with the betting exchanges judicial review. Comparing the two years, on a like-for-like basis, administration costs were £150,000 lower than in 2012/13.

**Statement of financial position**

For the year ended 31st March 2014 the Board generated a surplus of £2.7m, which compares to a surplus in 2012/13 of £8.6m. The Board had previously agreed a target range for reserves of between £30.0m and £40.0m. At 31st March 2014 the Board's reserves were £45.0m, an increase on 31st March 2013 when reserves were £42.3m.

The Board's decision in 2012 to re-introduce loans to racecourses has seen £16.6m of new loans approved since December 2012 and of this total £2.9m was drawn down during 2013/14. The total net present value of loans decreased from £10.4m at 31st March 2013 to £8.3m at the year end.

During the year the Board generated a positive cash flow of £14.8m (2012/13: £8.7m) and, including all amounts held in interest bearing bank deposit accounts, the year-end cash balance totalled £43.1m (2012/13: £32.1m).

**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 31st March 2014 99% of invoices totalling £2.6m 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, cardboard, plastic and glass by using the recycling bins provided in the office. In 2013 the Board recycled 1,250kg, which is the equivalent of 13 trees or 1,650kg of CO<sub>2</sub>.

**Freedom of Information**

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

## 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 31st March 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Income, 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 Remuneration 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 is 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 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.

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 Horserace Betting Levy Board's affairs as at 31st March 2014 and of the surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Betting, Gaming and Lotteries Act 1963 and Secretary of State directions issued thereunder.

## Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Betting, Gaming and Lotteries Act; and
- the information given in the Chairman's Statement; Strategic Report; the Governance Statement and the Operating Review 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 part of the Remuneration 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

**7 July 2014**

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

## Statement of comprehensive income for the year ended 31st March 2014

	Notes	2014 £000	2013 Restated £000
<b>Income</b>			
Levy income receivable for:			
52nd Levy Scheme (comparative is 51st Levy Scheme)	2a	70,102	66,700
Previous years' Schemes	2a	51	146
		<b>70,153</b>	<b>66,846</b>
Other income	2a	7,904	7,572
Interest receivable	2a	490	416
<b>Total income</b>		<b>78,547</b>	<b>74,834</b>
<b>Expenditure</b>			
Improvement of horseracing	4a	(72,259)	(61,086)
Other expenditure	4b	(3,566)	(4,336)
Pension finance costs	17a	–	(871)
<b>Total expenditure</b>		<b>(75,825)</b>	<b>(66,293)</b>
<b>Operating surplus</b>		<b>2,722</b>	<b>8,541</b>
Income tax	7	–	–
<b>Surplus for the year</b>		<b>2,722</b>	<b>8,541</b>
<b>Other comprehensive income</b>			
Actuarial gain on the defined benefit pension scheme	17e	–	44
<b>Total comprehensive income for the year</b>		<b>2,722</b>	<b>8,585</b>

The surplus for the year arose from continuing operations.

The notes on pages 37 to 53 form part of these accounts.

## Statement of financial position as at 31st March 2014

	Notes	2014 £000	2013 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	404	35
Loans	10	3,389	5,354
<b>Total non-current assets</b>		<b>3,793</b>	<b>5,389</b>
<b>Current assets</b>			
Trade and other receivables	9	5,013	7,600
Loans due within one year	10	4,876	5,028
Financial assets	12	8,272	12,110
Cash and cash equivalents	13	34,841	20,042
<b>Total current assets</b>		<b>53,002</b>	<b>44,780</b>
<b>Total assets</b>		<b>56,795</b>	<b>50,169</b>
<b>Current liabilities</b>			
Trade and other payables	14	(11,704)	(7,734)
Provisions	15	–	(124)
<b>Total current liabilities</b>		<b>(11,704)</b>	<b>(7,858)</b>
<b>Total assets less total current liabilities</b>		<b>45,091</b>	<b>42,311</b>
<b>Non-current liabilities</b>			
Provisions	15	(58)	–
Pension liability	17b	–	–
<b>Total non-current liabilities</b>		<b>(58)</b>	<b>–</b>
<b>Total net assets</b>		<b>45,033</b>	<b>42,311</b>
<b>Reserves</b>	18	<b>45,033</b>	<b>42,311</b>

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

**Paul Lee**  
Chairman  
25th June 2014

**Alan Delmonte**  
Chief Executive and Accounting Officer  
25th June 2014

The notes on pages 37 to 53 form part of these accounts.

## Cash flow statement for the year to 31st March 2014

	Notes	2014 £000	2013 £000
<b>Cash flow from operating activities</b>			
Operating surplus for the year		2,722	8,541
<b>Adjustments for:</b>			
Depreciation	5, 8	40	30
Interest receivable		(490)	(416)
Fair value adjustment for loans receivable	4a, 10a	(55)	3
Net pension finance charge	17a	–	871
Pension contributions paid	17c	–	(1,060)
Decrease/(Increase) in trade and other receivables	9	2,587	(2,670)
Increase/(Decrease) in trade and other payables	14	3,970	(5,337)
Decrease in provisions	15	(66)	(498)
<b>Cash consumed by operations</b>		<b>8,708</b>	<b>(536)</b>
Income tax	7	–	–
<b>Net cash flow from operating activities</b>		<b>8,708</b>	<b>(536)</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment	8	(409)	(12)
Net loans repaid by racecourses	10a	2,172	8,421
Interest and investment earnings		490	416
<b>Net cash flow from investing activities</b>		<b>2,253</b>	<b>8,825</b>
<b>Cash flow from financing activities</b>			
Net amounts transferred from financial assets	12	3,838	421
<b>Net cash flow from financing activities</b>		<b>3,838</b>	<b>421</b>
<b>Net increase in cash and cash equivalents</b>		<b>14,799</b>	<b>8,710</b>
Cash and cash equivalents at 1st April		20,042	11,332
<b>Cash and cash equivalents at 31st March</b>		<b>34,841</b>	<b>20,042</b>

The notes on pages 37 to 53 form part of these accounts.

## Statement of changes in reserves for the year ended 31st March 2014

	Reserves* £000
At 1st April 2013	42,311
<b>Changes in Reserves 2014</b>	
Retained surplus for 2014	2,722
<b>Total comprehensive income for 2014</b>	<b>2,722</b>
<b>Balance at 31st March 2014</b>	<b>45,033</b>

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

The notes on pages 37 to 53 form part of these accounts.

## NOTES TO THE ACCOUNTS FOR THE YEAR TO 31ST MARCH 2014

### 1. Basis of preparation

The accounts have been prepared on the going concern basis. 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 it they are considered to be applicable to the Board, of the 2013 – 2014 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

**1. Basis of preparation** *continued***Accounting developments**

On 1st April 2013, IFRS 13 Fair Value Measurement was adopted. IFRS 13 had no impact on the Board's results but resulted in some additional disclosures for financial instruments.

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 but not yet endorsed by the EU or adopted at the year end was IFRS 9 Financial Instruments. If endorsed, IFRS 9 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 52nd Scheme (for the year ended 31st March 2014). In addition Levy income includes the impact, if any, of the minimum guarantee, provided as part of the 52nd Levy Scheme agreement, by Gala Coral, Ladbrokes and William Hill, an amount in respect of adjustments to estimates made in previous years and amounts repaid to bookmakers following the outcome in May 2013 of the Judicial Review in relation to the liability to Levy of users of betting exchanges.

*Other income*

Other income principally comprises other non-statutory contributions and payments received from bookmakers.

*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 20.

**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 Income 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 9.

**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 2014, 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 2014, 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 income account in the year to which it relates.

Previously, the Board also operated a defined benefit pension scheme ('Scheme'), which was fully wound up on 31st October 2012. For the Scheme, up to the date of wind-up, any increase in the present value of the liabilities of the Scheme that was expected to arise from the current service of employees in the year was charged to the Board's comprehensive income account. For the period ending 31st October 2012, the expected return on the Scheme's assets and the expected increase during the year in the present value of the Scheme's liabilities were included as pension finance income or costs as appropriate. Actuarial gains and losses were recognised in the statement of comprehensive income account. Scheme assets, to the extent they were considered recoverable, and Scheme liabilities, were recognised in the statement of financial position and represented the difference between the market value of Scheme assets and the present value of Scheme liabilities.

**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 a single significant source of income from Levy paid by bookmakers, and the segmental reporting reflects the Board's management and internal reporting structure.

**k) Reclassification of expenditure**

For 2014, Breeders' prizes scheme and British owners' and breeders' incentive scheme costs have been reclassified as Improvement of Horseracing (note 4a). Previously these costs had been included within Other Expenditure (note 4b). The comparative figures for 2013 have been reclassified.

**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 52nd 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 31st March 2014, the estimated Levy income represented less than 2% of the total Levy income.

#### 4. Expenditure costs

##### 4a. Improvement of horseracing

	2014	2013
	£000	Restated £000
<b>Horsemen</b>		
Prize money	47,367	36,239
Prize money for divided races	1,374	1,467
British owners' & breeders' incentive scheme	1,186	–
Breeders' prizes scheme	414	681
Appearance money scheme	706	695
	<b>51,047</b>	<b>39,082</b>
<b>Racecourses</b>		
Fixture incentive scheme	3,167	3,425
Fair value adjustment to racecourse loans	(55)	3
	<b>3,112</b>	<b>3,428</b>
<b>Raceday services</b>		
Raceday services	16,405	16,900
BHA pension scheme – future provision	–	(502)
	<b>16,405</b>	<b>16,398</b>
<b>Training</b>		
Industry training	1,078	870
	<b>1,078</b>	<b>870</b>
<b>Other</b>		
Point-to-point meetings	267	235
Channel 4 racing	–	720
Great British Racing International	350	350
Miscellaneous	–	3
	<b>617</b>	<b>1,308</b>
	<b>72,259</b>	<b>61,086</b>

**4. Expenditure costs** *continued***4b. Other expenditure**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>Restated £000</b>
Breed societies	102	100
Advancement of veterinary science and education	1,093	975
Administration costs	2,151	2,982
Bookmakers' Committee costs	219	228
Charitable payments	1	51
	<b>3,566</b>	<b>4,336</b>

**5. Surplus**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
This has been arrived at after charging:		
Remuneration of Board Members and Chief Executive	289	357
Depreciation	40	30
Operating lease rentals	340	266
Auditors' remuneration:		
– External audit	39	40
– Internal audit and other services	6	7

**6. Staff numbers and costs**

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

	<b>2014</b>	<b>2013</b>
	<b>FTE</b>	<b>Restated* FTE</b>
Permanent staff	13.9	14.8
Temporary staff	0.6	0.8
	<b>14.5</b>	<b>15.6</b>

\* The Full Time Equivalent (FTE) staff calculation for 2013 has been recalculated to be consistent with the 2014 calculation, which is considered to be based on a more accurate methodology than in prior years.

The aggregate payroll costs of these persons were:

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	878	1,090
Social security	97	112
Pension costs	69	67
Redundancy payments	–	115
Other staff costs	95	118
	<b>1,139</b>	<b>1,502</b>

## 6. Staff numbers and costs *continued*

As stated in note 2(i), the Board operated a defined benefit pension scheme, which was fully wound up on 31st October 2012 and from that date no further payments are required to be made. A group personal pension plan was set up on 1st April 2003.

There were no compulsory or other redundancy payments in 2014. There was one compulsory redundancy in 2013 with a payment in the range £100,001 to £125,000 made in accordance with the terms of the individual employee's contract of employment.

## 7. Taxation

The charge for income tax represents tax charged in the accounts of the Board in respect of interest received less certain deductions. Other revenue and expenditure of the Board is not taxable or tax deductible. There was no tax payable or refundable in the year (2013: £nil).

### Factors affecting the tax charge for the year

The tax assessed for the year is lower than would be expected by multiplying the surplus before taxation by the standard rate of tax payable by corporate entities in the UK of 23% (24% in 2013). The differences are explained below:

	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
Surplus for the year before tax	2,722	8,585
Income tax expense calculated at 23% (2013: 24%)	626	2,060
Effects of:		
Amounts not subject to taxation	(626)	(2,060)
<b>Current taxation charge for the year</b>	<b>-</b>	<b>-</b>

**8. Property, plant and equipment**

	Leasehold improvements £000	Furniture and equipment £000	Total £000
<b>Cost:</b>			
At 1st April 2012	118	271	389
Additions	–	12	12
Disposals	–	–	–
<b>At 31st March 2013</b>	<b>118</b>	<b>283</b>	<b>401</b>
<b>Depreciation:</b>			
At 1st April 2012	72	264	336
Charge for the year	24	6	30
Disposals	–	–	–
<b>At 31st March 2013</b>	<b>96</b>	<b>270</b>	<b>366</b>
<b>Net book value:</b>			
At 31st March 2012	46	7	53
<b>At 31st March 2013</b>	<b>22</b>	<b>13</b>	<b>35</b>
<b>Cost:</b>			
At 1st April 2013	118	283	401
Additions	365	44	409
Disposals	(118)	(148)	(266)
<b>At 31st March 2014</b>	<b>365</b>	<b>179</b>	<b>544</b>
<b>Depreciation:</b>			
At 1st April 2013	96	270	366
Charge for the year	28	12	40
Disposals	(118)	(148)	(266)
<b>At 31st March 2014</b>	<b>6</b>	<b>134</b>	<b>140</b>
<b>Net book value:</b>			
At 31st March 2013	22	13	35
<b>At 31st March 2014</b>	<b>359</b>	<b>45</b>	<b>404</b>

## 9. Trade and other receivables

	2014 £000	2013 £000
Trade and other receivables	46	234
Amounts due from bookmakers in respect of Levy income	4,863	6,036
Amounts due from bookmakers in respect of non-statutory contributions	–	1,050
Prepayments and accrued income	104	280
	<b>5,013</b>	<b>7,600</b>

All the above amounts are due within one year.

The prepayments and accrued income total at 31st March 2014 includes an intra-Government balance with Local Authorities of £nil (2013: £1,949).

## 10. Loans

	2014 £000	2013 £000
<b>Secured:</b>		
Repayable within five years	8,413	10,512
<b>Unsecured:</b>		
Repayable within five years	73	146
<b>Total loans at historic cost</b>	<b>8,486</b>	<b>10,658</b>
Fair value adjustment	(221)	(276)
<b>Total loans at net present value</b>	<b>8,265</b>	<b>10,382</b>
Loans included above due within one year	4,876	5,028
<b>Loans due in more than one year</b>	<b>3,389</b>	<b>5,354</b>

The loans granted prior to 1st April 2012 are interest free. Loans granted after this date attract an interest charge of 4% per annum. At the year end, £8,413,000 of the notional loan balance (2013: £10,512,000) was secured against the racecourse assets of the borrowers.

The loans are stated at net present value. In 2014, the discount rate prescribed by HM Treasury, 2.2%, has been utilised (2013: 2.2%).

### 10a. Loans at net present value: Movement in the year

	2014 £000	2013 £000
Balance at 1st April	10,382	18,806
Loans made to racecourses	2,911	91
Loans repaid by racecourses	(5,083)	(8,512)
Fair value adjustment to racecourse loans	55	(3)
<b>Balance at 31st March</b>	<b>8,265</b>	<b>10,382</b>

The fair value adjustment to racecourse loans has been recognised as racecourse expenditure under costs related to the improvement of horseracing (see note 4a). For the purposes of IFRS 13, the Board considers that the fair value of the loans should be determined based on Level 3 inputs (i.e. unobservable inputs), as the racecourse loans are not traded on an observable market. There has been no change in this classification during 2013 or 2014.

**11. 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 low as a high proportion of investments are fixed rate deposits. The Board does not have any debt and as such is not exposed to fluctuations in interest rates in this regard. The Board is not directly exposed to any foreign currency risk.

*Liquidity risk*

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

*Credit risk*

The Board invests surplus cash in term deposits and cash. The Board does not engage in speculative financial transactions and there are strict internal guidelines agreed by the Audit Committee that govern counter-party risk and the investment of funds, which ensure that no more than one-third of cash deposits are invested with any one approved financial institution.

The Board also grants loans to racecourses, usually repayable over 4 or 5 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 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. Accordingly, the Board has a contingent liability in the event of the BHA becoming unable to meet its obligations. Further information is shown at Note 21.

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 at Note 21.

## 12. 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.

	2014 £000	2013 £000
Balance at 1st April	12,110	12,531
Net change in financial assets	(3,838)	(421)
<b>Balance at 31st March</b>	<b>8,272</b>	<b>12,110</b>

## 13. Cash and cash equivalents: Movement in the year

	2014 £000	2013 £000
Balance at 1st April	20,042	11,332
Net change in cash and cash equivalent balances	14,799	8,710
<b>Balance at 31st March</b>	<b>34,841</b>	<b>20,042</b>

### 13a. Cash and cash equivalents

	2014 £000	2013 £000
The following balances at 31st March were held at:		
Cash at banks and in hand	28,789	9,382
Bank deposits maturing in less than three months	6,052	10,660
	<b>34,841</b>	<b>20,042</b>

## 14. Current liabilities: Trade and other payables

	2014 £000	2013 £000
Capital credit grants	6,559	5,402
Accruals	1,959	1,724
Amounts due to bookmakers in respect of Levy income	2,963	442
Trade and other creditors	190	143
Social security	33	23
	<b>11,704</b>	<b>7,734</b>

Capital credit grants comprises grant payments to racecourses that are allocated for future capital projects but have not been drawn down at 31st March 2014.

The social security total at 31st March 2014 represents an intra-Government balance with Central Government Bodies of £32,824 (2013: £23,713).



## 15. Provisions

The BHA Pension Scheme Provision represents the commitment given by the Board in the year ended 31st March 2008 to meet 70% of the annual deficit repair cost of the BHA pension scheme. At 31st March 2014, the value of this provision was £nil (2013: £nil).

	2014 £000	2013 £000
<b>BHA Pension Scheme Provision</b>		
At 1st April	–	502
Provision utilised in the year	–	(505)
Unwinding of discount	–	3
<b>At 31st March</b>	<b>–</b>	<b>–</b>

In addition, a provision was created in 2014 to provide for the costs that the Board will incur in respect of premises dilapidations when the leasehold office property at 21 Bloomsbury Street is vacated at the end of the lease term in 2022. Management's estimate of the cost of work required, discounted in accordance with IAS 37, is £58,000. In 2013, there was a provision for the leasehold office property at Parnell House for £124,000.

In 2014, the discount rate adopted of -0.65% is in line with guidance supplied by HM Treasury for cash flows of between five and ten years (2013: -1.8% for cash flows of up to five years). The provisions are analysed as current and non-current as follows:

	2014 £000	2013 £000
Current	–	124
Non-current	58	–
	<b>58</b>	<b>124</b>

## 16. Commitments under operating leases

At 31st March 2014, the Board was committed to making the following payments in respect of operating leases.

	2014 £000	2013 £000
Obligations under operating leases comprise:		
Buildings:		
Within 1 year	157	234
After 1 year but not more than 5 years	679	–
After 5 years	763	–
	<b>1,599</b>	<b>234</b>

Subject to serving not less than 12 months' notice and paying a nine month rent penalty, the Board may terminate its office property lease in September 2018. However, in the event that this break option is not exercised, the Board will receive an additional six months rent free.

## 17. Defined benefits retirement scheme

The Board used to operate a pension scheme providing defined benefits based on final pensionable salary. The Scheme was a multi-employer scheme to which The National Stud (withdrew on 17th April 2008) and the National Joint Pitch Council (withdrew on 13th June 2008) contributed. The Scheme was closed to new members on 31st March 2003 and a group personal pension plan was set up on 1st April 2003.

In 2004, liabilities in respect of members drawing pensions at that time were secured through the purchase of an annuity policy in the name of the Trustees.

In 2005 the Trustees purchased a buyout with an insurance company which insured estimated benefits for active and deferred members based on a termination date of September 2009. The Trustees purchased the buyout policy with the objective of eliminating risks arising from investment returns and longevity and obtaining greater certainty over contributions required for the pension scheme up to 30th September 2009.

With effect from 1st October 2009, when the Scheme commenced winding up, defined benefit accrual ceased in the Scheme and all members who were accruing additional service immediately before 1st October 2009 became deferred members with the result that the employer no longer made any regular contributions to the Scheme and instead was only responsible for paying additional contributions to finance the deficit that existed, paying for the ongoing expenses of running the Scheme and, if applicable, paying for any augmentations during the year.

All of the liabilities of the Scheme were fully secured with an insurer on 30th September 2012 and the Scheme was fully wound up on 31st October 2012, and so the employer no longer has any obligations or liabilities to meet in respect of this Scheme.

The valuation used for IAS 19 disclosures was based on a full assessment of the liabilities of the Scheme as at 30th June 2011. The present value of the defined benefit obligation was measured using the projected unit credit method. Actuarial gains and losses were recognised in the period in which they occurred through the Statement of Comprehensive Income.

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under IAS 19 are set out below:

	2014	2013
Rate of increase in pensions in payment		
– Pre 1st April 1990 service	n/a	5.0%
– Post 1st April 1990 service	n/a	2.9%
Inflation rate	n/a	3.0%
Discount rate for Scheme liabilities	n/a	4.5%
Expected rate of return on assets	n/a	4.5%

The mortality assumptions were based on standard mortality tables which allow for expected future mortality improvements. The assumptions are that a member, currently aged 69, will live on average for a further 19.5 years if they are male and for a further 21.4 years if they are female.

For a member who retires in 2023 at age 60, the assumptions were that they will live, on average, for a further 29.0 years after retirement if they are male and for a further 31.3 years after retirement if they are female.

**17. Defined benefits retirement scheme** *continued***17a. Analysis of the amount charged to expenditure**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Interest cost	–	1,115
Expected return on assets	–	(958)
Settlement cost	–	714
<b>Expense recognised in the Statement of Comprehensive Income</b>	<b>–</b>	<b>871</b>

**17b. Changes to the present value of the defined benefit obligation**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Opening defined benefit obligation	–	47,245
Interest cost	–	1,115
Actuarial losses on liabilities	–	254
Net benefits paid out	–	(758)
Settlements	–	(47,856)
<b>Closing defined benefit obligation</b>	<b>–</b>	<b>–</b>

**17c. Changes to the fair value of Scheme assets**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Opening fair value of assets	–	47,012
Expected return on assets	–	958
Actuarial gains on assets	–	298
Contributions by the employer	–	1,060
Net benefits paid out	–	(758)
Settlements	–	(48,570)
<b>Closing fair value of assets</b>	<b>–</b>	<b>–</b>

**17d. Actual return on assets**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Expected return on assets	–	958
Actuarial gains on assets	–	298
<b>Actual return on assets</b>	<b>–</b>	<b>1,256</b>

## 17. Defined benefits retirement scheme *continued*

### 17e. Analysis of amounts recognised in Statement of Comprehensive Income

	2014 £000	2013 £000
Total actuarial gains	–	44
<b>Total gain in Statement of Comprehensive Income</b>	<b>–</b>	<b>44</b>
<b>Cumulative amount of gains recognised</b>	<b>–</b>	<b>762</b>

### 17f. History of asset values, defined benefit obligation and deficit in the Scheme\*

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Fair value of assets	–	–	47,012	42,060	41,605
Defined benefit obligation	–	–	(47,245)	(42,466)	(42,017)
<b>Deficit in the Scheme</b>	<b>–</b>	<b>–</b>	<b>(233)</b>	<b>(406)</b>	<b>(412)</b>

### 17g. History of experience gains and losses

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Experience gains/(losses) on assets	–	298	6,231	(561)	6,822
Experience gains/(losses) on liabilities*	–	22	2,406	(226)	178

\* This item consists of gains/(losses) in respect of liability experience only, and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

## 18. Reserves

Reserves represent the cumulative undistributed historic surpluses of the Board.

## 19. 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:

- Paul Lee, Chairman, is a Governor of University of Manchester which received £nil (2013: £21,817) in grants for veterinary science and education.
- Paul Roy, a former Board Member (retired 30th June 2013), is Chairman of University of Liverpool Development Foundation and Vice President of the University of Liverpool's Philip Leverhulme Equine Hospital. The University of Liverpool received £126,283 (2013: £165,696) in grants for veterinary science and education.

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.

## 20. 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 31st March 2014, are £3.2m (2013: £2.5m). 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 payments to which the Board is committed as at 31st March 2014, analysed by the period during which the commitment expires, are as follows:

	2014 £000	2013 £000
Within 1 year	1,675	1,454
After 1 year but not more than 5 years	1,497	1,034
<b>Total financial commitments</b>	<b>3,172</b>	<b>2,488</b>

During the year, the Board provisionally approved new loans to racecourses totalling £8.6m (2013: £8.0m).

	2014 £000	2013 £000
Racecourse loans approved by the Board, but not committed	6,087	7,800
Racecourse loans approved by the Board, and committed	7,040	200
<b>Racecourse loans financial commitments</b>	<b>13,127</b>	<b>8,000</b>

## 21. 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 actuarial valuations 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 most recent 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);

## 21. Contingent liabilities *continued*

- (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 the sums borrowed through this overdraft facility. The guarantee expires on 31st January 2018.

## 22. Events after the Reporting Period

Paul Darling, a Member of the Levy Board appointed by the Secretary of State for Culture, Media and Sport, who served during the year ended 31st March 2014, left the Board on 30th April 2014.

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

There are no events after the reporting period since this date to note.

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