

HORSERACE BETTING LEVY BOARD OPERATING AGREEMENT 2014-2015

Mr Paul Lee
Chair
Horserace Betting Levy Board (HBLB)
21 Bloomsbury Street,
London,
WC1B 3HF

Dear Paul,

HORSERACE BETTING LEVY BOARD OPERATING AGREEMENT 2014-2015

I am writing to set out the way in which I would like our two organisations to work together over the rest of this spending review period. This letter sets out my priorities, the indicators which will be used to measure performance and the way I would like us to work together.

Firstly, I would like to thank the Horserace Betting Levy Board (HBLB) for your contribution to delivering Departmental priorities over the spending review period to date. Despite the challenges of the current financial constraints, the HBLB has done a great deal to help stabilise Levy income, not least in your work with the Big Four bookmakers in delivering a voluntary uplift.

My priorities for the HBLB remain as set out in section 24(1) of the Betting, Gaming and Lotteries Act 1963 which requires the HBLB to assess and collect monetary contributions from bookmakers and the successor company to the Horserace Totalisator Board, and to apply them for purposes conducive to any one or more of:

- a) The improvement of breeds of horses.
- b) The advancement or encouragement of veterinary science or veterinary education.
- c) The improvement of horseracing.

I am keen to minimise bureaucracy by ensuring that any targets and performance indicators are limited, focussed and useful. We have therefore agreed that the HBLB will provide assurance on its performance by sharing with the Department its Board reports on the objectives set out in the HBLB's annual Business Plan and discussing progress at quarterly meetings with Departmental officials.

The HBLB is expected to undergo a Triennial Review in 2015/16. This will include, if appropriate, a review of performance management and measurement.

As you know, I am keen to refocus the relationships between my Department and its arm's length bodies, with a greater emphasis on effective partnerships at Board level and less focus on day-to-day sponsorship. I would like us to meet annually to discuss the HBLB's performance.

I am sending with this letter: a copy of the key data sheet summarising delegated limits, performance indicators, management information requirements and spend controls for HBLB. My officials will revise this key data as necessary over the Spending Review period.

I am enclosing a signed copy of the HBLB Governance Framework for signature by you and Alan Delmonte, Chief Executive Officer (CEO) and Accounting Officer.

May I take this opportunity to thank you and your Board for continuing to give your time and skills and for your commitment to ensuring effective collection and distribution of Levy funds. I look forward to working with you over the coming years.

HELEN GRANT
MINISTER FOR SPORT, TOURISM AND EQUALITIES

Horserace Betting Levy Board: Key data

1. Financial Allocation

- 1.1. The Horserace Betting Levy Board (HBLB) receives no central Government grant-in-aid and no National Lottery funding. However, the Horserace Betting Levy is subject to the requirements for public money since it is money derived under statutory authority and is provided to, and distributed by, a public body for statutory purposes. References are therefore made in the governance framework (that follows this key information sheet) to 'statutory funds', including contributions made to the HBLB under voluntary arrangements, rather than simply 'public funds'.
- 1.2. As noted in the following governance framework, unless agreed by the Department and (as necessary) HM Treasury, the HBLB shall have regard to the principles, rules, guidance and advice in Managing Public Money, referring any difficulties to DCMS in the first instance.
- 1.3. The Levy Scheme setting out the categories, rates, conditions and definitions for the forthcoming financial year is agreed annually. Similarly, the HBLB agrees the vast majority of its expenditure allocations on an annual basis. It is therefore not possible to show more detailed income or expenditure projections than those below, based on the estimated Levy yield of the 52nd Scheme (2013/14).

(£m)	2010/11	2011/12	2012/13	2013/14 - Estimated
Levy yield	59.5	67.7	66.7	65.9
Voluntary contributions and other income	0.7	7.2	8.1	8.1
Total income	60.2	74.9	74.8	74.0
Total expenditure	83.8	59.6	66.3	75.9

- 1.4. Due to this uncertainty about Levy income in future years, the HBLB operates a Reserves policy. The Board agreed at its meeting in July 2012 that reserves should be within the range £30m to £40m and that about £20m should be held in cash and near cash (i.e. accessible within 12 months). This policy, and the range chosen, is designed to ensure that sufficient funds are reserved and not committed in order that the HBLB can fulfil all of its obligations pre and post any potential wind-up of the body.
- 1.5. Following considerable reductions in Levy yield, the budgeted expenditure for 2010/11 was considerably greater than income such that reserves stood at just £17m by March 2011. Stabilisation of Levy income and prudent management of expenditure has allowed the levels of reserves to recover to £42m at 31 March 2013. As such, the HBLB considered it reasonable to approve a deficit budget of £1.9m for 2013/14 which should still allow the reserves to remain at the top end of the target range.

2. Delegated Financial Limits

- 2.1. The HBLB will have authority to incur expenditure without further reference to the Department on the following conditions:
- 2.1.1. The HBLB will comply with the delegations set out in Annex B of this document, which may not be altered without the prior agreement of the Department.
 - 2.1.2. The HBLB must obtain the Department's approval before incurring or committing to any expenditure for any purpose which is or might be considered novel or contentious, or which has or could have significant future cost implications, including on staff benefits, or might prove repercussive among other public sector bodies.
 - 2.1.3. The HBLB will provide the Department with such information about its operations, performance, individual projects or other expenditure as the Department may reasonably require.
 - 2.1.4. The HBLB will notify the Department immediately and formally if it becomes apparent at any time that an overspend of its resource or capital expenditure limit is likely to occur.

3. Performance Measures

- 3.1. Section 24(1) of the Betting, Gaming and Lotteries Act 1963 requires the HBLB to assess and collect monetary contributions from bookmakers and the successor company to the Horserace Totalisator Board, and to apply them for purposes conducive to any one or more of:
- a) The improvement of breeds of horses.
 - b) The advancement or encouragement of veterinary science or veterinary education.
 - c) The improvement of horseracing.
- 3.2. The HBLB will provide assurance on its performance by sharing with the Department its Board reports on the objectives set out in HBLB's Business Plan 2013/14, namely:
- 3.2.1. Focus on increasing the prize money allocation in its distributions and encourage racecourses to increase their prize money contributions further, including through a new model which awards racecourses based on their planned contributions in the coming year.
 - 3.2.2. Incentivise racecourses by linking their grants to executive and sponsorship prize money contributions and to Levy generation.
 - 3.2.3. Carry out detailed, ongoing analysis of the Fixture List and race programme, including the analysis of betting and other relevant data, and make recommendations to optimise the Fixture Criteria, focusing on Levy

generation and the use of funding to achieve, where feasible, a minimum of 7 races per fixture and a minimum of 6 runners per race.

- 3.2.4. Use the 2013 expenditure programme as the baseline for 2014 and make recommendations for a revised expenditure programme for 2015 following review.
- 3.2.5. Review on an ongoing basis the effects of Board's revised model for the distribution of the majority of its prize money and consider further refinements for 2015.
- 3.2.6. 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.
- 3.2.7. Continue to provide loans to racecourses, with an appropriate rate of interest and administration fee, and support the financing of racecourse projects by Capital Credit grants.
- 3.2.8. Seek to maintain reserves at no less than £30m and not more than £40m.
- 3.2.9. Work with the Department for Culture, Media and Sport and the Racing and Betting industries on requirements involving reform or replacement of the Levy.
- 3.2.10. In consultation with the Department, develop an appropriate operating agreement between the Department and the Board; and, if the Department undertakes a Triennial Review of the Board, provide all necessary assistance.
- 3.2.11. Continue to liaise constructively with the Racing and Betting industries to promote strong and trusted working relationships for the commercial benefit of both.

- 3.3. The HBLB is expected to undergo a Triennial Review at the end of 2015/16. This will include, if appropriate, a review of performance management and measurement.

4. Engagement calendar

- 4.1. The Department and HBLB have agreed an engagement calendar as follows:
 - 4.1.1. Annual meeting to review objectives and performance against KPIs and discuss corporate plans;
 - 4.1.2. Annual meeting with Chair to discuss Board performance;
 - 4.1.3. Quarterly meetings between the Levy Board executive officers and DCMS officials to discuss and, where necessary and appropriate under section 25(1) of the Betting, Gaming and Lotteries Act 1963, for DCMS to approve relevant HBLB activities.

5. Management Information

5.1. The table below sets out the management information that the Department expects the HBLB to provide in the course of a 12 month period. These may be subject to change depending on future information requirements.

Timescale	What	How	Purpose
Information required for transparency reporting			
Monthly	Spend over £25,000	On website	To inform public how public money is spent
Monthly	Consultancy return (including nil returns)	By Email to DCMS Procurement and Property Services Team	To enable Cabinet Office to keep track of the number of public sector consultancy contracts
Quarterly	Key metrics (total procurement spend, spend with SMEs and the Voluntary, Community and Social Enterprise sector)	By email to Procurement and Property Services	Benchmarking of procurement spend and provision of data on economic effect of spend by Departments and ALBs
Six-monthly	Publication of senior salaries and organograms	On website	To inform public how public money is spent
Annually	Publication of salaries over £150k	By email to ALB team (for publication on Cabinet Office website)	To inform public how public money is spent
Annually	Sustainability data	By e-mail to Finance and DCMS Sustainability Champion	To meet Treasury requirement to supply centre with sustainability data
Information required for DCMS forecasts and budgets			
Annually - December	Forecast data	Complete forecast template, specifically: RAME income/expenditure CAME income/expenditure	Supplementary estimate for current year
Annually - March	Forecast data	Complete forecast template, specifically: RAME income/expenditure CAME income/expenditure	Main estimate for forthcoming year
Annually - April	Outturn data	Consolidation template, specifically: RAME income/expenditure CAME income/expenditure	Outturn and consolidation for year just ended
Annually - Mid August	Final Outturn	By email to Finance	HM Treasury requirement – give bodies chance to bring data in line with Audited accounts
Information required for DCMS Consolidated Accounts			
Annually – Jan/Feb	Provide details of any prior period adjustments or restatements in relation to prior financial year data.	Complete template issued by Financial Accounts team	Supplementary estimate for current year and consolidated accounts planning
Annually – April/May	Counterparty data with bodies in the DCMS consolidation group for 13-	Complete template issued by Financial Accounts team	Consolidated Accounts - early identification and resolution of

Timescale	What	How	Purpose
	14 financial year.		mismatches.
Annually – June	Completed consolidation pack for financial year just ended	Complete consolidation pack issued by Financial Accounts team	The consolidation pack is required for DCMS to produce its consolidated Annual Report and Accounts.
Annually – July/August	Whole of Government Accounts. Provide counterparty data to the DCMS CLOS team for transactions and balances between HBLB and wider government boundary	Complete template issued by Financial Accounts team	So that DCMS can prepare the WGA return on behalf of the DCMS group.
Other			
Annually	HBLB Annual report and accounts	By email to Finance and relationship manager as per timetable (separate guidance is issued on this)	Statutory obligation
Annually	EU public procurement statutory return (Schedule 1 or Schedule 2 as appropriate)	Email to Cabinet Office	Legal requirement to provide data on number of tenders advertised in the European Journal
Annually	Sharing of Strategic Risk Register	At annual performance meeting	Enable timely and appropriate response to risk
Ad hoc immediate as detected	Total identified fraud (£)	By email to DCMS Finance Team	To enable dissemination of fraud cost information to the authorities
Ad hoc immediate as detected	Total prevented fraud (£)	By email to DCMS Finance Team	To enable dissemination of fraud cost information to the authorities
On request	Sharing of audit strategy, periodic audit plans and annual audit report, including the Head of Internal Audit's opinion on risk management, control and governance.	As requested	Assurance of financial management

5.2. Other information:

- 5.2.1. Data to be provided as per the Publications and information strategy section of the Governance Framework
- 5.2.2. Annually: completed strategic and corporate documents as per the Business planning section of the Governance Framework.
- 5.2.3. Annually on request: amount spent and number of beneficiaries falling within Defra's reporting requirements for Agricultural State Aid (generally Levy expenditure relating to breeding). To be sent to DCMS to forward to Defra.

Horserace Betting Levy Board governance framework

1. Introduction

- 1.1. This agreement has been drawn up by the Department for Culture, Media and Sport ("DCMS") in consultation with the Horserace Betting Levy Board (HBLB). This document sets out the broad framework within which the HBLB will operate. The document does not convey any legal powers or responsibilities.
- 1.2. It is signed and dated by DCMS and the HBLB. Copies of the document will be placed in the Libraries of both Houses of Parliament and made available to members of the public on the HBLB's website, with a link to it on the DCMS site.
- 1.3. This document may be amended as appropriate from time to time, with the agreement of the DCMS and the HBLB. Existing legislation, and any legislative changes, will take precedence over any part of this document. Significant variations will be cleared with the Treasury or the Cabinet Office as appropriate.
- 1.4. Nothing under this agreement shall prevent the HBLB from carrying out its legal duties under its founding legislation or under any other legislation which impacts on its functions, activities or powers.
- 1.5. The HBLB operates in accordance with the provisions of the Betting, Gaming and Lotteries Act 1963 (the 1963 Act) and collects a statutory levy on the bets taken on British horseracing and uses Levy funds for one or more of:
 - The improvement of breeds of horses
 - The advancement or encouragement of veterinary science or veterinary education
 - The improvement of horseracing.

2. Governance and accountability

- 2.1. The statutory and other duties of the Horserace Betting Levy Board derive from the 1963 Act.
- 2.2. The Secretary of State and other members of the DCMS ministerial team account for the Horserace Betting Levy Board's business in Parliament.
- 2.3. The respective responsibilities of the Departmental Accounting Officer and Accounting Officers for NDPBs and other arm's length bodies are set out in Chapter 3 of Managing Public Money which is sent separately to the NDPB Accounting Officer on appointment.

- 2.4. Board members hold and vacate office in accordance with Section 24 of the 1963 Act. The Board comprises a Chair, together with two other Government appointed members, three members appointed by the Jockey Club, and one member in their role as the Chair of the Bookmakers' Committee. Where appointments to the Board are made by Ministers, they will comply with the Code of Practice of the Commissioner for Public Appointments.
- 2.5. The Chief Executive is appointed by the Board of the HBLB. They report to the Board on the day-to-day running of the organisation and its performance against the objectives agreed in the annual Business Plan. In addition to this, they are the Accounting Officer for the Horserace Betting Levy Board and will have specific duties in this regard, which are set out in section 4 below.

3. Departmental Accounting Officer's responsibilities

- 3.1. The Permanent Secretary, as Accounting Officer for DCMS, is accountable to Parliament for the HBLB's use of Statutory Funds and is also responsible for ensuring arrangements are in place to:
- monitor the HBLB's activities on a continuous basis;
 - address significant problems in the HBLB, making such interventions as are judged necessary;
 - periodically carry out an assessment of the risks both to the department and HBLB objectives and activities;
 - inform the HBLB of relevant government policy in a timely manner; and,
 - bring concerns about the activities of the body to the full Board of the HBLB; seeking explanations and assurances that appropriate action has been taken.
- 3.2. The Racing policy lead in DCMS is the primary contact for the HBLB within the Department.

4. Horserace Betting Levy Board Accounting Officer's responsibilities

- 4.1. The Departmental Accounting Officer will appoint the permanent head of the HBLB i.e. the Chief Executive, to be the Accounting Officer for the body. The duties of the HBLB's Accounting Officer are set out in full in the Permanent Secretary's appointment letter to him/her. The Accounting Officer is responsible for accounting to Parliament, DCMS and the Board of the HBLB.
- 4.2. The HBLB Accounting Officer is personally responsible for safeguarding the statutory funds for which he or she has charge. Although Levy income does not come directly from the Exchequer, when it is used for statutory purposes it is regarded as the use of public funds and therefore subject to the full strictures of regularity, propriety, feasibility and value for money. The Accounting Officer is also responsible for reporting to the Board of the HBLB for the day-to-day operations and

management of the HBLB and the achievement of its strategic aims. In addition, he or she should ensure that the HBLB as a whole is run on the basis of the standards, in terms of governance, decision-making and financial management that are set out in Box 3.1 to Managing Public Money.

4.3. The key accountabilities are:

- signing the accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with Treasury guidance and with any directions issued by the Secretary of State;
- signing a Statement of Accounting Officer's responsibilities, for inclusion in the annual report and accounts;
- signing a Governance Statement concerning the organisation's management and control of resources during the year and setting out how risk has been managed, for inclusion in the annual report and accounts;
- ensuring that effective procedures for handling complaints about the HBLB and whistleblowing are established and made widely known within the body;
- acting in accordance with the terms of this document, Managing Public Money and other instructions and guidance issued from time to time by the Department, the Treasury and the Cabinet Office;
- giving evidence, normally with the Accounting Officer of the sponsor Department, when summoned before the PAC on the Horserace Betting Levy Board's stewardship of statutory funds.

4.4. Particular responsibilities to DCMS are:

- informing the Department of progress in helping to achieve the Horserace Betting Levy Board's objectives and statutory purposes, in demonstrating how resources are being used to achieve those objectives and purposes;
- ensuring that, where appropriate, timely forecasts and information on performance and finance are provided to the Department; and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the Department in a timely fashion; and
- to work collectively with the Department and other members of the DCMS 'family' of arm's length bodies in support of each other and the group as a whole.

4.5. The duties of the Accounting Officer with respect to the Board of the HBLB are:

- advising the Board on the discharge of its responsibilities as set out under the founding legislation, in this document, and in any other relevant instructions and guidance that may be issued from time to time;

- advising the Board on the HBLB's performance compared with its objectives and statutory purposes;
- ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed;
- taking action as set out in paragraphs 3.8.5 – 3.8.6 of Managing Public Money if the Board, or its Chair, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration, efficiency or effectiveness, is of questionable feasibility, or is unethical.

5. The Board of the Horserace Betting Levy Board

- 5.1. The Board should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. The Board is expected to assure itself of the effectiveness of the internal control and risk management systems.
- 5.2. The Board must set up an Audit Committee chaired by a Member. The Audit Committee should support the Board and Accounting Officer by providing advice and assurance on risk management, governance and internal control.
- 5.3. Where the Board does not consider issues relating to staff remuneration itself, it shall ensure that an effective mechanism for such consideration exists, e.g. a remuneration committee or similar body performing the same purpose.
- 5.4. The Board is specifically responsible for:
 - ensuring that the HBLB fulfils the statutory purposes set out in its founding legislation and meets objectives set out in annual business plans and, if appropriate, set by the Department;
 - determining the steps necessary to deal with any developments which are likely to affect the HBLB's ability to fulfil its objectives and keeping the responsible DCMS Minister informed if any such developments arise;
 - ensuring that any statutory or administrative requirements for the use of statutory funds are complied with; that the Board operates within the limits of its statutory authority, and any delegated authority agreed with the sponsor department, and in accordance with any other conditions relating to the use of statutory funds; and that, in reaching decisions, the Board takes into account guidance issued by the Department;
 - ensuring that the Board receives and reviews regular financial information concerning the management of the HBLB; is informed in a timely manner about any concerns about the activities of the HBLB; and provides positive assurance to the Department that appropriate action has been taken on such concerns;

- demonstrating high standards of corporate governance at all times, including using its Audit Committee to help the Board to address key financial and other risks;
- appointing a chief executive
- ensuring that any public functions of the HBLB are carried out in compliance with statutory duties relating to equality.

6. The Chair's personal responsibilities

6.1. The Chair is responsible to the Secretary of State for ensuring that the HBLB fulfils its statutory purpose as set out in its founding legislation, that where appropriate the HBLB's policies are consistent with those of the Secretary of State, and that the HBLB's affairs are conducted with probity.

6.2. In addition, the Chair has the following leadership responsibilities:

- formulating the Board's strategy for discharging its statutory duties;
- ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the responsible minister or the Department;
- supporting the Accounting Officer in promoting the efficient and effective use of staff and other resources;
- supporting the Accounting Officer in delivering high standards of regularity and propriety; and
- representing the views of the Board to the general public.

The Chair also has an obligation to ensure that:

- the work of the Board and its members are reviewed and are working effectively;
- the Board has a balance of skills appropriate to directing HBLB business, as set out in the Government Code of Good Practice on Corporate Governance (albeit recognising that the majority of HBLB Board members are appointed directly by Racing or Betting);
- Board members are fully briefed on terms of appointment, duties, rights and responsibilities;
- when required, he or she, together with the other Board members, receives appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice;
- the responsible minister is advised of HBLB needs when Board vacancies arise;
- he or she assesses the performance of individual Board members when being considered for re-appointment;
- there is a code of practice for Board members in place consistent with the Cabinet Office Code of Conduct for Board Members of Public Bodies.

7. Individual Board members' responsibilities

7.1. Individual Board members should:

- comply at all times with the Code of Conduct for Board Members of Public Bodies and with the rules relating to the use of statutory funds and to conflicts of interest;
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- comply with the Board's rules on conflicts of interest and the acceptance of gifts and hospitality;
- act in good faith and in the best interests of the HBLB.

8. Publications and information strategy

8.1. The HBLB will have responsibility for contributing to the Government's system of democratic accountability by making information available to the public on the quality and productivity of its services, value for money, performance and progress on delivery. The HBLB will:

- provide timely and accurate information required for Parliamentary Questions, responses by Chief Executives to Parliamentary Questions and contributions to Ministerial and public correspondence. The HBLB will be responsible for responding to requests under the Freedom of Information Act within the statutory time limit;
- publish, or cause to be published, an annual report of its activities together with its audited resource accounts after the end of each financial year. The HBLB shall provide the Department with its finalised (audited) accounts in accordance with the annual guidance produced by DCMS;
- publish other information as required by the Department in the interests of transparency and as communicated from time to time.

8.2. The annual report must:

- cover any corporate, subsidiary or joint ventures under its control
- comply with the Treasury's Financial Reporting Manual (FReM);
- contain a governance statement, setting out the ways in which the Accounting Officer has managed and controlled the resources used in the organisation during the course of the year, demonstrating how well the organisation is managing risks to the achievement of its aims and objectives;
- outline main activities and performance during the previous financial year and set out in summary form forward plans.

- 8.3. The report and accounts shall be laid in Parliament and made available on the HBLB's website, in accordance with the guidance in the FReM. The HBLB should aim to submit a draft of the report to the Department in May/early June. The final version should be submitted for Ministerial approval at least three weeks before the proposed publication date. The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by the Department as well as the FReM.
- 8.4. Additionally the HBLB will be expected to publish information relating to the delivery of its services and policies. In particular this should include information that will help the public to: (i) see progress against activity which the HBLB has made a public commitment to deliver; (ii) judge if the services and/or outputs offer value for money; and (iii) consider whether the way in which the body operates gives rise to any issues around fairness.
- 8.5. Where the HBLB conducts or commissions social or economic research, relevant professional standards should be applied to ensure that research is impartial, of sufficient quality, legal and ethical. The HBLB should nominate a lead contact for research of this type and share their programme of planned and published research with the Head of the DCMS Evidence and Analysis Unit for information purposes. Further guidance on conducting research can also be obtained from the DCMS Evidence and Analysis Unit.

9. Internal Audit

- 9.1. As a small public body with few staff, the HBLB uses an external auditor to carry out its internal audit. In doing so, the HBLB shall:
- ensure that the arrangements for internal audit are established and maintained in accordance with HM Treasury's Public Sector Internal Audit Standards (PSIAS);
 - ensure DCMS is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointments in accordance with PSIAS;
 - set up an Audit Committee of its Board in accordance with the Code of Good Practice for Corporate Governance and the Audit and Risk Assurance Committee Handbook;
 - forward the audit strategy, periodic audit plans and annual audit report, including the HBLB Head of Internal Audit's opinion on risk management, control and governance to the sponsor department on request;
 - have effective controls to prevent fraud and theft; and
 - report all cases of attempted, suspected or proven fraud, irrespective of the amount involved, and notify the Department of any unusual, novel or major incidents as soon as they are discovered, irrespective of the amount involved.

- 9.2. DCMS's internal audit service has a right of access to all documents prepared by the HBLB internal auditor, including where the service is contracted out, for the purpose of obtaining assurance as to the HBLB's handling of statutory funds and effectiveness of financial controls.

10. External Audit

- 10.1. The Comptroller & Auditor General (C&AG) audits the HBLB annual accounts. Ministerial approval must be given before the C&AG can sign off the accounts.

- 10.2. In the event that the HBLB has set up and controls subsidiary companies:

- the HBLB will ask (or will have asked) HM Treasury to designate the company as either profit making or non-profit making;
- where HM Treasury determines that the company is non-profit making, it will be (or will have been) included in a GRAA Order, which will make (or will have made) the C&AG its statutory auditor.
- where HM Treasury has determined the company is non-profit making, the company should appoint the C&AG as auditor by agreement until such time as the GRAA Order is issued;
- where HM Treasury determines that the company is profit making, it should either appoint the C&AG when its audit contract next comes up for renewal or, where they are required to go out to tender for audit services, the C&AG should be invited to compete. Where the C&AG is not appointed, the company must clearly explain the reasons for selecting a different auditor to DCMS.

- 10.3. The C&AG:

- will consult the Department and the HBLB on whom – the NAO or a commercial auditor – shall undertake the audit(s) on his behalf, though the final decision rests with the C&AG;
- has a statutory right of access to relevant documents, including by virtue of section 25(8) of the Government Resources and Accounts Act 2000, held by another party in receipt of payments or grants from the HBLB;
- will share with DCMS information identified during the audit process and the audit report (together with any other outputs) at the end of the audit, in particular on issues impacting on the Department's responsibilities in relation to financial systems within the HBLB;
- will, where asked, provide departments and other relevant bodies with Regulatory Compliance Reports and other similar reports which departments may request at the commencement of the audit and which are compatible with the independent auditor's role.

- 10.4. The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the HBLB has used its resources in discharging its functions. For the purpose of these examinations the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, the HBLB shall provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

11. Right of access

- 11.1. Subject to any overriding legal rights or obligations, the HBLB will provide access to the Department to all the HBLB's records and personnel for all purposes including, for example, operational investigations.

12. Approval of relevant activities and schemes

- 12.1. Under section 25(1)(a) of the Betting, Gaming and Lotteries Act 1963 (as amended), "The Levy Board shall have power, with the approval of, and subject to any conditions imposed by, the Secretary of State to engage in any activity connected with any of the matters specified in section 24(1) (a) to (c) of this Act" and under section 25(1)(d) "to lend or invest money for the purposes of or in connection with any activity in which they have power under paragraph (a) of this subsection to engage." Section 25(2)(d) of the 1963 Act makes it clear the Board also has power to apply any moneys to make payments in accordance with schemes as approved by the Secretary of State pursuant to section 25(1)(a). The Secretary of State is therefore required under the Act to approve the relevant activities and schemes.
- 12.2. Under section 25(1)(a) the Secretary of State, or DCMS officials as delegate, will consider whether a relevant activity or scheme complies with that section i.e. whether the activities or schemes are for a permitted purpose. Schemes must also comply with the separate spend controls and delegated limits and other financial requirements as set out in this operating agreement, Once a scheme has been approved, DCMS is not required to approve individual decisions or expenditure determined by the HBLB within a relevant activity or scheme (unless the scheme was made conditional on such a requirement). The approval of DCMS will be for the broad outline of the activity or scheme as a whole and DCMS will not be party to decisions within the activity or scheme, such as a decision to make a specific grant.
- 12.3. In practice, the process for approving new activities or schemes, or significant changes to activities or schemes, will be done through the HBLB informing DCMS of the activities and schemes that it proposes to undertake. This is most likely to be in the form of the provision of the Board's Business Plan and reference to its most

recent Annual Report. This process of informing DCMS may be done in writing or by discussion at regular liaison meetings between the Executive of the HBLB and DCMS officials, as well as periodic meetings between the Chair and/or Chief Executive of the HBLB and relevant Ministers. The HBLB will provide a summary of the proposed activity or scheme and such other information as DCMS may require to ensure that the proposed activity or scheme is within the power granted to the HBLB under section 25(1)(a) and to ensure that it is appropriate that approval not be subject to any particular conditions.

- 12.4. Formal approval for new schemes or activities will be given in writing, either by means of being recorded in the minutes of any of the meetings described in paragraph 12.3 above or by written response. Should the Secretary of State decide to impose conditions on activities under section 25(1)(a) or refuse any approval, then this will be given by DCMS in writing and discussed with the HBLB.

13. Managing Public Money and other government-wide corporate guidance and instructions

- 13.1. Unless agreed by the Department and (as necessary) HM Treasury, the HBLB shall follow the principles, rules, guidance and advice in Managing Public Money, referring any difficulties or potential bids for exceptions to DCMS in the first instance. A list of guidance and instructions with which the HBLB should, where necessary, comply is in **Annex A**.

- 13.2. Subject to any restrictions imposed by statute, the HBLB shall have authority to incur expenditure approved in the budget without further reference to the Department, on the following conditions:

- the HBLB shall comply with the delegated financial limits agreed with the Department. These delegations shall not be altered without the prior agreement of DCMS;
- the HBLB shall comply with Managing Public Money regarding novel, contentious or repercussive proposals;
- inclusion of any planned and approved expenditure in the budget shall not remove the need to seek formal departmental approval where any proposed expenditure is outside the delegated limits;
- the HBLB shall provide DCMS with such information about its operations, performance, individual projects or other expenditure as the sponsor department may reasonably require;
- The HBLB shall comply with any additional requirements notified to them by the Department, for instance on spending controls or delegated authorities.

14. Risk management

- 14.1. The HBLB shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and develop a risk management strategy, in accordance with Treasury guidance *Management of Risk: Principles and Concepts*. It should adopt and implement policies and practices to safeguard itself against fraud and theft, in line with treasury guidance on tackling fraud.

15. Business Planning

- 15.1. The Levy Scheme setting out the categories, rates, conditions and definitions for the forthcoming financial year is agreed annually in advance. Similarly, the HBLB agrees the majority of its expenditure allocations on an annual basis. It is not therefore possible to produce detailed management planning and information documents covering more than one financial year ahead. However, to operate its business effectively, the HBLB should produce a business plan covering at least one financial year ahead. The HBLB should also consider producing broader strategic or corporate plans (for three years ahead), where possible.
- 15.2. The Department should be sent copies of the business plan, and any other completed planning documents. These plans should be made available to the public, via the internet if possible.
- 15.3. The business plan should include a forecast of income and expenditure suitably classified by activity and key objectives, taking account of any guidance that may be provided by the Department. These forecasts should represent the HBLB's best estimate of its available income, including any grant or any other funding within the HBLB.

16. Horserace Betting Levy Board staff

- 16.1 Under section 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. Its Remuneration Committee determines the remuneration of the Chief Executive. HBLB staff are therefore subject to levels of remuneration and terms and conditions of service (including pensions) within the general pay structure determined by the Board, which also determines the expenses policies for Board members and staff taking into account the recommendations of its Remuneration Committee. Any proposal by the ALB to move from the existing pension arrangements, or to pay any non-contractual redundancy or compensation for loss of office, requires the prior approval of the department. Proposals on severance must comply with the rules in chapter 4 of Managing Public Money.
- 16.2 The HBLB will have responsibility for the recruitment, retention and motivation of its staff. DCMS expects that the broad responsibilities toward its staff are to ensure that:

- the rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued; appointment and advancement is based on merit: there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;
- the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness.

16.1 The HBLB shall not remunerate employees via special purpose companies or by means of any other tax avoidance devices.

17. Review

17.1 The HBLB may be reviewed at least every three years by DCMS in accordance with:

- the business needs of DCMS and of the HBLB;
- Cabinet Office guidance.

18. Arrangements in the event that the Horserace Betting Levy Board is wound up

18.1 In the event of the decision being made to wind up the HBLB, the HBLB will be required to wind-up its affairs in accordance with the timetable agreed with the Department and to put in place a plan for its closure. This will include arrangements for the handover of its residual business and assets and liabilities.

18.2 The draft wind-up plan should be forwarded to DCMS in accordance with the agreed timetable.

18.3 DCMS shall put in place arrangements to ensure that, when an ALB is wound up, this shall be done in an orderly manner. In particular DCMS should ensure that where an ALB is wound up, the assets and liabilities of the body are passed to any successor organisation and accounted for properly. (In the event that there is no successor organisation, the assets and liabilities should revert to the sponsor department.) To this end, the Department, in conjunction with the HBLB, shall:

- ensure that procedures are in place in the HBLB to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work inherited by any residuary body;
- where a body is audited by the National Audit Office; ensure that arrangements are in place to prepare closing accounts and pass to the C&AG for external audit and that funds are in place to pay for such audits;

- arrange for the most appropriate person to sign the closing accounts. In the event that another ALB takes on the role, responsibilities, assets and liabilities, the succeeding ALB AO should sign the closing accounts. In the event that the department inherits the role, responsibilities, assets and liabilities, the Permanent Secretary should sign.

19 Reporting performance to the Department

- 19.1 The HBLB shall operate management information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in the corporate and business plans.
- 19.2 The HBLB shall provide the Department with information, where necessary, to enable the Department satisfactorily to monitor the HBLB's financial and non-financial performance, as well as other data as may be required, such as for the Treasury's Online System for Central Accounting and Reporting (OSCAR) or its successor. The HBLB's performance shall be reviewed by the Department periodically in accordance with the engagement strategy.

20 Delegated authorities

- 20.1 The HBLB shall obtain the Department's, or as appropriate, HM Treasury's prior written approval before:
- entering into any undertaking to incur any expenditure that falls outside the delegations or which is not provided for in the HBLB's statutory powers;
 - incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
 - making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the Department;
 - making any change of policy or practice which has wider financial implications that might prove repercussive or which might significantly affect the future level of resources required; or
 - carrying out policies that go against the principles, rules, guidance and advice in Managing Public Money.

21 Capital projects

- 21.1 All capital projects, whether already underway or beginning during this period, are subject to the Department's investment appraisal processes. Any capital expenditure that exceeds the HBLB's delegated capital limit must be referred to the DCMS Investment Committee for approval at three stages of development, as set out in guidance issued by the Department. The figure used in calculating whether

the costs exceed the delegated limit is the lifetime cost of the capital project, including non-exchequer funding and any increased running costs ensuing from it.

- 21.2 Where projects are reliant on donations or sponsorship that have yet to be confirmed, demonstration of a staggered approach to completion (i.e. that takes account of the funds secured to date before proceeding with each stage) will be more likely to receive approval to proceed.
- 21.3 When considering the case for capital projects, the HBLB is expected to use the Treasury's Green Book methodology (or its successor), as modified or enhanced by guidance from DCMS. This is the case for evaluating a capital project regardless of whether the project requires DCMS Investment Committee approval. The Department reserves the right to receive copies of business cases for projects below the Horserace Betting Levy Board's delegated limit or elements of it, such as the Net Present Value calculation.

22 Assets

- 22.1 The HBLB should arrange for the efficient and effective use, maintenance, acquisition and disposal of the assets under its control. HBLB should draw up, and keep up to date, a register of all the tangible and intangible assets it owns and uses, and develop an asset management plan which is reviewed at least annually by the Board.
- 22.2 HBLB should take professional advice when disposing of land and property assets, and take account of the protocol set out in the Managing Public Money Asset Management Annex.A4.15.

23 Procurement

- 23.1 The HBLB shall:
- acquire goods and services through fair and open competition, using LEAN methodology where appropriate, delivering value for money through procurement, and operating in line with European law, including restrictions on state aids and current best practice, inclusive of open procurements for requirements under £100k and restricted use of Pre-Qualification Questionnaires.
 - comply with current requirements on additional spend controls, delegated authorities and authorisations on procurement and leases as notified to them by DCMS.
- 23.2 All spending on common goods and services categories covered by central procurement strategies, (energy, fleet, office solutions, travel, professional services, ICT, facilities management, food and construction), must take place through

centrally agreed contracting vehicles, except in circumstances where contracts are already in place.

- 23.3 Where the Accounting Officer has concerns about the value for money of any such procurement, they should in the first instance contact the Government Procurement Service, copied to their Treasury Spending Team. Exceptions will be made only where they clearly improve value for money for Government as a whole.
- 23.4 The HBLB must not sign any new ICT contracts, contract extensions/modifications above a value of £1 million without specific agreement by the Cabinet Office. The current Controls Guidance should be referenced for further direction.
- 23.5 All new advertising and marketing spend is frozen. Only essential campaigns will be allowed, which will need to be signed off by DCMS or ERG. Should the HBLB wish to be granted an exception to this rule, they should seek this through the Department. In addition, all new contracts for the supply of any government advertising and marketing services over £25,000 in value must be procured only through government frameworks approved by the Cabinet Office. The current Controls Guidance should be referenced for further direction.
- 23.6 The HBLB must seek the appropriate approval for all new advisory consultancy contracts over £20,000 in value. The current Controls Guidance should be referenced for further direction.
- 23.7 Controls on leases and lease extensions have been extended nationally. The following must be approved by the Treasury and, where appropriate, the Cabinet Office:
- new leases;
 - renewals or extensions of existing leases;
 - non-exercise of lease break options;
 - any new property acquisitions (including those made through a Private Finance Initiative provider);
 - new build developments;
 - sale and leaseback; and
 - any freehold sales as part of national property controls.
- 23.8 Extensions and new leases will need to be exceptional and the HBLB should ensure that a significant period of notice - typically at least three months to two years before the date the decision is required, depending on the size of the property - is given to enable time to consider the request and consider alternative options.

Signed by:

A handwritten signature in black ink, appearing to read 'Helen', with a stylized, cursive script.

On behalf of the Secretary of State for Culture, Media and Sport

A handwritten signature in black ink, appearing to read 'Paul Lee', in a cursive script.

Chair of Horserace Betting Levy Board

A handwritten signature in black ink, appearing to read 'Alan Delmonte', with a horizontal line drawn underneath the name.

Accounting Officer of Horserace Betting Levy Board

Date 16th June 2014

Annex A: Compliance with guidance and instructions

The Horserace Betting Levy Board shall be aware of and, where necessary, comply with the following general guidance documents and instructions:

- Appropriate adaptations of sections of the Corporate Governance Code for Central Government Departments;
http://www.hm-treasury.gov.uk/psr_governance_corporate.htm
- Managing Public Money (MPM);
<https://www.gov.uk/government/publications/managing-public-money>http://www.hm-treasury.gov.uk/psr_mpm_index.htm
- Consolidated Budgeting Guidance;
- <https://www.gov.uk/government/publications/consolidated-budgeting-guidance> Public Sector Internal Audit standards
 - <https://www.gov.uk/government/publications/public-sector-internal-audit-standards>
- Appropriate adaptations of the Audit and Risk Assurance Committee Handbook;
http://www.hm-treasury.gov.uk/audit_committee_handbook.htm
- Tackling Fraud: Principles and Concepts;
http://www.hm-treasury.gov.uk/d/orange_book.pdf
- Treasury guidance: Tackling Internal Fraud;
- http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf Government Financial Reporting Manual (FReM);
http://www.hm-treasury.gov.uk/frem_index.htm
- If applicable, the Charities SORP;
http://www.charitycommission.gov.uk/Charity_requirements_guidance/Accounting_and_reporting/Preparing_charity_accounts/sorpfront.aspx
- Fees and Charges Guide, Chapter 6 of MPM;
[See MPM link above](#)
- Banking guidance, annex 5.7 of MPM;
[See MPM link above](#)
- Relevant Dear Accounting Officer letters;
<https://www.gov.uk/government/collections/dao-letters>
- Regularity, Propriety and Value for Money;
 - http://www.esrc.ac.uk/_images/Regularity_and_Propriety_tcm8-4769.pdf
- The Parliamentary Ombudsman's Principles of Good Administration;
<http://www.ombudsman.org.uk/improving-public-service/ombudsmansprinciples/principles-of-good-administration>
- Consolidation Officer Memorandum, and relevant DCO letters;
- Relevant Freedom of Information Act guidance and instructions (Ministry of Justice);
<http://www.justice.gov.uk/guidance/freedom-and-rights/freedom-of-information/>
- Model Code for Staff of Executive Non-departmental Public Bodies: Chapter 8 of Public Bodies: A Guide for Departments (Cabinet Office);
<http://www.civilservice.gov.uk/about/resources/information-on-public-bodies>
- Other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts;
http://www.hm-treasury.gov.uk/wga_guidance_index.htm
- Guidance on major projects issues by the Major Projects Authority;
<http://www.cabinetoffice.gov.uk/content/major-projects-authority>
- The Statistics and Registration Services Act 2007; <http://www.legislation.gov.uk/ukpga/2007/18/contents>
- The Code of Practice for Official Statistics;
<http://www.statisticsauthority.gov.uk/assessment/code-of-practice/code-of-practice-for-official-statistics.pdf>
- Recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government and are relevant to the Horserace Betting Levy Board.

ANNEX B: DELEGATED LIMITS

Within the overall DCMS delegations, the Secretary of State has agreed that, pursuant to section 2.1.1 of this document, HBLB has unlimited delegation for its activity except where otherwise specified below

All delegations are subject to the requirement that spending proposals falling within Managing Public Money Para. A.2.2.12 (expenditure and resource commitments which the Treasury cannot delegate) should be referred should be referred to the Department. These are:

- Items which are novel, contentious or repercussive, even if within delegated limits
- Items which could exceed the agreed budget and Estimate limits
- Contractual commitments to significant spending in future years for which plans have not been set
- Items requiring primary legislation (e.g. to write off NLF debt or PDC)
- Any item which could set a potentially expensive precedent

1. CAPITAL EXPENDITURE

Expenditure on new construction, land, extensions of, and alterations to, existing buildings and the purchase of any other fixed assets (e.g. machinery, plant, and vehicles) with an expected working life of more than one year. Also includes exchanges of fixed assets.	£15m
Expenditure on the signing of new leases, renewals of existing leases, the non-exercise of lease break options, any new property acquisitions (including those made through a Public Finance Initiative provider), new build developments, sale and leaseback, and any freehold sales as part of national property controls. <i>Approval for leases over £100,000 can only be given by the Chief Secretary to the Treasury, and must provide value for money for Government as a whole or demonstrate exceptional circumstances.</i>	£100,000

2. GIFTS

1. Gifts received by the HBLB including contributions to the Levy made under voluntary arrangement by bookmakers and other third parties.	Unlimited
2. In a financial year, any one gift given to, or total of gifts to, one person/organisation, for the avoidance of doubt excluding charitable donations made by the Board pursuant to Section 25(2)(c) of the Betting, Gaming and Lotteries Act 1963.	£1,000

3. NON-STATUTORY CONTINGENT LIABILITIES

Unlimited

4. LOSSES AND SPECIAL PAYMENTS

The write-off of losses or approval of special payments should only be carried out by staff authorised to do so by and on behalf of HBLB's Accounting Officer.

Classification of losses and special payments

Type	Description	Delegation
A.	Losses	
(i)	Cash losses. Physical losses of cash and equivalents (e.g. banknotes, postal orders, stamps) by any cause.	£100,000
(ii)	Bookkeeping losses: <ul style="list-style-type: none"> because of unvouched or incompletely vouched payments, including cases where vouchers are missing; because of changes to estimates or other accounts to clear inexplicable or erroneous balances. 	£100,000 £100,000
(iii)	Exchange rate fluctuations. Losses due to fluctuations in exchange rates or revaluations of currencies.	£100,000
(iv)	Losses of pay allowances and superannuation benefits.	£100,000
	Overpayments due to miscalculation, misinterpretation of acts, regulations or scheme rules or the full facts not being known.	£100,000
	Unauthorised issues, e.g. payments not admissible under the Act, regulations or scheme rules.	£100,000
	Losses arising from other causes, e.g. non-disclosure of full facts by the beneficiary, short of proven fraud.	£100,000
(v)	Losses arising from overpayments of grants, etc. arising from miscalculation, misinterpretation of acts regulations or scheme rules, or the full facts not being known.	£100,000
(vi)	Losses arising from failure to make adequate charges for the use of public property or services.	£100,000
B.	Losses of accountable stores	
(i)	Because of fraud, whether or not it has been possible to charge anyone with an offence, or proven or suspected theft, arson or sabotage, or any other deliberate act (including repairable damage caused maliciously to buildings, stores; etc. which is not the subject of an identifiable legal claim against some person); wherever possible recovery must be effected and prosecution mounted.	Unlimited
(ii)	Losses arising from other causes.	£100,000

C.	Fruitless payments and constructive losses	£100,000
D.	Claims waived or abandoned	£100,000
E.	Special payments <i>These limits do not apply to special severance payments which require HMT approval.</i>	
(i)	Extra-contractual and ex gratia payments to contractors.	£100,000
(ii)	Other ex gratia payments other than those concerning officers, servants and agents	£100,000
(iv)	Extra-statutory and extra-regulatory payments.	£100,000

5. CONTRACTS

For contracts generally, or specific types, e.g. Single Tender Action, consultancy, information technology, land & buildings etc.

Unlimited subject to section 23 of the Operating Agreement.

6. GRANTS Unlimited

7. LOANS Unlimited

8. DISPOSAL OF ASSETS

Unlimited subject to Section 22 of the Operating Agreement.