

HORSERACE BETTING LEVY BOARD OPERATING AGREEMENT 2016-2020

Part A: Horserace Betting Levy Board Priorities, Funding and Engagement

Last updated: 2014

1. Secretary of State's Priorities

- 1.1 It is intended that changes to the Levy system announced in March 2016 will come into effect by April 2017. It is intended that the Horserace Betting Levy Board (HBLB) will retain responsibility for the collection and distribution of the Levy until 1st January 2018, at which point the HBLB will close.
- 1.2 The Secretary of State's priority is to ensure a smooth and orderly transition to the new arrangements whilst ensuring the Levy Board continues to operate under the existing legislative framework until April 2017 and the amended legislative framework during the transitional period.
- 1.3 The following priorities are set out in, and support, the Department for Culture, Media and Sport (DCMS) Single Departmental Plan: replacing the Horserace Betting Levy.
- 1.4 The terms of this agreement shall be reviewed in the event that the current Horserace Betting Levy is not replaced by April 2017.

Spending decisions

- 1.5 Funds raised using powers agreed by Parliament must be used for the purposes intended. As a public body, the HBLB should comply with the provisions contained within Managing Public Money (MPM); http://www.hm-treasury.gov.uk/psr_mpm_index.htm
- 1.6 With regard to spending decisions the HBLB should be mindful of the Government's intention to wind up the HBLB in early 2018. The HBLB should therefore consider the appointment of interim or temporary staff to fulfil any necessary vacancies. Accordingly, permanent appointments should be discussed with DCMS and should only be pursued in exceptional circumstances.
- 1.7 The HBLB should avoid making spending commitments that extend beyond 31st December 2017. Where commitments beyond 31st December 2017 are deemed necessary they should be made by the HBLB Board only where the Racing-appointed Board members are in unanimous agreement, this agreement being deemed to represent assurance that these commitments will be honoured by the Racing Authority under the new funding model.

- 1.8 The HBLB is consolidated into DCMS group accounts and is within the budgeting framework.

Horserace Betting Levy Board: transfer of functions

- 1.9 The HBLB will be required to assist in the transfer of functions in accordance with the timetable agreed with the Department. This will include, where applicable, arrangements for the handover of assets and liabilities.

Horserace Betting Levy Board: wind up

- 1.10 In the event of the wind up of the HBLB then the following principles should be followed.
- 1.11 DCMS shall put in place arrangements to ensure that, if the HBLB is to be wound up, this shall be done in an orderly manner. In particular DCMS should ensure that, where appropriate, the assets and liabilities of the HBLB are passed to the successor organisation and accounted for properly. 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;
 - ensure that arrangements are in place to prepare closing accounts and facilitate an external audit and that funds are in place to pay for such audits;
 - arrange for the accounting officer 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 there is no accounting officer then the role shall pass to the DCMS accounting officer to sign.
- 1.12 The HBLB shall provide the Department with full details of all agreements where the HBLB or its successors have a right to share in the financial gains of developers. It should also pass to the department details of any other forms of claw-back due to the HBLB.
- 1.13 In the event of winding up the HBLB shall submit to DCMS a final consolidation pack.

Horserace Betting Levy Board (HBLB) transition plan

- 1.14 To assist with the transition to the new system, HBLB will be required to put in place a plan which manages the transition to the new funding arrangements. This will include, where appropriate, arrangements for the handover of its functions, assets and liabilities to a successor authority/ authorities.

ALB background

1.15 The Horserace Betting Levy Board is a statutory body that was established by the Betting Levy Act 1961. It operates in accordance with the provisions of the Betting, Gaming and Lotteries Act 1963 (as amended). The Levy Board's statutory objectives are to collect the Levy from bookmakers and the successor company to the Tote and to apply the funds raised to one or more of the following:

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

1.16 In addition the HBLB has set strategic priorities, details of which are set out in the HBLB's Corporate/Business Plan.

2. Financial Allocation

2.1 The 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 to 'statutory funds', including contributions made to the HBLB under voluntary arrangements, rather than simply 'public funds'.

2.2 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.

2.3 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.

(£m)	2012/13	2013/14	2014/15
Levy yield	66.751	70.115	60.090
Voluntary payments by bookmakers	7.572	7.904	10.714
Additional voluntary contributions	-	-	0.879
Total	74.323	78.019	71.683
Total expenditure	66.293	75.825	76.525

2.4 Due to this uncertainty about Levy income in future years, the HBLB operates a Reserves policy. The HBLB review of reserves policy was conducted by the Board at its meetings in both November 2014 and March 2015 and its reserves policy has been adopted in the 2015 business plan.

- 2.5 In light of the winding-up of the HBLB, the HBLB shall notify the Department following any decisions taken in regard to future changes to the reserves policy with such decisions requiring the subsequent approval of the Department. The Department approved a change to the HBLB's reserves policy in December 2016.

3. Performance Measures

- 3.1 The HBLB's performance can be measured by progress achieved against criteria listed in the Board's strategy and business plan. Assessment against the criteria in this plan are measured annually by the Board and progress is reported to DCMS officials at quarterly engagement meetings.

4. Engagement

- 4.1 The Department and HBLB have agreed an engagement calendar as set out below. This contact will be in addition to routine and policy led contact between the Department and the HBLB. The DCMS Finance and HR Teams may agree a separate calendar of engagement with HBLB finance and HR team.

Engagement calendar

- 4.2 Annual meeting to review objectives and performance against KPIs and discuss corporate plans;
- 4.3 Annual meeting with Chair to discuss Board performance;
- 4.4 Monthly meetings between the Levy Board executive officers and DCMS officials to discuss the transition to the new funding arrangements. These meetings will also allow, where necessary and appropriate under section 25 (1) of the Betting, Gaming and Lotteries Act 1963, for DCMS to approve relevant HBLB activities.

Part B: FINANCIAL CONTROLS

1. Delegated Financial Limits

All delegations are subject to the requirement that spending proposals falling within Managing Public Money Annex 2.2, box A.2.2C should be referred to DCMS. 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;
- where Treasury consent is a specific requirement of legislation.

Unlimited (unless otherwise specified)

1.1 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), art works and additions to the collection with an expected working life of more than one year. Also includes exchanges of fixed assets.	£1m
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	£100,000 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.

1.2 Single Tender Contracts

The delegation for single tender contracts is set at **£50,000** for each contract.

Proposals for awarding single tender contracts outside this delegated limit must have the prior approval of DCMS before any contract is awarded

1.3 Gifts

Gifts received by the Horserace Betting Levy Board including contributions to the Levy made under voluntary arrangement by bookmakers and other third parties.	Unlimited
<p>In a financial year, any one gift or total of gifts by the Horserace Betting Levy Board:</p> <ul style="list-style-type: none"> 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; to staff. <p>Gifts to staff are also subject to the following Cabinet Office guidance: http://www.cabinetoffice.gov.uk/resource-library/guidance-civil-servants-receiving-hospitality</p>	£1,000

Proposals for making gifts outside this delegated limit must have the prior approval of DCMS. The Horserace Betting Levy Board must keep a record of gifts given. Details of gifts to one person/organisation should be noted in the annual accounts if individually or collectively, they exceed £1,000.

1.4 Fraud

No delegation. All cases of attempted, suspected or proven fraud, irrespective of the amount involved, must be reported by the HBLB to the Department as soon as it is discovered.

1.5 Non-Statutory Contingent Liabilities

Up to £100,000

1.6 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 the HBLB's Accounting Officer. The HBLB should consult DCMS where cases:

- Involve important questions of principle;
- Raise doubts about the effectiveness of existing systems;
- Contain lessons which might be of wider interest;
- Are novel or contentious;
- Might create a precedent for other departments in similar circumstances;
- Arise because of obscure or ambiguous instructions issued centrally.

1.6.1 Classification of Losses

Type	Description	Delegation
A.	Losses	
(i)	<u>Cash losses</u> : Physical losses of cash and its equivalents (e.g. banknotes, credit cards, electronic transfers, payable orders)	£100,000
(ii)	<u>Bookkeeping losses</u> : <ul style="list-style-type: none"> • unvouched or incompletely vouched payments, including missing items; • charges to clear inexplicable or erroneous debit balances. 	£100,000
(iii)	<u>Exchange rate fluctuations</u> : Losses due to fluctuations in exchange rates or revaluations of currencies.	£100,000
(iv)	<ul style="list-style-type: none"> • Losses of pay, allowances and superannuation benefits paid to civil servants, members of the armed forces and NDPB employees: 	£100,000
	<ul style="list-style-type: none"> • overpayments due to miscalculation, misinterpretation, or missing information 	£100,000
	<ul style="list-style-type: none"> • unauthorised issues, e.g. inadmissible payments 	£100,000
	<ul style="list-style-type: none"> • 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 social security benefits, grant, subsidies, etc. arising from miscalculation, misinterpretation or missing information.	£100,000
(vi)	Losses arising from failure to make adequate charges for the use of public property or services.	£100,000
B.	Stock write offs and impairments:	
	The accounting loss incurred as a result of the reduction of the holding value of stock or inventory to an impaired or nil fair value in accordance with the relevant accounting principles.	£1m
C.	Losses of accountable stores:	
(i)	because of proven or suspected fraud, theft, arson or sabotage, or any other deliberate act (including repairable damage caused maliciously to buildings, stores; etc. even where a legal claim is not possible).	£100,000
(ii)	losses arising from other causes.	£100,000

D.	Fruitless payments and constructive losses	£100,000
E.	Claims waived or abandoned	£100,000

A record of losses should be maintained and if the total of losses or special payments in the year exceeds £100,000, the annual accounts should include a statement.

1.6.2 Special Payments

Special severance payments: There is no delegation for special severance payments (payments made to the employee outside their statutory or contractual entitlement upon termination of their employment contract). Each payment, regardless of value will require HM Treasury approval before an offer can be made.

	Special payments:	
(i)	extra-contractual and ex gratia payments to contractors;	£100,000
(ii)	other ex gratia payments;	£100,000
(iii)	compensation payments;	£100,000
(iv)	extra-statutory and extra-regulatory payments;	£100,000
(v)	consolatory Payments: A special payment to address an inconvenience or hardship to a third party, arising from administrative failures i.e. where the organisation has not acted properly or provided a poor service. These can include: wrong advice, discourtesy, mistakes and delays.	£500

1.6.3 Disposal of Assets

Unlimited except where subject to approval from the Secretary of State. The above limit is subject to the HBLB taking professional advice when disposing of land and property assets, and taking account of the protocol set out in the Managing Public Money Asset Management.

All asset disposals, regardless of value, should be notified to DCMS through the routine monthly financial reporting processes.

1.6.4 Approval for retention of receipts

The HBLB should apply for permission to retain any receipts where the aggregate annual total exceeds the amounts below notified to the Department at the Spending Review.

2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
£61,700	£50,500	£47,500	£45,100

2. Spend controls

- 2.1 The HBLB is subject to the latest Cabinet Office spend controls set out at <https://www.gov.uk/government/publications/cabinet-office-controls> and the DCMS thresholds for spend controls, as set out in the latest [DCMS Spend Control Guidance](#).
- 2.2 All Cabinet Office spend controls apply to the HBLB, except for the control on Redundancy and Compensation.

3. Procurement

- 3.1 HBLB must comply with the Public Contracts Regulations 2015 (PCR) in its procurement activity. 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 £100,000 where appropriate 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 the Department.
 - support collaborative procurement and commercial efforts across DCMS and its family of other ALBs.

4. Management Information

- 4.1 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
Monthly	Consultancy return (including nil returns)	By e-mail to DCMS Procurement and Commercial Team	To enable Cabinet Office to keep track of the number of public sector consultancy contracts.
Monthly	Cash management figures within GBS accounts	By e-mail to Finance	To supply HM Treasury with forecast for cash management inside GBS

Monthly	Spend over £25,000	On the ALB's website	Transparency: to inform public how public money is spent.
Quarterly	Key metrics (total procurement spend, spend with SMEs and the Voluntary, Community and Social Enterprise sector)	By e-mail to DCMS Procurement and Commercial Team	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 the ALB's website or hosted on DCMS website	Transparency: to inform public how public money is spent
Annually	Alignment/WGA	Alignment consolidation packs, WGA transactions and balances exercise	Alignment: to consolidate the ALB's resource accounts within the DCMS resource accounts WGA: to gather counter-party details for consolidation.
Annually	Sustainability data	By e-mail to Finance and DCMS Sustainability Champion	To meet HM Treasury requirement to supply centre with sustainability data
Annual	EU public procurement statutory return (Schedule 1 or Schedule 2 as appropriate)	By e-mail to Cabinet Office	Legal requirement to provide data on number of tenders advertised in the European Journal
Annually - June	Country and Regional analysis data	By e-mail to Finance	HM Treasury requirement - feeds into the Core Tables for the Annual Report and Accounts
Annually	Annual report and accounts	By e-mail to Finance as per timetable (separate guidance is issued on this)	Statutory obligation
Annually	Publication of salaries over £150k	By e-mail to ALB Team (for publication on Cabinet Office website)	Transparency: to inform public how public money is spent

Annually	Sharing of Strategic Risk Register as per paragraph 13.1 of the Governance framework.	At annual performance meeting	Enable timely and appropriate response to risk
Ad hoc immediate as required	Completion and updating of e-Pims™ database	Directly into e-Pims™ system	To ensure accurate property and estate information is maintained at all times
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.	With Finance and Head of, on request	Assurance of financial management

Part C: HBLB 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 HBLB. This document sets out the broad framework within which the HBLB will operate. The document does not convey any legal powers or responsibilities. 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.
- 1.2 The agreement will remain in place until it is superseded by a new agreement. The agreement should be treated as a living document and reviewed by both sides annually in March. Any changes to ministerial priorities, policy requirements and KPIs will be made by exchange of letters between the Minister and the HBLB Chair; all other changes will be made by exchange of letter between the DCMS Permanent Secretary and the HBLB Chief Executive.
- 1.3 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 HBLB derive from the Betting, Gaming and Lotteries Act 1963.
- 2.2 The Secretary of State and other members of the DCMS ministerial team will account for the HBLB's business in Parliament.
- 2.3 The respective responsibilities of the DCMS Principal 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 Accounting Officers on appointment and summarised below.

- 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 such appointments are made by Ministers, they will comply with the Code of Practice of the Commissioner for Public Appointments.
- 2.5 In line with the founding legislation or documents, and, where applicable, the Government's Code of Practice on Corporate Governance, the Board will consist of a Chair, together with 6 members that have a balance of skills and experience appropriate to directing the HBLB's business.
- 2.6 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 objectives. In addition to this, they act as the Accounting Officer for the HBLB and will have specific duties in this regard, which are set out in section 4 below.

3. DCMS Principal Accounting Officer's responsibilities

- 3.1 The DCMS Permanent Secretary, as Principal Accounting Officer for the DCMS family of ALBs, 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 HBLB Board; requiring explanations and assurances that appropriate action has been taken.
- 3.2 The Head of Racing Policy in DCMS is the primary contact for the HBLB within the Department.

4. HBLB Accounting Officer's responsibilities

- 4.1 The DCMS Principal Accounting Officer will normally appoint the permanent head of 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, the HBLB's Board and other stakeholders.
- 4.2 The HBLB Accounting Officer is personally responsible for safeguarding the public 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 (at the time of writing).

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 HBLB's stewardship of statutory funds.

Particular responsibilities to DCMS are:

- informing the Department of progress in helping to achieve DCMS's policy objectives as defined in the single Departmental plan and in demonstrating how resources are being used to achieve those objectives;
- ensuring that timely forecasts and monitoring 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.

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 and 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, 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 aims and objectives and keeping the responsible DCMS Minister informed if any such developments arise;
 - ensuring that any statutory or administrative requirements for the use of public 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 sponsor 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.

6. The Chair's 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 it complies with charity law, 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. The Chair is also responsible for good governance and for ensuring that the principles set out in the 'DCMS Guidance on Board Appraisal Processes for ALBs' are followed.

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;
- ensuring that the Board, in reaching decisions, takes proper account of the requirements of charity law;
- 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.

6.3 The Chair also has an obligation to ensure that:

- the performance of the Board and its individual members are reviewed annually and operate effectively and to instigate remedial action should this not be the case;
- 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 and understand their 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 Board Members' Code of Practice and with the rules relating to the use of public 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 and GOV.UK, 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:
- establish and maintain arrangements for internal audit in accordance with the Treasury's Government Internal Audit Standards (GIAS);
 - ensure DCMS is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointments in accordance with GIAS 5.2;
 - set up an Audit Committee of its Board in accordance with the Cabinet Office's Guidance on Code of Practice for Public Bodies and the Audit Committee Handbook;
 - forward the audit strategy, periodic audit plans and annual audit report, including the HBLB's 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. 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 subcontractors 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 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. It should adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the Treasury's guide: Managing the Risk of Fraud. It should also take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to give grant or grant-in-aid.

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 each of the 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 guidance on resource assumptions and policies provided by the Department at the beginning of the planning round. These forecasts should represent the HBLB's best estimate of its available income, including any grant or grant in aid 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 HBLB to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office under the Civil Service Compensation Scheme or an analogous scheme, requires the prior approval of the Cabinet Office. Proposals on severance must comply with the rules in chapter 4 of Managing Public Money and will require Treasury approval. The HBLB must follow the processes set out in the DCMS "Guidance on Staff Exits".

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;

The HBLB shall operate pay restraint, particularly in terms of senior salaries. Senior HBLB leaders are expected to show leadership in this area.

The HBLB is subject to the Procurement Policy Note 08/15 – Tax Arrangements of Public Appointees, and any guidance that may supersede it. The HBLB shall not remunerate employees via special purpose companies or by means of any other tax avoidance devices. Senior staff with significant financial responsibility must be on the payroll, unless there are exceptional temporary circumstances, which must be agreed by the HBLB Accounting Officer and not exceed a period of six months. The HBLB is also responsible for ensuring that any temporary off-payroll workers employed are meeting their tax obligations.

17. Review

17.1 The HBLB may be reviewed periodically, by DCMS in accordance with:

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

18. Reporting performance to the Department

18.1 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. The HBLB's performance shall be reviewed by the Department periodically in accordance with the engagement strategy.

19. Delegated authorities

19.1 The HBLB shall obtain the Department'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.

20. Capital projects

- 20.1 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 Finance 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.
- 20.2 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.
- 20.3 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 Finance Committee approval. The Department reserves the right to receive copies of business cases for projects below the HBLB's delegated limit or elements of it, such as the Net Present Value calculation.

21. Compliance with the Equality Act 2010

- 21.1 In exercising public functions the HBLB is subject to the public sector equality duty in section 149 of the Equality Act 2010, requiring the HBLB to have due regard to the need to:
- Eliminate unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
 - Advance equality of opportunity between people who share a relevant protected characteristic (age; disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation) and people who do not; and
 - Foster good relations between people who share a relevant protected characteristic and people who do not.

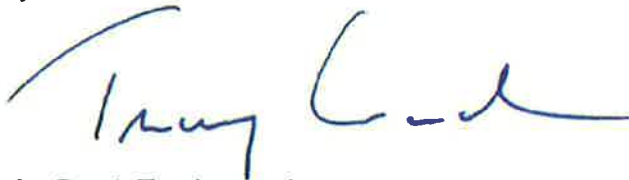
22. Cyber Security

- 22.1 As part of its approach to risk management and information assurance the HBLB should ensure the robustness of its cyber security to protect itself against data breaches, service disruption, loss and reputational damage. The level of provision should be

proportionate to the HBLB's size and the level of risk it carries in terms of cyber vulnerability. A range of relevant Government advice and guidance can be found at <https://www.gov.uk/government/collections/cyber-security-guidance-for-business>.

- 22.2 As a minimum, the HBLB should take steps to ensure it has basic cyber security controls in place. These should be at least at the level set out in the Cyber Essentials scheme. Further details of this scheme can be found at www.cyberstreetwise.co.uk/cyberessentials. Departmental officials can offer further guidance and support.

Signed by:



Minister for Sport, Tourism and Heritage
(On behalf of the Secretary of State for Culture,
Media and Sport)

Date:



Chair of Horserace Betting Levy Board

Date:



Accounting Officer of Horserace Betting Levy Board

Date:

22nd February 2017

Annex A: Compliance with guidance and instructions

The HBLB 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);
http://www.hm-treasury.gov.uk/psr_mpm_index.htm
- Consolidated Budgeting Guidance (issued annually);
- Government Internal Audit Standards;
<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>
- Appropriate adaptations of the Audit Committee Handbook;
http://www.hm-treasury.gov.uk/audit_committee_handbook.htm
- Management of Risk: Principles and Concepts;
http://www.hm-treasury.gov.uk/d/orange_book.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;
http://www.hm-treasury.gov.uk/d/mpm_ch6.pdf
- Banking guidance, annex 5.6 of MPM;
http://www.hm-treasury.gov.uk/d/mpm_annex5.7.pdf
- Relevant Dear Accounting Officer letters;
<https://www.gov.uk/government/collections/dao-letters>
- 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;
<https://ico.org.uk/for-organisations/guide-to-freedom-of-information/>
- Model Code for Staff of Executive Non-departmental Public Bodies: Chapter 5 (Annex A) of Public Bodies: A Guide for Departments (Cabinet Office);
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/80082/PublicBodiesGuide2006_5_public_body_staffv2_0.pdf
- Other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts;
<https://www.gov.uk/government/collections/whole-of-government-accounts>
- 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;
https://www.statisticsauthority.gov.uk/wp-content/uploads/2015/12/images-codeofpracticeforofficialstatisticsjanuary2009_tcm97-25306.pdf
- Procurement Policy Note 08/15 – Tax Arrangements of Public Appointees
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/418726/PN_08-15_Tax_arrangements_for_public_appointees.pdf
- Recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government and relevant to the HBLB.