



HORSERACE BETTING LEVY BOARD
BUSINESS PLAN 2018/2019

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1. Executive summary

The 2018/19 business plan is influenced by the Government's plans to close the Horserace Betting Levy Board in April 2019, meaning that this should be the final business plan that the Levy Board will publish.

The Board agreed that 2018 calendar year expenditure should be increased to £85.3m and the business plan has been prepared on this basis for the remainder of 2018/19.

The table below summarises the calendar year expenditure for three years from 2016 to 2018:

<u>Calendar year basis</u>	<u>2018</u> <u>(budget)</u> <u>£m</u>	<u>2017</u> <u>(actual)</u> <u>£m</u>	<u>2016</u> <u>(actual)</u> <u>£m</u>
Prize money	57.6	48.4	48.2
Raceday services	16.4	16.4	16.4
Fixture incentive scheme	2.5	2.6	2.9
Other expenditure	8.8	5.2	5.2
Total expenditure	85.3	72.6	72.7

2. Purpose

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

The Board receives no central Government grant-in-aid and no National Lottery funding. Instead, the 1963 Act requires the Horserace Betting Levy Board to assess and collect monetary contributions from bookmakers and to apply them for purposes conducive to any one or more of:

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

3. Objectives

In accordance with its Purpose the Board has agreed the following general objectives:

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

The business plan includes references to both fiscal and calendar years. The overall business plan is prepared on a fiscal year basis but those elements of expenditure that relate specifically to Racing are presented on a calendar year.

References within this business plan to fiscal years are denoted by stating both years e.g. 2017/18, whereas calendar years are stated as one year e.g. 2017.

4. Strategy: Specific priorities

Specifically for 2018/19, the Board has agreed the following priorities, which can be considered under six key headings. The Board will assess successful performance by monitoring outcomes against these priorities:

Prize money

- a) Incentivise racecourses to increase their prize money contributions further, principally by linking its grants to a racecourse's executive and sponsorship prize money contributions and Levy generation.

Fixture criteria

- b) Carry out 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.

Integrity

- c) Contribute to the provision of cost-effective technical, security and regulatory services for the protection of the integrity of racing in the interests of the racing public, punter and participant.

Financial support for the horseracing industry

- d) Continue to support the financing of racecourse projects by Capital Credit grants.

Government

- e) Work with the Department for Digital, Culture, Media and Sport on legislative and procedural requirements involving the further reform of the Horserace Betting Levy.

Transition

- f) In anticipation of HBLB closing on 31st March 2019, work to ensure a smooth transition of infrastructure, assets and intellectual capital to the successor organisations, being the Gambling Commission (collection of Levy) and Racing Authority (distribution of Levy).

5. Total Income**2018/19: £93.5m****5.1 New levy mechanism****2018/19: £93.0m**

5.1.1 The business plan assumes that the 2018/19 yield will be £93m, from a range adopted by the Board of £90m to £99m.

5.1.2 Adoption of a range for the income forecast reflects that there is a degree of uncertainty around income, as the extension of the Levy beyond Great Britain has been in place for only a year (2017/18) and the Board therefore does not have detailed longer term historic performance records for the remote market.

5.2 Bank interest**2018/19: £0.4m**

5.2.1 Bank interest is estimated as a function of the average cash balances held, using a weighted average interest rate. The decision to start placing funds on medium term deposit has resulted in a small increase in the yield generated compared to the prior year.

5.3 Racecourse loans**2018/19: £0.1m**

5.3.1 It is assumed that £3m of new loans will be drawn down in 2018 and therefore the estimated income reflects the interest earned on the outstanding loan balance. The estimated balance outstanding at 1st April 2019 is £3.2m.

6. Total Expenditure**2018/19: £85.3m****6.1 Improvement of horseracing****6.1.1 Prize money****2018: £57.6m**

6.1.1.1 The overall 2018 prize money budget is set out in the table below.

	2018 Total £000	2017 Total £000	Change £000
General Prize Fund : Racecourse Fixtures	37,181	33,416	3,765
Winter Jump	0	481	(481)
Blanket AWT	1,513	1,586	(73)
Race Incentive Fund (Classes 1-3)	6,267	6,002	265
Race Incentive Fund (Classes 3-5/4-6)	3,200	0	3,200
Appearance Money Scheme	6,493	620	5,873
BHA Twilight Fixtures	0	1,415	(1,415)
British Champions Day	0	382	(382)
Future Champions Day	0	315	(315)
Good Friday Lingfield	0	120	(120)
Breeders Prizes and Mare Owners Prize Scheme	480	422	58
Divided Race Fund	100	1,652	(1,552)
Plus 10	1,550	1,250	300
Lead Fixture Fund	265	697	(432)
Transition Fund	500	0	500
Grand Total	57,549	48,358	9,191

6.1.2 Raceday services**2018: £16.4m**

6.1.2.1 The allocation for Raceday Services for 2018 is £16.4m, unchanged from 2017.

6.1.3 Fixture incentives**2018: £2.5m**

6.1.3.1 The allocation for Fixture Incentives for 2018 is £2.5m, reduced from £2.9m in 2017.

6.1.4 New funding requests for 2018 **2018: £2.8m**

6.1.4.1 The following new requests for funding were approved:

- Equine Welfare - £0.3m
- Ownership and Horse Population Promotion - £1.1m
- Betting Industry Partnership - £0.3m
- Promotion of Racing and Customer Growth - £0.8m
- Other - £0.3m

6.1.5 Industry Recruitment, Training and Education (IRTE) **2018: £2.1m**

6.1.5.1 The Board's contribution to Racing's IRTE is broadly unchanged from the prior year (£1.3m) prior to the inclusion of an additional £0.7m to cover Vocational training programmes at BRS and NRC plus £0.2m for other initiatives.

6.1.6 Point to Point **2018: £0.3m**

6.1.6.1 The allocation for Point to Points for 2018 is £0.3m, which is marginally higher than in 2017.

6.2 Advancement of veterinary science and education **2018/19: £1.8m**

6.2.1 The veterinary science and education expenditure for 2018/19 is expected to be £1.8m which is an increase of £0.3m on the prior year. The majority of the expenditure relates to multi-year projects. The expected spend in any one year comprises the utilisation of budgets not just from the current year but also from up to three or four previous years.

6.3 Improvement of breeds of horses **2018: £0.1m**

6.3.1 The allocation to breed societies for 2018 is £0.1m, which is unchanged from 2016. The Board makes such grants in line with its statutory responsibility for "the improvement of breeds of horses". Only the rare equine breeds listed by the Rare Breed Survival Trust are eligible for direct grant funding.

6.4 HBLB administration costs **2018/19: £1.8m**

6.4.1 The budget in respect of HBLB administration costs is £1.8m, which is the same as the budget for 2017/18. This figure does not include one-off costs that would arise from HBLB's closure in 2019.

7.1 Reserves

- 7.1.1 Having accumulated reserves in excess of £40m, the Board agreed to utilise these to maintain expenditure levels in 2015 to 2017 in anticipation of the introduction of legislation to extend the reach of the Levy beyond Great Britain.
- 7.1.2 The reserves declined to £25m by March 2017, but were at £46m at 31st March 2018. They are forecast to rise to some £54m at 31st March on the assumption of an unchanged expenditure budget in calendar year 2019.
- 7.1.3 The Board will consider, in autumn 2018, the appropriate level of reserves, taking into account the timetable for the introduction of changes to the regulation of Fixed Odds Betting Terminals and the potential effect on Levy yield.

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ANNEX

ANNEX A – Summary Financial Statement 2015/16 to 2018/19

<u>Calendar Year</u>	<u>2015</u> <u>£m</u>	<u>2016</u> <u>£m</u>	<u>2017</u> <u>£m</u>	<u>2018</u> <u>£m</u>
Total core expenditure (excluding AVCs)	76.4	72.5	72.5	85.3

<u>Fiscal Year</u>	<u>54th Scheme</u> <u>2015/16</u> <u>£m</u>	<u>55th Scheme</u> <u>2016/17</u> <u>£m</u>	<u>56th/New Scheme</u> <u>2017/18</u> <u>£m</u>	<u>58th Scheme</u> <u>2018/19</u> <u>£m</u>
Levy yield (inc. prior year)	54.7	49.8	94.9	93.0
Voluntary contributions	14.5	14.8	(0.5)	0.0
Other income	0.8	0.4	0.3	0.5
Total income	70.0	70.0	94.7	93.5
Total core costs	78.1	72.5	73.7	85.3
Non-core costs	-	-	0.1	0.9
Surplus	(8.1)	(7.5)	20.9	7.3
Balance Sheet				
Tangible fixed assets	0.3	0.2	0.1	0.0
Racecourse loans	7.6	5.1	3.2	3.2
Bank deposits	38.2	25.9	46.9	57.5
Capital credits	(5.8)	(7.4)	(4.0)	(4.0)
Levy creditors	(5.3)	(3.3)	(13.9)	(1.5)
Other net assets	(2.1)	4.9	14.1	(1.5)
Reserves	32.9	25.4	46.4	53.7