



# BUSINESS PLAN AND

# BUDGET GUIDE 2017-2019

## CONTENTS

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Foreword	2
Introduction	3
Vision, mission, values and culture	3
Strategic objectives 2017-2019	4
Business plan 2017-2019	5 - 14
Budget guide 2017-2019	15 - 18

## FOREWORD BY NICK RUST, CHIEF EXECUTIVE



**I'm delighted to introduce the BHA's business plan for the next three years together with our budget guide for the same period.**

As an organisation whose activity is predominantly funded by its members – in our case, owners, trainers, jockeys, stud and stable staff and racecourses – it's incredibly important that we're open and transparent about where the BHA's money comes from and how it's spent. That's why we're publishing the details of our business plan for the next three years alongside our budget, together with an explanation of what these mean to everyone who pays fees to us.

In October, my Board agreed a three-year budget to support our business plan and over the last month we have shared details with stakeholder representative organisations. One of the benefits of taking a three-year approach to planning and budgeting is that it has enabled us to agree any changes to fees for the next three years, providing much greater certainty to our sport's participants and saving time for stakeholders who are involved in the budgeting process itself. Linking our budget and business plan also helps to clarify for participants where their fees will be directed over the next three years.

This document provides the details of our plans, budget and fees. In summary, our budget has been designed to ensure the BHA breaks even over the three years and that we maintain a suitable level of reserves to deal with any unforeseen events.

We have sought to limit fee increases over this period, and to phase them in to reflect the fact that we do not expect increases in Levy funding to flow through to participants until 2018. Subject to inflation levels, BHA fees will therefore rise by 2% in 2017, 2.75% in 2018 and 2.75% in 2019.

I appreciate any increase is unwelcome and I want to be clear we have done what we can to limit the scale of the increase. For example, our budget is based on the BHA delivering total annual savings of £1.1 million by 2019 compared to 2016. Our budget has to reflect our current financial situation. Over the past six years, the BHA's income has fallen by 9.5% in real terms, due to a reduction in fee income as registrations have declined, but also as a result of our decision not to increase fees in 2013 and 2014.

**At the same time, we're seeking to deliver even more for our sport, including:**

- Setting up the new Racing Authority to take control of future Levy income
- Developing and implementing a new equine welfare strategy
- Increasing the volume of horse testing to keep our sport fair and clean
- Addressing industry staffing challenges including recruitment, training and welfare initiatives
- Making important changes to our disciplinary panels and processes following our Integrity Review and Christopher Quinlan QC's review of the structure and composition of our Disciplinary Panel, Appeal Board and Licensing Committee
- Expanding our Government relations to focus on racing's significant economic footprint, including jobs and rural business, education and welfare
- Establishing a leadership role in UK sport and international racing in areas of anti-doping and sports governance.

I hope that you will find the information contained in this business plan and budget helpful in gaining a better understanding of what we're doing, to build a brighter future for our sport, our horses and our people.

I would like to end by thanking you for your contribution and support for British racing, without which we would have no sport.

Best wishes for a successful season in 2017.

Nick Rust, Chief Executive.

## INTRODUCTION

The British Horseracing Authority (BHA) has developed a three-year business plan covering the years 2017-2019. The business plan includes a set of strategic objectives and initiatives and a budget.

The benefits of a three-year business plan are that it:

- 1) Clarifies to participants how their fees are being spent over the next three years.
- 2) Allows the BHA to launch long-term initiatives to improve the service it provides to racing in the knowledge that they have been approved by stakeholders and are fully funded.
- 3) Provides participants with certainty of fee increases for the next three years, which should assist with business planning.
- 4) Reduces the level of resource required from stakeholders during fee discussions.
- 5) Enables the BHA to identify any future funding gaps and provides sufficient time for the BHA to seek external funding, develop new income streams or identify cost savings in order to bridge any gaps.
- 6) Allows the BHA and stakeholders to monitor and evaluate the performance of the BHA against its business plan.
- 7) Fulfils the BHA's aims of being transparent and accountable to its participants.

## VISION, MISSION, VALUES AND CULTURE

### Our vision

Together we will build a brighter future for our sport, our horses and our people.

### Our mission

We govern, regulate and represent British racing.

We lead and co-ordinate activities which will ensure the overall health, development and growth of the industry.

We prioritise the welfare of our horses and our people.



### Our values

**Integrity:** We will always do the right thing to uphold the BHA's reputation for fairness, and to maintain the trust of our stakeholders.

**Accountable:** We take personal responsibility for our actions and strive to improve the health of British racing.

**Credible:** We are open and honest about what we do, and treat everyone fairly and with respect.

**Responsive:** We stay in-tune with the sport's diverse stakeholders so that we can effectively meet agreed objectives and goals.

**Progressive:** We promote a forward-thinking and collaborative culture while respecting the strong heritage of British racing as a sport and an industry.

### Our culture

In a forward-thinking environment that encourages collaboration, cohesion, commitment and confidence, the BHA provides leadership for British racing that is protective of the deep traditions and proud history of the sport whilst guiding it towards a bright future.

The BHA, with a culture that respects and recognises the contributions and professionalism of its people, seeks to understand, be attentive to, and be proactive in addressing the needs of its participants and wider stakeholders.

## STRATEGIC OBJECTIVES 2017-2019

We have set nine strategic objectives for the period 2017-2019.



EQUINE WELFARE  
LEADERSHIP



SUSTAINABLE  
INDUSTRY FUNDING



KEEPING RACING  
FAIR AND CLEAN



GROWING BRITISH  
RACING TOGETHER



COMPETITIVE AND  
COMPELLING RACING



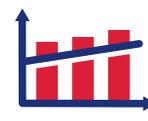
LOOKING AFTER  
OUR PEOPLE



PROFESSIONAL  
WORKPLACE



WORLD CLASS  
RACING



FINANCIAL  
RESPONSIBILITY

**1) Equine welfare leadership:** To provide equine welfare leadership.

**2) Sustainable industry funding:** To deliver improved and sustainable funding from betting on the sport.

**3) Keeping racing fair and clean:** To continue to evolve a regulatory and integrity framework that ensures improved confidence amongst participants and the racing and betting public.

**4) Growing British racing together:** To work with others in the sport to increase participation levels and deliver growth for the industry.

**5) Competitive and compelling racing:** To integrate the distribution of funding via the Racing Authority with the sport's wider objectives for the fixture list and race programme.

**6) Looking after our people:** To develop properly funded and integrated industry training, welfare and careers marketing activities.

**7) Professional workplace:** To support the creation and maintenance of a friendly, productive and professional workplace, with an engaged workforce that is capable of contributing to the present and future success of the business.

**8) World class racing:** To continue to develop a framework that sees Britain further its position as the home of the best quality racing in the world.

**9) Financial responsibility:** To operate the BHA on a break-even basis over the medium-term whilst maintaining an appropriate level of cash reserves.

## BUSINESS PLAN 2017-2019



**1. Equine welfare leadership:** To provide equine welfare leadership.

### Key initiatives

<b>1</b>	<p><b>What: Enhance the leadership and capability of the BHA's equine health and welfare function.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Complete the recruitment of a director of equine health and welfare</li> <li>▪ Build the capability of the equine health and welfare function to ensure it can lead and implement the agreed strategy.</li> </ul>
<b>2</b>	<p><b>What: To improve the capture, analysis and benchmarking of racehorse welfare information.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Secure external project funding</li> <li>▪ Communicate and act on the findings of the data capture project.</li> </ul>
<b>3</b>	<p><b>What: To continue to develop the BHA's equine welfare strategy.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Finalise a strategy for equine health and welfare</li> <li>▪ Begin to implement the new strategy.</li> </ul>



## 2. Sustainable industry funding: To deliver improved and sustainable funding from betting on the sport.

### Key initiatives

<b>1</b>	<p><b>What: To secure the successor to the existing Horserace Betting Levy.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Support the Government to obtain European clearance and introduce the required legislation</li> <li>▪ Incorporate a new tripartite Racing Authority, including the appointment of directors</li> <li>▪ Establish a relationship between the Racing Authority and the Government’s collection arm so that funds can flow to racing.</li> </ul>
<b>2</b>	<p><b>What: To develop a modern working partnership with all forms of betting operator under the Levy successor, based on data sharing and mutual interest; ensure a smooth transition from the Authorised Betting Partners model to a level playing field.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Identify the optimum format for the successor to the Betting Patterns Working Party</li> <li>▪ Re-establish the Racing and Betting Leadership Forum</li> <li>▪ Secure data-sharing agreements with a cross-platform set of betting operators representing more than 50% of betting activity.</li> </ul>
<b>3</b>	<p><b>What: To further improve interaction with a key customer group through the Horserace Bettors’ Forum (HBF).</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Continue to work constructively with, and support the activities of the HBF</li> <li>▪ Support the HBF to refresh its membership.</li> </ul>



**3. Keeping racing fair and clean:** To continue to evolve a regulatory and integrity framework that ensures improved confidence amongst participants and the racing and betting public.

**Key initiatives**

<b>1</b>	<p><b>What: To implement the recommendations arising from the Integrity Review in accordance with the timetable set out in the implementation plan.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Establish a revised integrity education programme</li> <li>▪ Finalise and implement an alternative fast-track disciplinary process.</li> </ul>
<b>2</b>	<p><b>What: To implement the Board-approved recommendations from the Review of the Disciplinary Panel, Licensing Committee and Appeal Board led by Christopher Quinlan QC.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Complete the implementation of the recommendations of the Quinlan Review.</li> </ul>
<b>3</b>	<p><b>What: To complete a rewrite of the rules of racing.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Complete the legal drafting process.</li> </ul>
<b>4</b>	<p><b>What: To continue to develop the Anti-Doping Programme.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Continue to evolve our online systems for recording a horse's location and circumstances for both welfare and anti-doping purposes</li> <li>▪ Establish a protocol for voluntary testing</li> <li>▪ Introduce an electronic, paperless sample collection system.</li> </ul>
<b>5</b>	<p><b>What: To continue with a review of all aspects of stewarding.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Complete a review of potential stewarding models and funding options</li> <li>▪ Implement new stewards' room replay technology at premier fixtures.</li> </ul>

<b>6</b>	<p><b>What: To implement the recommendations from the project relating to the declaration of information associated with the horse.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Enhance the 'going' page on the BHA website and Racing Administration</li> <li>▪ Make non-runner history information available on the BHA website</li> <li>▪ Develop and implement a plan for the declaration of additional information associated with declared runners.</li> </ul>
<b>7</b>	<p><b>What: To complete the review of the policies, procedures and effectiveness of the licensing department.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Complete the review of the function, capability and performance of the licensing department</li> <li>▪ Commence implementation of recommendations from the review.</li> </ul>



#### **4. Growing British racing together:** To work with others in the sport to increase participation levels and deliver growth for the industry.

##### Key initiatives

<b>1</b>	<p><b>What: To ensure that the members, through successful operation of the Members' Committee and Executive Committee, discuss and agree on industry matters as set out in the Members' Agreement.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Ensure that both the Members' and Executive Committees continue to work effectively to progress matters and lead and support the industry's growth strategy.</li> </ul>
<b>2</b>	<p><b>What: Following publication of the UK Sports Governance Code and as part of a BHA-wide analysis of governance best practice generally, identify and address any gaps in the BHA's governance structure and processes and provide leadership on governance issues across the industry.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Complete a gap analysis and best practice assessment</li> <li>▪ Develop a plan to address any gaps, including associated funding</li> <li>▪ Begin implementation of the recommendations.</li> </ul>
<b>3</b>	<p><b>What: To reform the administrative processes and costs of racehorse ownership.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Introduce an online administration system for owners and a simplified approach to fees</li> <li>▪ Implement a communications strategy and involve owners in testing the new registration process</li> <li>▪ Complete a user survey on the new registration process.</li> </ul>

<b>4</b>	<p><b>What: Introduce a BHA Code of Conduct for syndicates and a registration process for individuals managing syndicates.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Publish and implement a Code of Conduct and a new, simplified registration structure</li> <li>▪ Monitor Code of Conduct compliance.</li> </ul>
<b>5</b>	<p><b>What: To adopt a more liberal approach to racing colours.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Complete proposals for the liberalisation of colours, including a premium option for those wishing to design their own colours</li> <li>▪ Implement new colours regulations, allowing a wider choice of standard designs and shades for all owners.</li> </ul>



**5. Competitive and compelling racing:** To integrate the distribution of funding via the Racing Authority with the sport's wider objectives for the fixture list and race programme.

**Key initiatives**

<b>1</b>	<p><b>What: To lead an industry-wide project which introduces a strategic approach to the distribution of Racing Authority funding, including funding of the fixture list and race programme, that best supports the future growth of the sport from 2018.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Present recommendations from the Fixtures Group to the Executive Committee</li> <li>▪ Begin to implement recommendations ahead of the 2018 fixture process</li> <li>▪ Complete the fixture list and funding process.</li> </ul>
<b>2</b>	<p><b>What: To create a fixture criteria with wider objectives for the sport.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Develop recommendations with the Fixtures Group</li> <li>▪ Incorporate detailed analysis with the support of third-party expertise</li> <li>▪ Simplify the fixture allocation process.</li> </ul>

<b>3</b>	<p><b>What: To complete implementation of the Holistic Race Planning project supported by increased specialisation within the race planning team.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Allocate the Race Incentive Fund to deliver an optimal programme of class 1-3 races</li> <li>▪ Continue to make suggestions to racecourses for programming of lower-grade races</li> <li>▪ Review the accuracy of our Optimal Race Planning model.</li> </ul>
<b>4</b>	<p><b>What: Continue to develop the BHA's current approach to handicapping, including objectives and methodology, as well as operational matters.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Produce a handicapping data facility and increase reporting to the public.</li> </ul>



## **6. Looking after our people:** To develop properly funded and integrated industry training, welfare and careers marketing activities.

### Key initiatives

<b>1</b>	<p><b>What: To develop, co-ordinate and sustain a new funding model that supports a responsive and integrated industry recruitment, retention, training and education programme.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Create a funding and payment structure, with appropriate flexibility, to support strategy, joint working and drive performance and accountability</li> <li>▪ Produce a consultation and communications plan and implement accordingly.</li> </ul>
<b>2</b>	<p><b>What: To develop and establish a suitable framework system for developing and assessing potential racehorse trainers in advance of their application for a licence to practice.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Scope the project with key stakeholders</li> <li>▪ Identify a revised programme</li> <li>▪ Implement a new, more thorough and robust approach in the training and development of skilled racehorse trainers and employers.</li> </ul>

<p><b>3</b></p>	<p><b>What: To take a central role in pulling together a functioning database and customer relationship portal for potential new recruits to the industry.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Develop a comprehensive database of potential recruits/trainees who are actively seeking information on careers in racing</li> <li>▪ Aim to achieve 4000+ new contacts over the course of 2017</li> <li>▪ Integrate data relating to people who go direct to the training providers/trainers for information and those that come via careersinracing to create one database to achieve maximum engagement with all potential recruits.</li> </ul>
<p><b>4</b></p>	<p><b>What: To improve industry safeguarding guidance and procedures for young people and vulnerable adults through the introduction of a standardised policy for the industry and provide implementation support to employers.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Produce a draft policy and approach for consultation with the working group</li> <li>▪ Lead the roll-out of the final approach to the industry, working alongside key stakeholders.</li> </ul>
<p><b>5</b></p>	<p><b>What: To develop the insurance options for the industry, prioritising improvements on the existing offering of healthcare, injury rehabilitation and occupational health for racing grooms.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Develop a proposal to include healthcare in the current insurance offer, including costings</li> <li>▪ Hold discussions around an improved 24/7 occupational and non-occupational life/accident cover</li> <li>▪ Identify funding options and seek approval to implement.</li> </ul>



**7. Professional workplace:** To support the creation and maintenance of a friendly, productive and professional workplace, with an engaged workforce that is capable of contributing to the present and future success of the business.

**Key initiatives**

<b>1</b>	<p><b>What: To continue to bring the BHA's core values to life through the introduction of suitable and relevant activities and through ongoing internal communication.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Implement a new annual review and performance management process</li> <li>▪ Ensure that all recruitment, selection and induction activities are fully integrated and aligned with the BHA's values and behaviours</li> <li>▪ Devise and implement initiatives and activities to bring the values to life</li> <li>▪ Create, commission and introduce visible reminders/symbols of the values across the organisation.</li> </ul>
<b>2</b>	<p><b>What: To focus on developing key talent across the organisation and build capability at all levels.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Continue to develop our leadership and executive team</li> <li>▪ Support the creation and implementation of personal development plans for those in key roles and ensure that internally-promoted managers receive the required support</li> <li>▪ Embed talent management and succession planning activities within the annual performance review cycle</li> <li>▪ Drive activities that build capability across the organisation in line with the talent management and succession planning requirements, including engaging mentoring support from the BHA Board members</li> <li>▪ Devise and launch a series of internally-run, BHA-specific, people skills workshops.</li> </ul>
<b>3</b>	<p><b>What: To drive forward a range of initiatives with the aim of creating a climate of togetherness across the organisation.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Organise activities to encourage and support greater transparency and upward communication</li> <li>▪ Continue to develop a health and wellbeing agenda across the organisation</li> <li>▪ Further expand our social and charitable activities</li> <li>▪ Deliver appropriate training for our people on mental health</li> <li>▪ Ensure that everyone across the organisation has an opportunity to be involved in defining an appropriate action plan, following analysis of the feedback elicited in the annual employee survey.</li> </ul>

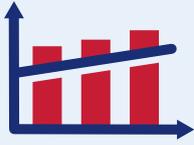
<b>4</b>	<p><b>What: To build on the reward and recognition initiatives already started in 2016.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Launch the Salary and Grading Structure</li> <li>▪ Work with the leadership team to further develop the organisation’s approach to recognition</li> <li>▪ Ensure the existing benefits package continues to deliver our aspirations to attract and retain good talent, is affordable and at least in line with comparable organisations.</li> </ul>
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**8. World class racing:** To continue to develop a framework that sees Britain further its position as the home of the best quality racing in the world.

**Key initiatives**

<b>1</b>	<p><b>What: To continue to review the British flat race programme for stayers and subsequently extend the review to the European Pattern programme.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Seek European Pattern Committee support</li> <li>▪ Announce further plans for the race programme</li> <li>▪ Work with the TBA to identify suitable breeding initiatives</li> <li>▪ Begin to stagger the introduction of interventions.</li> </ul>
<b>2</b>	<p><b>What: To enhance the mares’ jumping programme.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Complete a full-scale review of progress, and produce an associated data pack</li> <li>▪ Present an updated plan to the Jump Pattern Committee</li> <li>▪ Consider launching a PR campaign</li> <li>▪ Stagger introduction of further interventions.</li> </ul>
<b>3</b>	<p><b>What: To improve quality control of the international race programme (through the International Federation of Horseracing Authority’s International Grading and Race Planning Advisory Committee).</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Work with the International Race Planning Advisory Committee (IRPAC) in order to record a statement of intent to support the progression of this initiative</li> <li>▪ Help IRPAC to identify races in Part I which do not comply with each region’s ground rules</li> <li>▪ Help IRPAC to identify the extent and effect of existing quality control mechanisms in each Part II country</li> <li>▪ Devise recommendations for improving best practice and providing greater consistency between the regions</li> <li>▪ Submit report and recommendations for the way ahead.</li> </ul>



**9. Financial responsibility:** To operate the BHA on a break-even basis over the medium-term whilst maintaining an appropriate level of cash reserves.

**Key initiatives**

<b>1</b>	<p><b>What: To implement a three-year business plan and budgeting process, which is open and transparent about the cost of the BHA and the level of funding required from the sport’s participants.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Produce six-monthly reports on our business plan and budget for stakeholders</li> <li>▪ Update business plan and budget for 2018.</li> </ul>
<b>2</b>	<p><b>What: To identify opportunities to make business improvements that create efficiency savings internally and also with the BHA’s main suppliers.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Develop capability within the BHA to support the identification of areas for business improvement</li> <li>▪ Identify those areas of the business where there is greater scope for efficiencies and create an implementation plan</li> <li>▪ Work with major external suppliers to identify areas for savings.</li> </ul>
<b>3</b>	<p><b>What: To develop and agree the future approach to Racing Administration.</b></p> <hr/> <p><b>In 2017, we will:</b></p> <ul style="list-style-type: none"> <li>▪ Research and develop a blue-print for future racing administration</li> <li>▪ Present a report to the BHA Board, including options and recommendations</li> <li>▪ Create an implementation plan.</li> </ul>

## BUDGET GUIDE 2017-2019

### Introduction

The BHA has developed and approved a three-year budget which has been shared with stakeholders. The aim of producing such a plan is to give greater certainty over fee rises to participants to allow them to plan accurately and also to set out our strategy for the next three years.

### 2016 financial overview

Our 2016 budget was set with a cash deficit in the region of £770,000 and despite additional costs in certain areas of the business, it is likely that the actual result for 2016 will be slightly better than budget. This has been achieved through improved income performance and various improvements across the business which have delivered a reduction in costs and offset additional costs arising in other areas. It is anticipated that the actual cash deficit in 2016 will be approximately £650,000.

### 2016 financial overview

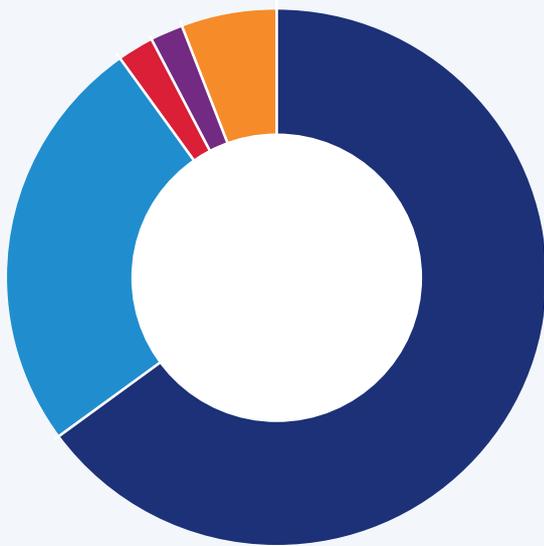
The budget has been set with the aim to break-even over the three-year period. It is based on a 2% increase in fees in 2017, followed by 2.75% increases in both 2018 and 2019. This phasing is designed to assist the participants ahead of increased centrally-funded expenditure from 2018.

Income and expenditure	2015 actual £'000	2016 forecast £'000	2017 budget £'000	2018 budget £'000	2019 budget £'000
Total income	30,652	31,463	32,855	33,047	33,871
Total expenditure	(30,492)	(31,812)	(32,678)	(33,004)	(33,355)
Non-cash adjustments	175	(296)	(610)	(80)	0
<b>Cash surplus/(deficit)</b>	<b>335</b>	<b>(645)</b>	<b>(433)</b>	<b>(37)</b>	<b>516</b>

The 2018 and 2019 fee rises will be reviewed against a measure of Consumer Price Index (CPI), plus 0.75% at the end of October. The higher of the two metrics will then be applied. This is to protect the BHA against significant inflation increases in its cost base not being offset by an increase in its income, and its need to maintain financial stability.

Over the following pages we provide a breakdown of the BHA's income and costs, as well as new initiatives and activities being undertaken.

Income	2015 actual £'000	2016 forecast £'000	2017 budget £'000	2018 budget £'000	2019 budget £'000
■ Racecourses	19,901	20,654	21,260	21,845	22,446
■ Owners	7,961	8,204	8,393	8,624	8,861
■ Other participants	659	650	650	667	685
■ Publications	564	577	577	588	599
■ Other	1,567	1,378	1,975	1,323	1,280
<b>Total</b>	<b>30,652</b>	<b>31,463</b>	<b>32,855</b>	<b>33,047</b>	<b>33,871</b>

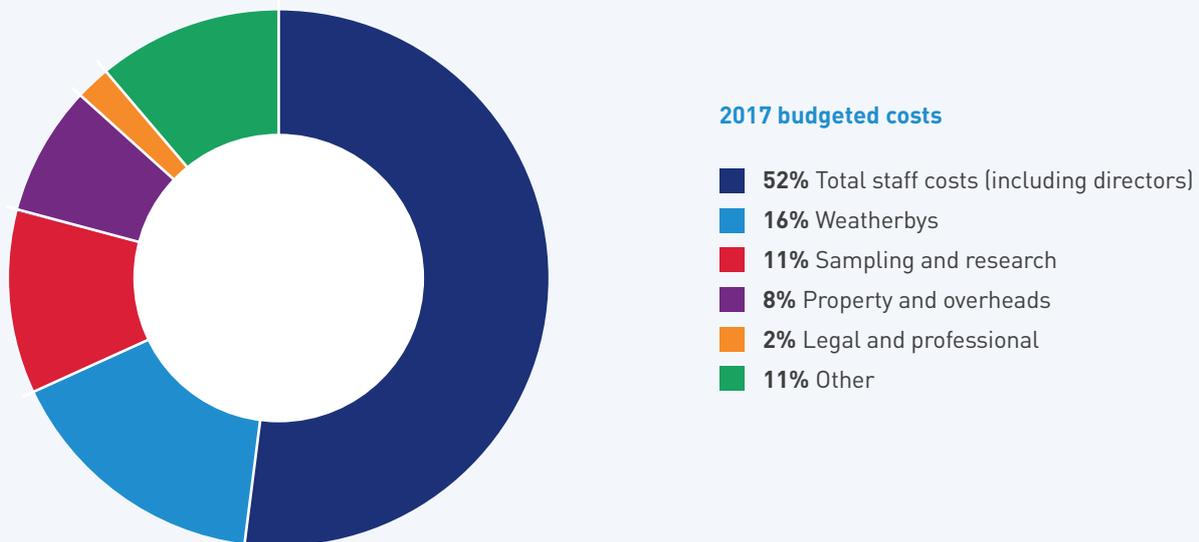


**2017 budgeted income**

- 65% Racecourses
- 25% Owners
- 2% Other participants
- 2% Publications
- 6% Other

Approximately 90% of our income comes from fees from racecourses and owners. This percentage remains consistent each year. Increases in income are driven by fee rises and budgeted changes in activity.

Costs	2015 actual £'000	2016 forecast £'000	2017 budget £'000	2018 budget £'000	2019 budget £'000
■ Total staff costs (inc directors)	15,484	16,327	17,065	17,314	18,211
■ Weatherbys	5,378	5,285	5,334	5,225	5,159
■ Sampling and research	3,330	3,367	3,432	3,698	3,408
■ Property and overheads	2,405	2,550	2,658	2,676	2,691
■ Legal and professional	1,016	1,285	780	840	840
■ Other	2,879	2,998	3,409	3,251	3,046
<b>Total</b>	<b>30,492</b>	<b>31,812</b>	<b>32,678</b>	<b>33,004</b>	<b>33,355</b>



The BHA employs more than 220 people. We also employ sessional staff, primarily in raceday regulation and operations, whose costs are included within total staff costs. These sessional staff are not included within the head count figure. In 2017, further changes to our structure are planned, many of these in response to the Quinlan and Integrity Reviews.

We continue to seek improvements in the way we handle racing administration and as such, aim to deliver further reductions in the real cost of delivery. New systems for trainers are already in use and further systems for owners are due to be launched in the first half of 2017. Weatherbys remain a key business partner for the BHA in delivering these improvements.

The first strategic objective included within the business plan relates to equine welfare and central to delivering this objective is the appointment of a Director of Equine Health and Welfare. The cost of this appointment is included within staff costs outlined above. A further component of this objective is our annual sampling and research budget of more than £3.4 million. We are able to claim Research and Development tax credits on part of this figure.

We have spent significant sums on legal and professional costs in 2016, both in our role as regulator but also on behalf of the whole industry in establishing a replacement to the Levy. We anticipate these costs will reduce significantly in 2017.

Our other costs includes the delivery of a contemporary set of rules and the Quinlan Review recommendations. We remain committed to community engagement and growing understanding and awareness of the sport and will be contributing directly to the Racing Together and Horse Comes First Campaigns.

The budget includes savings from internal business improvements and revised contracts with key suppliers that by 2019 will total in the region of £1.1 million compared with 2016.

### **Capital expenditure**

We invest in new technology to ensure the BHA is using the most appropriate methods to deliver its core integrity and regulatory functions. In 2017, the upgrade to the digital archive – used to maintain all race recordings – will be completed. We will also roll-out a new race replay system for use by the stewards on raceday, with the initial unit in place for Royal Ascot in June 2017.

We continue to embrace new technology and will be updating systems to make better use of cloud technology.

### **Cash**

Operating cash at the end of 2016 is forecast in the region of £4 million. During the three-year period, it is forecast to fall to about £3 million during 2018, before recovering to about £4 million by the end of 2019.