



2017 - 19 BUSINESS PLAN

UPDATE FOR 2018

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FOREWORD BY NICK RUST, CHIEF EXECUTIVE



I am pleased to be sharing with you the British Horseracing Authority's updated three-year business plan and budget guide for the period 2017-2019.

In 2016, we released this document in order to provide a detailed summary of the breadth of our planned activity for that year, supported by a budget which outlines how we intended to fund that activity. It's also important, as an organisation that is predominantly funded by its members, that we are open and transparent about where the BHA's money comes from and how we intend to spend it.

Before we focus on what is to come in 2018, I want to reflect upon our achievements in 2017. These include securing a reformed Levy from which funds began flowing in April and which will provide a significant boost to the grassroots of our sport from the beginning of 2018. The BHA took the lead on forming the Diversity in Racing Steering Group and conducting a range of jockey welfare initiatives focused on nutrition, concussion and mental health. We also implemented the findings of both the Quinlan and Integrity Reviews, including the establishment of an independent judicial Panel. Our commitment to equine welfare throughout horses' lives was reinforced through the announcement of 30-day foal notification, while we agreed a fixtures and funding policy for the next three years, aimed at enhancing betting and participation levels.

In the first iteration of this plan and guide, we shared agreed changes to BHA fees over the three-year period which would be subject to inflation plus a 0.75 per cent trigger. Through cost control and efficiencies across the business, I am pleased to say that despite higher inflation levels, we were able to hold fee rises in 2018 at the lower level of 2.75 per cent, which will save participants £250,000 in fees.

While I appreciate any fee rises are unwelcome, I do want to make it clear that we have done all that we can through budget control over costs, short-term savings in people costs and minor income improvements, to ensure an improved financial performance in 2017, allowing us to keep fee rises at the lower level in 2018 and to remain on track to break-even over the three years.

While we are always reviewing our costs and thinking creatively as to how we can reduce the overall cost of running the BHA, at the same time we're seeking to deliver even more for our sport.

In 2018, this will include –

- Introduction of the new Racing Authority as part of modernising the way racing is run
- Completion of an industry-wide consultation with industry and sporting partners on a future model for stewarding to maintain the highest standards of regulation
- A project to create a vision of racing's future and a set of values that make clear what our sport stands for. This will be the foundation of a new strategy to appeal to wider audiences and address risks in a time of political change and opportunity
- Work with government to manage the path to Brexit, developing contingency plans with Members to ensure the best possible outcome for all in our sport
- Engage our sport in promoting the behaviours that make racing a fair and clean sport that's safe for our human and equine participants
- New initiatives to improve how racehorses are cared for over their whole lifetime and maintain the reduction in horses that are injured whilst racing

I hope that you find the information contained in this business plan and budget guide 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 thank all for your contribution and support for British racing and look forward to working together to implement this plan in 2018 and beyond.

Thank you,
Nick Rust.

VISION, MISSION, CULTURE AND VALUES

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 culture

In a forward-thinking environment that encourages collaboration, cohesion, dedication and belief, 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.

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.

STRATEGIC OBJECTIVES 2018

**Equine welfare leadership:**

To provide equine welfare leadership

**Keeping racing fair and clean:**

To grow confidence in British racing through appropriate regulation and integrity procedures

**To partner in growing British racing together:**

To lead in growing British racing's relevance, revenues and reputation

**Competitive and compelling racing:**

To deliver competitive and compelling racing

**World class racing:**

To continue to develop a framework that advances Britain's ability to stage the best quality racing in the world

**Looking after our people:**

To implement properly-funded and integrated recruitment, training and retention activities

Enablers: culture, values and capability

innovation and technology

customer insight and policy

Equine welfare leadership

The BHA leads on equine welfare matters on behalf of the sport, and in 2018 will develop and implement a comprehensive equine welfare strategy which will improve the capture, analysis and benchmarking of racehorse welfare information, while also driving forward the sport's The Horse Comes First welfare campaign.



Enhance the structure of the equine welfare team to deliver the BHA's equine welfare strategy

- Implement equine welfare strategy initiatives relating to resourcing and disease control
- Further develop the British thoroughbred racing industry as a leader in equine welfare in Britain
- Consolidate and advance knowledge, policies, guidelines and equine welfare practices

Grow central database of racehorse welfare information

- Generate external project funding to create a database to retain equine welfare-related information for analysis and benchmarking
- Communicate to relevant parties and act on the findings
- Initiate a welfare assessment tool to benchmark and monitor wellbeing in racehorses

Review the structure of equine aftercare providers

- Research and gain industry support for a new strategy for equine aftercare providers
- Develop programmes and initiatives that advance welfare outcomes for racehorses after racing

Keeping racing fair and clean

The BHA's regulatory and integrity function is vital to ensuring participants and the public can be confident British racing is run fairly and in accordance with the rules; that crime and corruption are deterred, prevented or penalised; and there is a level playing field for all customers. As regulation and integrity evolve around the world, it is vital Britain is seen as progressive and as a leader which embraces new and improved procedures, drives process change and maximises the use of technology, while also ensuring the rules of the sport and requirements of participants are understood through ongoing education.



Enhance regulation and integrity processes

- Adopt a threat and risk-based framework to assist in the prioritisation of resources allocated to performance of integrity functions
- Develop a modernised approach to the delivery of raceday integrity functions, including the completion of an industry-wide consultation on the future model for racecourse stewarding
- Embed a process to ensure transparency regarding the publication of information relevant to the horse
- Apply inputs from key stakeholder groups, including the Horseracing Bettors Forum, to assist in identifying regulatory threats
- Explore extending regulation to include current sectors presently not within the scope of the Rules of Racing

Enhance anti-doping programme

- Continue to enhance and develop the anti-doping programme consistent with contemporary best practice, utilising new technology and practices to protect and deter wrongdoing
- Review and consider extending the current scope of the anti-doping programme

Ensure appropriate communication of policies and procedures with participants

- Develop a transparent policy framework for the regulation of the sport, including a more user-friendly Rule book and associated support resources for participants
- Develop an education programme for our participants about integrity issues including drugs, betting and welfare, to reduce accidental breaches of our rules, give increased confidence to the public and allow BHA resources to focus on more serious threats.
- Engage our sport in promoting the behaviours that make racing a fair and clean sport that's safe for our human and equine participants

To partner in growing British racing together

The sport's unified governance structure through the Members' Agreement, and enhanced income streams through the new Levy and media rights deals, provide the optimum conditions to refresh the industry's strategy for growth and position British racing for a brighter future. An agreed vision, joined-up approach to opportunities and challenges, and commitment to focus on key customer groups are its key features.



Target resources at agreed priorities for the sport

- Jointly develop an agreed overview and working model of British racing's key income and expenditure headings
- Create incentives and match-funded opportunities (wherever possible), to maximise overall project budgets
- Contribute to an industry-agreed policy for the use of central financial reserves in the sport, starting with the transfer of reserves to the Racing Authority
- Work with government to manage the path to Brexit, developing contingency plans with Members to ensure the best possible outcome for all in our sport

Develop a modern working partnership with all forms of British betting operator, based on data-sharing, innovation and common interest

- To support the creation of the Racing and Betting Forum
- Ensure a strategy for betting and liaison with the major operators is in place, and supported by the tripartite parties
- Ensure racing secures data-sharing agreements with betting operators for a minimum of 50 per cent of the UK horserace betting market
- Work with betting operators to ensure a suitable and proportionate regulatory environment is in place so that they can operate responsibly but profitably
- Develop greater interaction between the Horserace Bettors Forum, the BHA and Racing and Betting Forum and use this closer working arrangement to deliver initiatives for the betting public

Create innovation in betting on our sport, to both grow revenues and improve our betting share

- Through the Racing and Betting Forum, develop and establish new ideas that racing can trial or implement fully in 2018
 - Review opportunities for in-running betting innovations, considering implications on the fabric and regulation of the sport
 - Work with pool betting operators to support the creation and development of new betting opportunities
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Develop a vision and set of values for the sport

- Carry out a project to create a vision and set of values for racing to inspire people in the sport, make clear to the public what we stand for and unite all in a common sense of purpose
- Engage our sport in promoting the behaviour that will support our values as a safe, fair and inclusive sport, safeguards our participants, and focuses racing on achieving inspirational performance.

Competitive and compelling racing

For British racing to grow, the sport must be responsive to the requirements of its various customers, including fans, racegoers and bettors. The demand from each of these groups is for a competitive and varied racing product, staged at customer-friendly times. As well as matching the requirements of the horse population, the programme of races must be progressive so that horses have the opportunity to fulfil their potential.



Develop the fixture criteria and scheduling of races to support the growth of betting on British racing

- Working with the Racing and Betting Forum as part of an industry-wide project, analyse available betting data
- Using this data, develop recommendations for the optimisation of fixtures and race scheduling, taking account of the impact on those servicing the fixture list
- Implement recommendations on fixtures and race scheduling with the aim of having a material impact on industry revenues from 2019

Review and report on the extent to which the Optimal Race Programme is being implemented

- Review the Optimal Race Programme and its underlying principles with horsemen and racecourses
- Issue quarterly Race Programme Reports highlighting the extent to which the Optimal Race Programme has been delivered and identifying ongoing issues
- Develop performance measures to quantify the delivery of the Optimal Race Programme

Implement the recommendations of the Handicapping Review which relate to the aims of handicapping, its methodology and operational matters

- Announce the recommendations from the Handicapping Review, including the process and timetable for consultation
- Publish a progress report on the implementation of these recommendations by the end of 2018

World class racing

Continued development of the framework that sees Britain further its position as the home of the best racing in the world requires quality, variety and opportunity for all aspects of the thoroughbred as it progresses, and for the breed on a wider basis. It is essential for Britain to lead the way by encouraging wider acceptance amongst racing authorities to uphold the value of Black Type with a consistent qualitative assessment of Group/Graded and Listed races and an overall international programme that is fit for purpose. Britain should also strive to attract the top horses and provide incentives for overseas investment.



Review and develop the British (and European) Flat race programme for stayers

- Develop and agree further targeted enhancements to the race programme
- Identify and implement suitable stamina-related breeding initiatives
- Work with the European Pattern Committee to agree complementary race programme enhancements across Europe

Enhance the mares' Jumping programme

- Develop a five-year blueprint for the optimal plan for the mares' Black Type programme
- Launch a small, targeted PR campaign, to promote buying, owning and training of jumping mares
- Produce an updated data pack to review and monitor progress

Improve quality control of the international race programme

- Work with our international partners to record a statement of intent to support improved quality control
- Devise recommendations for improving best practice and providing greater consistency between the regions, and other related recommendations for the way ahead, including but not limited to proposals for a promotion and relegation system within International Cataloguing Standards

Looking after our people

The sport is dependent on the dedication and passion of the people who care for our horses and must redouble its efforts to recruit, train and retain a workforce that allows for the growth of British racing's relevance, revenues and reputation. The sport has a duty of care towards its employees ranging from welfare provision, physical and mental wellbeing, to training, education and career pathways at every level of the sport.



Grow number of potential recruits

- Maintain and grow unique visitors to careersinracing.com
- Build brand campaigns to target audiences including the Pony Racing Authority, Pony Club and other equestrian-focused organisations
- Enhance experiential activities and engagement programmes to develop and inspire interest in British racing
- Engage with equine colleges and collaborate with the Racing to School Riders Programme
- Develop a prospect database and co-ordinated marketing communication activity

Develop further the industry's stud and stable staff training provision

- Support training providers to grow completion rates for all new entrants undertaking foundation training
- Increase completed stud and stable staff training days
- Set up at least one regional hub to deliver additional local recruitment and careers advice, training and education initiatives and welfare and retention support

Boost retention throughout the industry by providing industry employees with opportunities to develop their careers

- Enhance physical and mental health support services for front-line staff through a comprehensive racing-specific occupational health service
- Support the identification and promotion of an industry standard for modern working practices
- Co-ordinate the sport's respect campaign, including a safeguarding policy and practice, to enable participants to live, train and work safely

ENABLERS

TO CREATE A **CULTURE BASED ON OUR VALUES**, WHILE ENSURING WE HAVE THE **CAPABILITY** TO DELIVER OUR OBJECTIVES

To be progressive we need to ensure we retain, recruit and develop our staff. We need to identify talent and nurture it as well as identify areas where capability could be improved and provide training to achieve this. We will recognise those who consistently demonstrate and live out our values in their own roles. A healthier, happier and more fulfilled workforce will deliver greater output and provide the high level of service which the sport rightly expects.

TO **INNOVATE** AND USE **NEW TECHNOLOGY**

In order to allow us to help British racing achieve its overall goals, we will leverage digital technology and the ability of our people to help drive us forward. This strategy will allow us to deliver operational excellence for our teams, customers and participants and create efficiencies. This will only be achieved by empowering people to think creatively, stimulating a culture of innovation.

TO UTILISE **CUSTOMER INSIGHT** AND **FEEDBACK** IN CREATING AND IMPLEMENTING **NEW POLICY**

In delivering our strategic objectives, we will utilise greater input from our customers, including understanding of their relative journeys, to develop policy, to make better decisions and to improve processes.

BUDGET GUIDE 2017-2019 – UPDATE FOR 2018

Executive summary

In December 2016, the BHA published a three-year budget for the period 2017-2019. The main aims of the budget were to provide greater clarity to the sport over where the BHA is spending its money; to give advanced notice over future fee rises; and to demonstrate financial accountability and responsibility, with the budget being break-even in cash terms over the three-year period. We are now in year two of this three-year cycle and the objective of breaking-even remains on track despite changes in activity.

We have also, despite higher inflation levels, maintained fee rises at previously suggested levels of 2.75 per cent for 2018, rather than using the CPI (as at the end of October) plus 0.75 per cent trigger which would have resulted in participants paying an additional £250,000 in fees. Fees for 2019 remain budgeted at 2.75 per cent but are again subject to review in 12 months from now against the CPI plus 0.75 per cent trigger.

Income and expenditure	2015 actual £'000	2016 actual £'000	2017 forecast £'000	2018 budget £'000	2019 budget £'000
Total income	31,124	31,852	32,594	32,979	33,825
Total expenditure	(30,991)	(32,046)	(32,204)	(33,526)	(34,054)
Interest	27	19	15	15	15
Surplus / (deficit)	160	(175)	405	(532)	(214)
Non-cash adjustments	175	(2)	(536)	488	488
Cash surplus / (deficit)	335	(177)	(131)	(44)	274

2017 financial overview

Our 2017 forecast, based upon results to the end of September, shows a significant improvement on our original budget. Our forecast cash deficit is now expected to be £131,000. This is £302,000 better than our original budgeted cash deficit of £433,000. This improved position has been a result of good budget control over costs, short-term savings in people costs and minor income improvements. An improved performance in 2017 is part of the reason why we have been able to retain fees rises for 2018 at 2.75 per cent as described above.

In determining the cash surplus or deficit, non-cash profit and loss items such as depreciation are removed and replaced with cash items such as capital expenditure. There is also an adjustment to reflect the cash received for corporation tax-based research and development tax credits of about £100,000.

2018/19 financial overview

The overarching message remains that we are on track to achieve break-even in 2017-2019. The budget for 2018 is approximately break-even and in 2019 we anticipate a small surplus, as we improve from our loss-making position in 2017.

This improvement over the three years was always the intention. With fee rises for both 2018 and 2019 currently retained at 2.75 per cent, inflationary increases in costs over and above those originally planned have been managed within our overall budget.

Our people costs have increased but this is primarily a function of increased activity as we have sought to lead in areas such as diversity and safeguarding and have had to react to changes in legislation, most notably in data protection.

Income	2015 actual £'000	2016 actual £'000	2017 forecast £'000	2018 budget £'000	2019 budget £'000
Racecourses	19,901	20,625	21,795	22,022	22,627
Owners	7,961	8,287	8,493	8,577	8,813
Other participants	659	662	655	640	640
Publications	564	540	517	556	556
Other	2,039	1,738	1,134	1,184	1,189
Total	31,124	31,852	32,594	32,979	33,825

Approximately 90 per cent of our income comes from fees from racecourses, who receive a grant from the Horserace Betting Levy Board to offset a significant proportion of this cost, and owners.

This percentage charged to participant groups remains relatively consistent each year. Increases in income are driven by fee rises, increased fixtures and changes in activity.

During 2017, we removed two administration charges which generated savings for owners of more than £100,000. These initiatives are intended to reduce ownership administration and support initiatives to grow ownership levels.

Costs	2015 actual £'000	2016 actual £'000	2017 forecast £'000	2018 budget £'000	2019 budget £'000
Total people costs (including directors)	15,541	16,373	16,822	17,972	18,551
Racing Administration	5,378	5,293	5,194	5,229	5,262
Equine sampling and research	3,330	3,368	3,430	3,643	3,625
Property and overheads	2,348	2,488	2,714	2,780	2,807
Legal and professional	1,016	1,307	880	790	780
Other	3,378	3,217	3,164	3,112	3,029
Total	30,991	32,046	32,204	33,526	34,054

Total people costs and headcount

The BHA employs more than 230 full and part-time people. We also employ sessional staff, primarily in raceday regulation and operations, to help us manage the requirements of the fixture list. Board directors' costs are also included in total people costs. There have been changes during 2017 to the BHA Executive team and following the Quinlan Review into disciplinary and judicial processes.

There are further changes planned in 2018 to enable us to deliver on our objectives in industry people and development and racing and operations. We also have budgeted for additional resource to advance industry diversity, safeguarding, respect and integrity programmes and data protection. A full headcount table is included below.

	Dec-2016	Sept-2017	Budget 2018
Integrity and regulatory operations	97	106	107
Raceday regulation and operations (including veterinary)	51	55	56
Racing and operations	42	41	44
Executive	9	10	9
Executive support	5	6	8
Industry people and development	5	4	6
Communications and corporate affairs	7	8	8
Great British Racing International	4	4	4
Legal and governance	1	2	4
Total	221	236	246

Racing Administration

Racing administration services, mainly provided by Weatherbys, have seen a reduction in costs of 7.5 per cent in real terms between 2015 and 2018.

We have made substantial changes to ownership structures in 2017, including the removal of certain fees as described above. We also launched a website for owners allowing free access to race planning information. We see this as a positive step in supporting ownership growth long-term.

Equine health and welfare

A new strategy is currently being developed and once complete this will be presented to the wider industry with the intention of seeking funding to implement these recommendations. The aim is to deliver a new approach to veterinary activities on a raceday and to increase focus on out-of-competition welfare.

In addition to the proposed increase in people structures, our equine sampling and research budget of more than £3.6 million will target a 3 per cent increase in analytical tests undertaken.

Stewarding

We commenced industry-wide consultation in September 2017 on a new, modernised approach to stewarding. With the results of this consultation not expected to be known before the end of 2017, and after the 2018 budget has been approved, we have included a contingency within our people costs to implement the outcome of this consultation.

Industry recruitment, training and retention

Addressing the wider industry people issues is an important area of our activity and we have dedicated resource to facilitate the delivery of wider industry policy and to seek to improve wider industry funding.

Other activity

Delivering cost efficiencies remains a key requirement and this budget includes savings in certain targeted areas. With over 85 per cent of our costs fixed in the short-term, delivering efficiencies remains challenging but is achievable as highlighted by our work in Racing Administration. Every pound saved can be put back into racing. We believe there are both short and long-term opportunities for the BHA and the wider sport to work more efficiently.

The delivery of the new Levy mechanism was a significant achievement for the sport, delivering additional statutory income of £35-£40 million when compared to the previous mechanism. Managing this process on behalf of the sport incurred significant legal and professional costs. These costs, which have fallen in 2017, are budgeted to fall further in 2018.

Capital expenditure

We continue to invest in new technology to ensure the BHA is using the most appropriate methods to deliver its core functions. In 2016 and 2017 we invested in excess of £1.5 million to achieve this. Notable highlights are an upgrade to the digital archive, used to maintain all race recordings, and the roll-out of a new race replay system for use by the stewards. This investment increased depreciation costs significantly – these costs, plus inflation, are the driver behind increased property and overhead costs.

We expect capital expenditure in 2018 and 2019 to be about £400,000 per annum.

Cash

Operating cash at the end of 2017 is forecast in the region of £4.5 million. During the three-year period, 2017-2019, cash is forecast to fall to £3.5 million during 2018, before recovering to £4.5-£5 million by the end of 2019.