



# 2017 - 19 BUSINESS PLAN

## UPDATE FOR 2019

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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 2017-19.

The first instalment of this document was released in 2016, providing a detailed plan of activity for 2017, with an accompanying budget. We have since provided updates on an annual basis, in line with our commitment to being open about how the BHA is funded and how we intend to spend that funding.

We are always mindful of the wider financial environment when making decisions regarding our business priorities and the financing of these.

Nonetheless, we live in times of significant political and constitutional uncertainty, evolving societal attitudes and ever-changing digital opportunities and challenges, all of which we must be prepared for.

While the past eighteen months have seen positive developments on future funding arrangements, the sport is facing some immediate challenges. The implementation of the recent Government Gambling Review, with its implications for betting shop finances, from April 2019 will result in a significant drop in media rights revenues to the sport.

British racing fully supports responsible gambling. However, as Government accepted in their clear commitments to the sport, both in writing and in the House of Commons in May, the consequences of its decision on Fixed Odds Betting Terminals for British racing's central finances are clear. We therefore must be – and are – focussed on working with Government to deliver their commitments to mitigating the impact.

The funding issue is playing out in the context of significant political and constitutional change and uncertainty. With the country standing at a watershed, securing optimum **political and policy outcomes** for racing requires focus, funding and resource. This includes: engaging decision-makers to secure optimum outcomes from Levy reform, Gambling Review legislation and, of course, Brexit; offering creative, pragmatic policy solutions for funding and people activities (e.g. training and apprenticeships); and demonstrating our clear commitment and ambition for equine welfare. This is the political and policy backdrop, which sets the scene for our work. We ignore it at our peril.

We need to set ourselves up to ensure the industry not only capitalises on opportunities but is also able to manage emerging risks and threats. Our 2019 business plan sets out some key priorities with this firmly in mind. We will work closely with the industry to plan and deliver what the sport needs, ensuring that commercial drivers are reviewed and adjusted to manage any short-term reduction in media rights income. This means, for example, ensuring that fixture lists and race planning have the needs of our stakeholders firmly in mind, e.g. maintaining income for racecourses and, by extension, prize money for participants.

Meanwhile, the BHA must make the best and most appropriate use of the funding it receives directly from the sport. This is a challenge in itself in a period when we need to increase our activity on multiple fronts. While we have made notable improvements in transparency (e.g. wind surgery declarations, 30-day foal notifications) and inclusivity (publication of the Diversity Action Plan and the development of a new, overarching Safeguarding Policy), we are also facing increased public and political expectations in a number of areas.

The governing and regulatory bodies of all major sports are subject to closer scrutiny and potential reputational risk than ever before. Many sports are now required to comply with the Sports Governance Code, introduced in 2017, which demands high standards of transparency, diversity and governance. To develop racing's governance, the BHA must follow – and be seen to be following – both this Code, and governance best practice more generally. As well as being, quite simply, the right thing to do, the consequences of not doing so could potentially have damaging financial, legal and reputational consequences.

For racing, this means we have a clear responsibility to protect the interests of consumers, bettors, investors and our human and equine participants. We must remain focused and forward-thinking in relation to integrity and equine welfare, while ensuring that racing fulfils, and ideally exceeds, its duty of care to the people who are the backbone of our sport.



Taking all this into account, I would like to draw out some considerations that underpin our 2019 priorities:

**Equine Welfare:** We aim to ensure that racehorses receive the best possible lifetime care, which means materially increased investment in our equine health and welfare work. Negative public perceptions of welfare continue to be a major reputational risk and a barrier to engagement in the sport. This is a collective challenge for the whole of the sport. Continuously improving welfare and safety standards, while tackling and transforming public understanding and attitudes, is a challenging, long-term communications task, in which we have arguably underinvested. If we are to reverse this downward perception trend, we need to take a different approach to this challenge and invest accordingly.

**Industry People:** Many top sports have been damaged and disrupted by scandals around a lack of robust safeguarding of their youngest and most vulnerable participants. It is the responsibility of governing bodies to ensure that strong safeguarding policies and processes are established, applied and enforced at all levels of the sport. Racing is no exception and we must invest appropriately in the implementation of our new Safeguarding Policy and Procedures, as well as resourcing thorough and professional investigations of any safeguarding issues that may, in spite of our best efforts, nonetheless arise.

Meanwhile, we must meet public and political expectations around diversity and inclusion. This is not a passing trend. This is about our relevance to 21st century audiences and, while failing to meet expectations in this area is a risk, we also have an exciting opportunity to broaden racing's appeal to people who have previously felt excluded from our sport. These considerations are also integral to the Racing Futures project, which will develop an overall purpose, vision and values for British racing, via a collaborative plan agreed by racing's stakeholders in 2019.

**Regulation and Integrity:** Integrity threats are ever-present. The continuing proliferation of international betting platforms and the growth in lay betting has increased the risk of corruption, while increasing our responsibilities to consumers to ensure that racing is fair and clean. We need to make urgent investment in our core Integrity operations, including the implementation of the recent Stewarding Review and making sustained improvements to our anti-doping processes and associated laboratory contracts.

**Modernising and improving British Racing's administration and service:** Digital investment is a major consideration in any modern business budget, with significant resources needed merely to stand still and, with digital and IT staffing costs at a premium, to attract the necessary skills. In 2019, we must complete our

project plan for racing's future administration platform and restructure our customer-facing functions to deliver improved service.

All this comes at a cost. We have worked hard to make efficiencies and to minimise cost increases but doing so has been a particular challenge this year. Our fixed long-term contracts are tied to inflation, while over half our costs relate to people and are thereby subject to salary inflation. This means that fees will rise by 3%, in line with our original three-year budget plan, produced at the end of 2016.

We are in a period of significant change. Change naturally brings challenges and opportunities. The hallmark of any successful industry is its ability to be forward-thinking and to adapt and evolve, not just with the times, but ahead of the times. This is, in turn, dependent on our collective willingness to work collaboratively and in partnership, in the best long-term interests of the sport.

I hope you find this plan, and the initiatives outlined within it, to be a helpful and informative guide to our priorities for 2019, which are all driven by the need and desire to operate in the best interests of our sport, our horses and our people.

Finally, I would like to thank you once again for your support for British racing and for the immense contribution you make to our great sport.

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 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, 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.

## 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, treating everyone fairly and with respect.

**Responsive:** We stay in tune with the sport's diverse stakeholders, so we can successfully 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.

## 2019 AREAS OF FOCUS



### **Equine welfare:**

Providing equine welfare leadership and addressing public perceptions



### **Regulation and Integrity:**

Inspiring confidence that British racing is fair and clean, through robust regulation and integrity procedures



### **Industry People:**

Co-ordinating properly funded and aligned staff recruitment, training and retention, whilst promoting diversity across the industry.



### **Racing :**

Providing a world-leading programme of competitive and compelling racing.



### **Leadership :**

Leading British racing, enabling it to grow and flourish into the future.



### **Development :**

Investing in research and encouraging innovation, to enhance our business performance and unlock long-term cost-effectiveness for the sport.

## Enablers

We have also highlighted a number of enablers, which will help us achieve our strategic priorities more efficiently, effectively and empathetically.

### Capability

#### Having the skills and ability to deliver our objectives

Our people are our biggest asset and we must invest in recruitment, retention and development of a high-performing team. Whilst identifying and nurturing talent, we must also recognise where capability could be improved, providing training and support accordingly. A healthy, happy and fulfilled workforce is more productive and innovative, providing the high level of service that the sport rightly expects.

### Technology

#### Embracing and exploring new technology

Digital technology can help us to drive forward British Racing, enabling us to improve the service levels, accessibility and cost-effectiveness of our strategic initiatives.

### Communication

#### Communicating effectively to achieve goals

Effective communication, both internally and with external stakeholders, is essential to the success of any project. We must recognise this from the outset in all our planning, investing appropriately in communications and engagement to build support for priority initiatives.



## Equine welfare leadership

The BHA leads on equine welfare matters on behalf of the sport. In 2019, we will consolidate and develop knowledge, policies, guidelines and practices to benchmark and improve welfare outcomes for all racehorses at all stages of their lives.

Our enhanced welfare strategy is already driving improvements to equine welfare standards and responsibilities across the sport. With additional resourcing, we can make further progress. For example, investment in a controlled database will not only make our existing welfare work more efficient and cost-effective, it is also essential to the success of vital welfare objectives around traceability, biosecurity and continuous welfare monitoring.

We need public perceptions to improve in parallel with these developments, to reflect more accurately the reality of better racehorse safety and well-being. Next year we must mobilise the sport's communications resources, with the aim of increasing public understanding and recognition of our high equine welfare standards and practices.



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### Deepen engagement in the sport's approach to equine welfare to address increasing public and political concern

- Ensure coherence and alignment across the industry, to build public trust in racing's improved equine welfare record, while commissioning new projects to improve welfare outcomes
- Address emotional and ethical concerns that racing is cruel and doesn't care for horses' safety

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### Enhance the Equine Health and Welfare Team to implement the BHA's equine welfare strategy

- Expand the Equine Health and Welfare team to increase raceday sampling and pre-race examinations and re-introduce Equine Health and Welfare Racecourse Inspections
- Launch a Welfare Assessment Tool to help trainers assess, benchmark and monitor Thoroughbred Welfare in a repeatable and consistent manner

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### Grow a central database of racehorse welfare information

- Continue the development of a fully-integrated database to capture all equine health and welfare information
- Develop an equine influenza vaccination record application, to feed directly into the new equine health and welfare database

## Keeping racing fair and clean



In 2017, the BHA developed an Integrity Threat Assessment that, for the first time, enabled the sport to identify and quantify the level of risk presented by particular threats to British racing. This in turn enabled us to allocate resource proactively, focusing effort and investment on management and mitigation of specific, identified risks.

Of the risks identified, several of the highest-rated linked directly to the way we manage our regulatory functions on racedays. It is widely recognised that the key to managing the integrity of racing is raceday control; the key to raceday control is the stewarding function. As a sport, we must invest in the development and modernisation of our stewarding function, so we provide the standards of stewarding that our consumers expect and demand.

Equine and human anti-doping was another highly-rated risk. The only way the sport can address doping threats is to direct more resources towards measures that reduce our risk of adverse and reputationally damaging analytical findings. This means helping the industry to understand the rules and the action they must take to minimise their exposure to integrity threats. By implementing our key priorities over the coming year, we will ensure that none of the identified threats exposes the sport to scandal.

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### Enhance regulation and integrity processes

- Introduce and embed a modernised approach to raceday stewarding
- Improve timeliness and quality of investigative and prosecutorial functions through enhanced case management.  
Continue to develop the Fast Track system to ensure more timely processing of admitted rule breaches
- Launch phase one of the BHA Integrity Education Programme, designed to grow participant understanding of their obligations under the Rules of Racing

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### Develop Equine and Human Anti-Doping procedures

- Review, and re-write the anti-doping rules, to ensure they reflect contemporary best practice and fairness.
- Lead on the development of an anti-doping case reference journal, incorporating all major European racing jurisdictions

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### Complete, and implement, regulatory and integrity reviews

- Lead on the development of an Action Plan to implement the recommendations of the 2018 Cheltenham Festival Review
- Continue to reform and improve licensing processes
- Review the racecourse licensing regime, to ensure it is robust, relevant, proportionate, cost-effective and transparent, complying with best practice in the licensing of major venues and events in sport and beyond
- Complete the review into the nature and integrity of the practices involved in the buying and selling of bloodstock and racehorses within British racing

## Industry People

The sport's duty of care towards its employees ranges from safeguarding and welfare provisions, to training, education and career pathways at every level. We are dependent on the dedication and passion of the people who care for our horses. We must redouble our efforts to recruit, train and retain a workforce that drives the growth of British racing's relevance, revenues and reputation.



Learning lessons from other sports, we must have the highest possible safeguarding standards in place for racing. It is vital that these standards are applied and enforced across the entire sport. This means investing in the implementation of our new, industry-wide Safeguarding Policy and Procedures.

We are also responsible for leading the industry's work on diversity and inclusion, a key area of focus if we are to remain relevant to new audiences, promote involvement and empowerment and increase opportunities for everyone to be part of our sport.

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### Grow the number of potential recruits

- Develop and inspire interest in British racing, providing opportunities for potential recruits to experience life in the industry and supporting them on the path to enrolment or employment
- Present a positive image of working in racing, and of the range of potential career opportunities and pathways, aligning with work on Diversity and Inclusion, and the sport's purpose, vision and values

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### Boost the staff retention rate across the industry

- Complete implementation of the Safeguarding Policy and Procedures, supporting young people and adults at risk, with guidance to employers
- Formalise a partnership with Racing Welfare to devise and deliver welfare and retention initiatives aimed at enhancing the physical and mental wellbeing of the sport's workforce
- Explore the feasibility of licensing stable employees, with a view to reducing staff turnover within the sport, whilst conducting exit surveys of those leaving the industry

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**Enhance the industry's stud and stable staff training provision**

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- Create regional development hubs and a rider coaching programme, providing learning activities that promote skills development amongst stud and stable staff
  - Establish a programme of continuous professional development for qualified coaches and develop a portfolio of higher-level learning programmes to support career progression of racing's workforce
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**Encourage the sport's leaders, participants and staff to support initiatives aimed at increasing diversity within racing**

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- Research the appeal of horseracing within minority communities to understand how the sport can be more successful in attracting diverse audiences
- Promote opportunities for female jockeys by continuing to support academic analysis around female jockey performance and enhancing the mentoring and training available to female riders
- Hold a diversity event for stakeholders, to discuss training and role modelling across the sport, and to determine collection, analysis and understanding of data on diversity and inclusion



## Racing

For British racing to grow, the sport must provide competitive and varied racing on a daily basis, whilst continuously developing its position as the home of world class racing.



### World class racing

With horseracing becoming increasingly globalised and with new investment and ambitions being considered across the globe, it is essential that Britain remains a beacon of excellence. We must lead the way, both in terms of quality and in encouraging international racing authorities to uphold the value of Black Type. Any failure to do so risks weakening the value of the thoroughbred, with an associated negative impact at all levels of investment in the sport.

Through leadership, and with the help of proven, objective measures and strong ethical practices, we can make an enduring contribution to the wellbeing of the horseracing and breeding industries. Britain must continue to strive to attract the top horses, encourage best use and development of a diverse and healthy horse population, and provide growing incentive for overseas investment.

### Continue the development of the British (and European) Flat race programme for stayers

- Develop and agree the next stages of interventions to encourage greater strength-in-depth of quality stayers, e.g. working with the European Pattern Committee on enhancements to the stayers' race programme across Europe
- Ensure effective positive messaging and education to drive a change in attitudes towards horses with stamina pedigrees

### Enhance the mares' jumping race programme with the aim of further developing the population of such horses

- Develop and agree long-term statistical targets in relation to the horse population and the race programme
- Ensure effective positive messaging and education to drive a change in attitudes towards jumping mares

### Improve quality control of international programme

- Continue work with our international partners on a statement of intent that supports improved quality control across the major overseas jurisdictions
- Progress recommendations relating to best practice, leading to greater consistency across all regions of the globe. Also make related recommendations for future progress on, e.g. the long-term development of a promotion and relegation system within International Cataloguing Standards

**Competitive and compelling racing**

With the leisure market increasingly offering alternatives to racing, growing the sport's fan base and associated revenue streams requires presentation of an appealing racing product, which meets the expectations and demands of modern audiences.

This requires investment in techniques to analyse, and make best use of the data that shapes the fixture list and race programme, so the requirements of the 18,000 horses that appear on a racecourse every year are consistently met. This will be achieved through investment in a more sophisticated, data-driven approach to race planning, supported by technology that encourages more regular input from owners and trainers placing horses in races.

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**Produce a fixture list that encourages customer growth, whilst recognising the needs of the sport's human and equine participants**

- Utilise customer insight in shaping the fixture list, e.g. by working with the Betting and Racing Liaison Group, to ensure fixture list outcomes reflect evidence-based analysis of betting data
- Introduce more advanced forecasting of horses in training, to ensure the volume of fixtures delivers competitive racing throughout the year
- Review approach to the scheduling and raceday monitoring of race times to ensure races take place at optimal times for the sport's customers

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**Continue to develop the race programme to ensure the requirements of the horse population are met and to deliver more competitive racing**

- Develop the modelling techniques used to identify the Optimal Race Programme, to help quantify demand for different races and race types
- Publish detailed Programme Book reporting, to provide an objective view on the suitability of the race programme, including the extent to which the Optimal Race Programme is delivered
- Utilise technological solutions, to support improved communication with trainers on race planning and handicapping matters

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**Ensure that handicapping policies support the sport's wider objectives for growth, by producing competitive races, as well as taking account of the impact on racehorse owners and participants**

- Undertake and publish advanced data analysis, to underpin improved, consistently-applied handicapping methodologies, ensuring fair outcomes within a competitive racing environment
- Commission further research into modern automation processes, by benchmarking their usage in other jurisdictions, sports and private handicapping organisations

## Leadership

Next year will see the most significant change to the political and economic landscape of the UK in nearly 50 years, when the country leaves the European Union. In this altering and potentially disruptive context it is vital we act as a leader for the sport. That means being prepared to stand up, make difficult decisions and build a consensus for change.

Political uncertainty often goes hand-in-hand with social change. We are already seeing shifts in attitudes and approaches to animal welfare and gambling. We can't take anything for granted and we must be responsive to public and political attitudes if we are to be understood and accepted in modern Britain.

Acting as an independent governing body, with a reputation for upholding integrity, is essential in this context. We will therefore continue to develop the governance of the BHA, in consultation with our Members, to ensure we are operating in line with governance best practice in general and the Code for Sports Governance in particular.

Like all industries, we must also adapt to rapidly changing customer behaviour; we must continuously reconsider how best to inspire people to watch, invest or work in racing. Through engaging racing's leaders, stakeholders and staff, we will establish new ways of telling *Racing's Story* and provide a guiding vision for our future. Together with the areas of focus within the ongoing Industry Strategy, this will shape how we invest funds, in ways that maintain and enhance racing's relevance in today's society.



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### **Working with Thoroughbred Industries Brexit Steering Group, manage and communicate the implications of the UK's withdrawal from the European Union, identifying challenges, solutions and opportunities within all potential scenarios**

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- Preparedness for, and timely communication to the industry regarding all potential Brexit negotiation outcomes. This would include guidance on any 'No Deal' scenario and on the transition/implementation period (April 2019 to December 2020). To do this, we must maintain close working relationships with the UK Government and the Department for the Environment, Food and Rural Affairs (Defra) in particular
- Alongside colleagues in European thoroughbred racing jurisdictions, make representations to the European Commission for a successor arrangement to the Tripartite Agreement within the forthcoming EU Animal Health Law, based on the High Health Status of thoroughbreds

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**Identify a purpose, vision and values for British racing**

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- Work with stakeholders to define the sport's purpose - why we race, why we care about it and why others should care too – and establish a vision for where we want the sport to be in 2021 and beyond
  - Use our purpose and vision to tell *Racing's Story*, provide a clear destination and focus for the industry strategy and define desired culture, values and behaviours for the sport
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**Foster innovation in approaches to betting and promote socially responsible betting on our sport**

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- Develop and establish new ideas that British racing can trial or implement fully in 2019 to grow its betting share, supported by data-sharing agreements
- Create an overarching betting strategy for the sport, focusing on both retail betting (to mitigate the impact of potential betting shop closures) and digital betting (to reflect changing consumer preference)
- Form partnerships with gambling charities to support responsible gambling campaigns



## Development

The provision of high-quality and efficient services is vital to the experience of the sport's consumers, participants and stakeholders. If we are to retain their participation and interest, while simultaneously engaging new audiences, we need urgent investment in systems and processes that both improve our performance and unlock long-term savings for the sport.

Investment is required in digital technology and data to support the development of British racing. This will enable us to finalise plans for a more customer-centric approach to the administration services provided to the sport's participants, with this digital transformation acting as a catalyst for growth and innovation across the sport.

We will support innovation that helps us to attract and retain a new generation of customers, both on and off racecourses. Technology will also unlock improvements to the levels of service provided in our core business areas, delivering improved accuracy and increased efficiency.



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### Have a clear vision, strategy and plan for delivery of a new, improved model for racing administration

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- Create a clear vision for a customer-centric approach to racing administration
  - Produce a detailed plan to transform the current business model and associated processes, with a view to delivering efficiencies, improving decision making and ensuring clear accountability
  - Commence implementation of the plan, subject to the necessary resources being in place
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### Undertake research, and invest in technology and our people, to ensure the BHA can evolve and improve as a regulator

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- Increase the capacity of our raceday resource through a structured multi-skilling programme
- Commence collaborative international research into equine gene doping
- Launch a research project to measure the physical attributes of jockey licence course applicants, in order to inform sustainable career decision making
- Commission and launch a new electronic medical record system, to allow more accurate recording of illness and injury data, via a user-friendly interface
- Invest in new technologies to enhance raceday stewards' monitoring capabilities

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## WHERE WE WANT TO BE BY 2021

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### By 2021 we want...

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- Participants and stakeholders to have full confidence in our integrity and regulation procedures, clearly seeing the BHA providing equine welfare leadership and working to address public perceptions
- To be using digital technology, data and innovation to improve accuracy, service and, where possible, to reduce costs in key business areas. We want to transform racing administration in ways that not only improve the service provided, but which also increase operational competence
- To be leading the sport to grow and thrive, through integrated, long-term recruitment, training and retention programmes and through implementation of the Diversity and Inclusion Action Plan across the sport
- Our raceday operations to be multiskilled and supported by appropriate technology, delivering consistent quality and integrity and, ideally, generating significant savings
- To have worked with stakeholders to define clearly the sport's purpose and vision, in order to have embedded core values and behaviours across British racing

## BUDGET GUIDE 2017-2019 – UPDATE FOR 2019

### 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 on where the BHA is spending its money;
- To set out clearly the metrics by which fees would increase each year to assist those within the sport with their business planning;
- To demonstrate financial accountability and responsibility, with the budget being break-even in cash terms over the three-period.

With the costs of the BHA primarily met by racecourses and the sport's participants, we are committed to providing value for money services as efficiently as possible.

We are now in the final year of this three-year cycle and the objective of breaking even remains on track. This is despite higher levels of inflation in our cost base and significant increases in activity, which have been required due to the changing environment in which the sport operates and our need to respond to threats. Looking ahead to 2020, we anticipate that, when one-off costs in 2019 are removed, we will generate a small cash surplus.

Fees were agreed in 2016 to be set at 2% for 2017, then the higher of 2.75% or October CPI plus 0.75% for 2018 and 2019. This should have led to fee increases of 3.75% in 2018 and 3.15% in 2019 on this basis. However, understanding relative financial pressures within the industry, fees were set at 2.75% in 2018 and are being set at 3% in 2019. Overall, over the 3 years of this budget cycle, fees have increased by 7.94%, rather than the 9.16% that would have resulted from a higher, CPI-linked fee increase. Implementing a lower increase has saved fee payers over £600k over the period.

All of the above is set out in a context in which additional activity is required if we are to deliver the strategic objectives set out in this business plan.

### 2018 financial update

Our 2018 forecast, based on results to the end of September, shows an improvement of £185k in cash terms compared to our original budget. Our forecast cash surplus is now expected to be £141k. This is due to a reduction in budgeted people costs and small increases in income offset by additional one-off activity costs.

	Actual 2015 £'000	Actual 2016 £'000	Actual 2017 £'000	Forecast 2018 £'000	Budget 2019 £'000
Total income	31,124	31,852	33,236	33,638	33,824
Total expenditure	(30,991)	(32,046)	(32,907)	(33,929)	(34,317)
Interest	27	19	12	12	15
Surplus / (deficit)	160	(175)	341	(279)	(478)
Non-cash adjustments	175	(2)	(381)	420	430
<b>Cash surplus / (deficit)</b>	<b>335</b>	<b>(177)</b>	<b>(40)</b>	<b>141</b>	<b>(48)</b>

## 2017-19 financial overview

The headline is that we remain on track to achieve break-even in cash terms over the three-year period from 2017 to 2019.

During the first two years of the budget period, significant increases in activity have been required to ensure we are responding appropriately to emerging threats and risks that were impossible to foresee when the original budget was set. Examples of this include our decision to review the buying and selling practices for bloodstock sales houses, responding to safeguarding threats, leading on diversity, and investment in process improvements. This increased activity will lead to a small cash deficit of £48k in 2019 but with a cumulative small surplus over the three-year period of £53k.

Our people costs have increased but this is primarily a result of leading on new areas such as safeguarding and diversity, as well as costs linked to the introduction of the new stewarding model in 2019, which aims to ensure that our integrity and equine welfare operations are fully equipped to manage and mitigate emerging risks.

Approximately 93% of our income comes from fees from racecourses - who recoup a significant proportion of this cost from Levy funds - and owners. Increases in income are therefore primarily driven by fee rises, fixture numbers and changes in ownership activity.

	Actual 2015 £'000	Actual 2016 £'000	Actual 2017 £'000	Forecast 2018 £'000	Budget 2019 £'000
Racecourses	19,901	20,625	21,811	22,153	22,728
Owners	7,961	8,287	8,570	8,523	8,713
Other participants	659	662	699	717	669
Publications	564	540	515	538	460
Other	1,540	1,412	1,316	1,307	1,254
GBRI*	499	326	325	400	0
<b>Total Income</b>	<b>31,124</b>	<b>31,852</b>	<b>33,236</b>	<b>33,638</b>	<b>33,824</b>

\*From 2019 the income and costs of GBRI have moved to Great British Racing Limited. The original budgets for 2018 and 2019 published in December 2017 excluded this income and costs completely.



### New and additional activities 2019

The following areas require investment, having emerged as new or increased areas of activity since the original budget was set:

- The implementation of the new stewarding model in 2019, which was approved following an industry-wide consultation and where the costs of £300k are in line with previously published budgets
- A new safeguarding function requiring specialist skills to ensure we are adequately resourced to support and investigate any such cases
- Diversity and inclusion, where the BHA is playing a leadership role and implementing the strategy set out by the Diversity in Racing Steering Group
- Additional resource has been required in equine welfare and integrity functions, to drive world class standards and respond to emerging threats
- A Bloodstock Review is underway and investment is required to take this to the next stage (2018 cost only)
- Racing Administration, the main service by which we interact with the sport's participants requires investment in a "discovery phase" to develop a technological solution that works long-term for the sport and its customers
- Rollout of new technology across stewarding, to enhance raceday monitoring capabilities

	<b>Actual 2015 £'000</b>	<b>Actual 2016 £'000</b>	<b>Actual 2017 £'000</b>	<b>Forecast 2018 £'000</b>	<b>Budget 2019 £'000</b>
Total people costs	15,541	16,373	16,833	17,373	18,693
Racing Administration	5,378	5,293	5,341	5,247	5,335
Equine sampling and research	3,330	3,368	3,465	3,543	3,462
Property and overheads	2,348	2,488	2,713	2,769	2,746
Legal and professional	1,016	1,307	847	705	637
Other	2,739	2,795	3,310	3,892	3,444
GBRI*	639	422	398	400	0
<b>Total</b>	<b>30,991</b>	<b>32,046</b>	<b>32,907</b>	<b>33,929</b>	<b>34,317</b>

### Total people costs and headcount

The BHA employs more than 240 full and part-time people, along with sessional staff to help manage the requirements of the fixture list. In addition, there are currently 11 vacant roles. Board directors' costs are also included in total people costs.

There are further changes planned in 2019 to enable us to deliver our strategic priorities, particularly in relation to safeguarding, industry diversity, integrity and equine welfare, as well as implementing the changes outlined in the Stewarding Review (e.g. the recruitment of multi-skilled Raceday Assistant roles). We therefore forecast that our headcount will increase to around 263 by the end of 2019.

Increases in people costs have not only been driven by headcount increases, but also by market-driven salary increases required for skillsets in high demand, and salary inflation. With a view to providing transparency and consistency across the organisation, during 2018 the BHA introduced new salary bands and a grading structure covering all roles.

Of the increase of 23 heads between 31 July 2018 and 31 December 2019, 11 were budgeted roles already in recruitment, meaning the real total is 251. The real increase in 2019 is therefore 12, of which 9 roles are linked to the new stewarding model. The remaining 3 roles are in safeguarding, integrity and raceday operations.

### Efficiencies and cost savings

In view of the requirement to invest in new and increased activity, a rigorous effort has been made to drive down costs in other areas, ideally whilst maintaining or increasing efficiency. Managing costs to both minimise fee increases and provide value for money is a priority for the BHA.

Savings in 2019 have been made on legal costs (£125k), as more work is done in-house, less spend on levy replacement, publication production costs savings of £80k through changes in production delivery (these savings fully passed back to participants through reduced charges), as well as from the renegotiation of some key contracts with suppliers. All of these savings have been achieved in ways that do not damage our ability to deliver our strategic objectives.

### Capital Expenditure

The original capital expenditure budget of £400k for 2019 has been reduced to £350k as some of the previously designated capital activity is now a revenue cost.

The modest capital expenditure budget is spent on items below £100k, e.g. technology upgrades. This is unlikely to be a long term trend, however, as investment in capital projects will be required in future if we are to maintain or improve the quality of our service and our efficiency.

### Cash

Operating cash at the end of 2018 and 2019 is forecast in the region of £4m-£4.5m.