



Annual Report 2008|09

07|08|08|09

**GAMBLING  
COMMISSION**



## **Report of the Gambling Commission 2008/09**

Presented pursuant to the Gambling Act 2005 paragraph 16 of Schedule 4

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## > Chairman's and Chief Executive's statement



### Building on solid foundations to keep gambling fair and safe for all

To: Her Majesty's Secretary of State for Culture, Media and Sport and Her Majesty's Secretary of State for Scotland and First Minister of Scotland

In pursuance of paragraph 16 (1) of Schedule 4 to the Gambling Act 2005 we have the honour to present the fourth report of the Gambling Commission, covering the period 1 April 2008 to 31 March 2009.

### Developing and embedding our approach

It has been a productive year for the Gambling Commission. The Gambling Act 2005 – the statutory framework within which we work to keep gambling fair and safe for all – has now been in effect for 18 months. Following the successful completion of the transition from Gaming Board to Commission, including an extensive exercise to licence the gambling industry under the new Act, we have been focused this year on delivering a proportionate, risk-based approach to regulation. We are now organised to ensure that front line activity and intelligence inform and are informed by risk-based regulatory policy and decision making.

### Developing understanding of the 2005 Act

This year we have spent time and effort developing understanding of the interpretation and practical implications of the 2005 Act and making sure that the gambling industry understands the need to comply with the licensing objectives, while at the same time we recognise the real challenges faced by the industry from the world-wide economic recession. Our compliance managers have visited over 2,800 licence holders across

Britain, we have carried out a series of mystery shopping exercises on line and in betting shops and we have handled over 17,000 calls to our enquiries line including a number on house competitions<sup>1</sup>.

We have also been collecting and interpreting data from all our licence holders through regulatory returns. The data is needed to underpin our approach to risk as well as providing an overview of the industry and operators' performance in relation to the three licensing objectives. While the data collection was initially slow and the quality of the information provided uneven, we are working with the industry to make the process more effective by providing a better explanation of the rationale for the returns and the data they provide.

To further improve our understanding of the 2005 Act we consulted with our key stakeholders on topics such as primary purpose<sup>2</sup>, house competitions and whether bingo machines are in fact gaming machines.

### Developing our compliance and enforcement activities

With gradually improving data we have been able to focus our compliance and enforcement activity more in those areas where we can maximise our impact based on what is, inevitably at this relatively early stage, a broad brush risk analysis. For example, we concentrated our compliance efforts on assessment of the larger gambling operators and, on the enforcement side, commenced a nationwide drive against the illegal supply of gaming machines, working closely with police and licensing authorities. In addition we looked at areas where the law appears to be poorly understood, for example, betting in pubs – an illegal activity that, due to our compliance work, has all but ceased in certain areas of the country.

<sup>1</sup> In this context a house competition refers to the use of a competition with a draw by a homeowner to dispose of their property. Such activity is illegal if a lottery and not a prize competition

<sup>2</sup> Primary purpose – the requirement that licence holders of different categories of premises licences ensure that the gambling activity which corresponds to the licence type is actually offered as the primary activity at those premises

Betting integrity, especially in sports betting, is a subject of particular public interest and we published proposals in March 2009 for strengthening the effectiveness of our approach, including plans for working more closely with other agencies to improve detection and enforcement. We therefore welcome the Minister for Sport's initiative to set up an expert panel, including key people from the main organisations involved, to work together to develop a collaborative approach and a coordinated strategy.

Alongside this activity we have continued to build a network of organisations that support our regulatory role. This includes developing a collaborative approach with, for example, other regulatory bodies and the police as well as with local licensing authorities who license gambling premises and authorise other gambling facilities in their licensing areas. While we have made progress in furthering relationships with a wide range of organisations, we recognise there is still a long way to go, in particular with regard to licensing authorities, who have an indispensable role to play in securing the licensing objectives.

To ensure we identified and addressed any issues that might prevent early achievement of full compliance with the Hampton and Macrory regulatory principles, we volunteered for an early Hampton implementation review<sup>3</sup>. This took place last September and confirmed that if our current plans are successfully implemented we should be in a strong position to demonstrate the characteristics of better regulation. The review team acknowledged the scale of the tasks confronting the Commission as a new regulator, and were impressed by the skills and commitment of the Commission's employees.

The review indicated some areas that needed more attention and we accepted the recommendations. As indicated above, we are already working to improve engagement with our stakeholders by explaining better our objectives, processes and thinking, and developing our approach to risk, outcomes and data collection. We have made closer working

relationships with local licensing authorities a priority.

## Research, education and treatment

As part of our remit to provide advice to government on issues relating to gambling, we were asked by DCMS to carry out a review of research, education and treatment. Following extensive consultation we reported back to the Minister for Sport in October 2008. Our recommendations were accepted and as a result we set up the Responsible Gambling Strategy Board, an independent expert body chaired by Baroness Neuberger, in February 2009 to advise on the research, education and treatment components of a national responsible gambling strategy. Additionally, the Responsibility in Gambling Trust is transforming into a fundraising body and a separate distribution body. We also developed proposals, on which DCMS consulted, for the implementation of a statutory levy, while at the same time supporting the industry's effort to develop a voluntary funding system that would make a levy unnecessary.

We also carried out a range of research projects ourselves during the year, including some secondary analysis of the British Gambling Prevalence Survey 2007. In particular we responded to a request from the Minister of Sport for advice on the risks associated with high stake, high prize gaming machines. We proposed a staged approach to ensure that any research commissioned by the new Strategy Board is of use for regulatory purposes and can be funded under the new research, education and treatment arrangements, and will be reporting on the first stage shortly.

## Our people

We would like to thank both the Commissioners and employees for their professionalism and dedication during the year – in particular, the Hampton review praised our employees' understanding of the Commission's role.

<sup>3</sup> see page 12

We are particularly pleased that our employee survey this year showed improvements in employee satisfaction in the Commission as a friendly and supportive place to work.

In 2009 we see the departure of the last of the original team of directors who were recruited on fixed term contracts to set up the Commission and make it operational – we owe a great deal to that team for their contribution to the establishment of the Commission. Hazel Canter, the Director of Licensing and Compliance retired in January, and Bill Butler, the Director of Corporate Services, is moving to the Security Industry Authority as their Chief Executive.

With fewer directors the Commission has streamlined its organisation and integrated the policy and operational areas of the business. We have also invested heavily in development and training programmes to build on the skills, knowledge and commitment within the organisation and to support our aim to be a first class employer and effective modern regulator.

### Looking ahead

The Commission's focus for the coming year is on embedding our regulatory processes and on

continuing to build relationships with other regulatory organisations and those with an interest in gambling regulation. On the regulatory front this means completing the development of our risk-based approach and improving and providing better explanation of our evidence base in support of ongoing compliance activity (we have already extended our mystery shopping exercises to cover the betting industry and adult gaming centres). It also means improving our partnership with other agencies, including the police and licensing authorities, to combat activity such as illegal machine supply, illegal poker and money laundering. In addition we are progressing our work on betting integrity and look forward to working with the Minister's expert panel so that all parties gain a better understanding of the role they play in combating betting integrity issues.

On the research front, we are already working with the new Strategy Board and the new distribution body, the Responsible Gambling Fund, on the development of a national responsible gambling strategy and on associated research programmes. At the same time work has commenced on the next British gambling prevalence survey, the results of which will be published in the autumn of 2010.



**Brian Pomeroy**  
Chairman



**Jenny Williams**  
Chief Executive

## The licensing objectives

The Commission has a remit to permit gambling as long as it is consistent with three statutory licensing objectives:

- preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime
- ensuring that gambling is conducted in a fair and open way
- protecting children and other vulnerable persons from being harmed or exploited by gambling.

## > Key achievements

Key achievements during the year to April 2009 are provided below and covered in detail in the further commentary within this report

Strategic objective	Achievements in 2008-09
1 Regulating gambling in the public interest	<ul style="list-style-type: none"> <li>· A successful transition from Gaming Board to Gambling Commission completed – positive outcome endorsed by an Office of Government Commerce gateway review</li> <li>· Significant progress made in implementing the Commission's risk based approach to compliance and enforcement as acknowledged by the Hampton Implementation Review</li> <li>· Improvements in our licensing processes to take into account feedback from our licence holders on, for example, the licence application process</li> <li>· Major exercise combating illegal machine supply including first conviction of an illegal machine supplier under the 2005 Act</li> <li>· Significant reduction in illegal betting in pubs</li> </ul>
2 Providing authoritative advice	<ul style="list-style-type: none"> <li>· Licence Conditions and Codes of Practice updated to reflect experience gained during our first full year as the regulator</li> <li>· Guidance to licensing authorities updated to provide clarity on primary gambling activity and to reflect our experience to date</li> <li>· Information produced to help house owners and others understand the law regarding lotteries</li> <li>· Our recommendations on research, education and treatment accepted and Responsible Gambling Strategy Board set up in February 2009</li> <li>· Seven research projects completed and four underway to improve our knowledge and understanding of gambling and problem gambling</li> </ul>
3 Engaging with stakeholders	<ul style="list-style-type: none"> <li>· Good working relationships established with over twenty organisations, including other regulatory bodies, the police and sports governing bodies, to support our day-to-day regulatory activity</li> <li>· Concordat in place with LACORS<sup>4</sup> and we continue to build our relationship with licensing authorities</li> <li>· 76 publications produced and distributed including consultation documents, guidance and advice and information leaflets</li> </ul>
4 Developing our employees and organisation	<ul style="list-style-type: none"> <li>· Completed streamlining of the organisation including senior management restructuring to improve our efficiency as a regulator</li> <li>· Leadership development programme undertaken</li> <li>· Internal communications channels improved</li> </ul>

<sup>4</sup> LACORS - the Local Authorities Coordinators of Regulatory Services

## > Management commentary

### What we do

#### The commercial gambling industry in Great Britain

The gambling industry in Great Britain is substantial, with a turnover of over £84 billion in 2006/07<sup>5</sup>. Gross gambling yield (ie the amount retained by operators after the payment of winnings but before the deduction of the costs of the operation) was estimated at £9.9 billion in 2006/07. 25% of this £9.9 billion was generated by the National Lottery and most of the remainder by those industries which are regulated by the Gambling Commission.

#### The Commission's remit

The Commission was established under the Gambling Act 2005 as a Non-Departmental Public Body (NDPB) to regulate most commercial gambling in Great Britain. This includes casinos, bingo, gaming machines and lotteries as well as betting, arcades and remote gambling but excludes spread betting and the National Lottery which are the responsibility of the Financial Services Authority and the National Lottery Commission, respectively.

While sponsored by the Department for Culture, Media and Sport (DCMS), the Commission is an independent body, funded in the main by licence fees set by the Secretary of State but paid by the gambling industry, with a general responsibility for advising national and local government on regulation and on the incidence of gambling, the way it is carried out and its effects.

#### The licensing objectives

Under the 2005 Act, the Commission has a remit to permit gambling as long as it is consistent with three statutory licensing objectives:

- preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime
- ensuring that gambling is conducted in a fair and open way
- protecting children and other vulnerable persons from being harmed or exploited by gambling.

#### The Gambling Act 2005

The 2005 Act replaced three earlier Acts<sup>6</sup>, making significant changes to the way in which gambling regulation takes place, notably:

- operators offering gambling in Great Britain have to be licensed by the Commission, with local licensing authorities licensing premises and providing permits
- operators have to comply with the statutory framework and are subject to licence conditions and codes issued by the Commission which further the three licensing objectives
- in addition the Commission has discretion to apply licence conditions to individual operators
- the Commission oversees licensed operators and has wide ranging powers including the imposition of fines, revocation of licences and prosecution of illegal gambling.

<sup>5</sup> HM Revenue & Customs Statistical Bulletins, Office for National Statistics, DCMS estimates based on industry trends

<sup>6</sup> Betting, Gaming and Lotteries Act 1963, the Gaming Act 1968 and the Lotteries and Amusements Act 1976

## > How we manage our business

The Chairman, Brian Pomeroy, leads a Board of Commissioners that oversees the business of the Commission (more details of the Commissioners and their role are provided below). The Chief Executive, Jenny Williams, also a Commissioner, leads the senior management team that manages the day-to-day activities of the Commission in line with our strategic objectives.

As part of the development of our role as the regulator, the senior management team was restructured during the year (details of the senior management team are at Appendix 3). Since 1 November 2008 the work of the Commission has been managed through three boards with distinct remits – the Management Board (previously the Management Group) consisting of the senior management team, the Regulatory Policy Board and the Operations Board. In addition the Risk Management Committee sits quarterly (see Appendix 4 for information on the boards' remit and membership).

### Commissioners

Details of the Commissioners, who are appointed by the Secretary of State for Culture, Media and Sport and include the Commission's Chief Executive, are given at Appendix 1.

Commissioners are responsible for the strategic direction of the Commission and for the

performance of the Management Board. They also determine some licence applications and revocations and make the more serious regulatory decisions.

The Board met ten times during the year and its terms of reference, minutes and attendance details are published on the Commission's website. In addition to the Commissioners, Board meetings are regularly attended by senior managers from the Commission.

The Board monitors and receives regular reports from its committees. The current committees of the Board are the Audit Committee, the Remuneration Committee and the Regulatory Panel.

During the year the Board has focused on:

- ensuring that key risks are identified and managed in a timely fashion
- monitoring financial management and governance
- oversight of the development of policies, procedures and controls in the light of experience gained
- effective communication to stakeholders.

Board meeting attendance is detailed at Appendix 2 along with details of the remit and structure of the Audit Committee and the Remuneration Committee.



## > Our approach

Our second corporate plan was finalised in October 2007 to cover the period 2007 to 2011 and the move from the transitional phase to the delivery of regulation under the 2005 Act. We have now developed a business plan that sets out what the Commission aims to achieve in the financial year 2009/10. This reflects both the statutory framework within which we operate with its focus on the licensing objectives (see page 7) and our strategic objectives.

### The Commission's strategic objectives

#### **SO1. Regulating gambling in the public interest:**

delivering a proportionate regulatory regime which delivers best practice licensing and enforcement and ensures compliance by licence holders

**SO2. Providing authoritative advice on gambling and its regulation:** building the Commission's knowledge base through knowledge management, intelligence and research

**SO3. Engaging with stakeholders:** ensuring that the Commission is accountable, properly balanced and informed in its work

**SO4. Developing our employees and organisation:** delivering professional, responsive, accountable and fair regulation.

### How we are doing

We have made considerable progress and this has been recognised in both the Office of Government Commerce review and the Hampton Implementation Review that took place during the year (see page 12), although we and the review team acknowledge that, as a young organisation, there are still considerable challenges ahead.

On the regulatory front we worked hard to improve understanding of the 2005 Act both within the Commission and within the industry. At the same time we have developed our risk based, proportionate and cost effective approach to regulation - we now need to make sure that this approach is fully understood by operators as well as by the wider audience with

an interest in gambling regulation. Part of this approach means concentrating our compliance and enforcement activities in the areas where we can have maximum impact, for example, concentrating on the suppliers of illegal gaming machines rather than on the operators using these machines.

During the year we also focused on building our relationship with a range of organisations to identify how we can work productively together. This includes working more closely with bodies such as the police and sports governing bodies; and in particular working with licensing authorities to clarify each body's role with regard to gambling regulation. In the case of licensing authorities we recognise that we need to do more and have made this a priority.

The key programmes for the coming year build on the work carried out in 2008/09 and comprise a range of activities that contribute to our strategic objectives while maintaining the essential business of the Commission. In addition, within each programme, there are some activities designed to improve our performance by, for example, making us more efficient or improving service provision. Further details can be found on our website.

### Office of Government Commerce (OGC) review

The OGC Gateway Process examines programmes and projects at key decision points in their lifecycle and looks ahead to provide assurance that they can progress successfully to the next stage. The OGC team carried out a review of the management of the transition programme from Gaming Board to Commission and our progress, in terms of governance, structure, people, processes and systems, towards the successful delivery of gambling regulation.

The results were positive with the OGC review team making some very useful recommendations that we have acted on. For example, we are now reviewing our concordat with licensing authorities and we have enhanced our operations improvement programme to make sure that business process changes become fully embedded.



## Hampton Implementation Review

The Commission has always worked to embed the Hampton principles of better regulation into our approach to regulation. As part of this approach we asked to be reviewed by the Department for Business, Enterprise & Regulatory Reform (BERR) and the National Audit Office (NAO) at an early stage to help identify those areas where improvements would enhance our progress as an effective regulator.

The overall conclusion of BERR's report was that, if we successfully implement our current plans, we should be in a strong position to demonstrate both the Hampton<sup>7</sup> and the Macrory<sup>8</sup> characteristics of better regulation. The review team "acknowledged the scale of the tasks confronting us as a new regulator, and were impressed by the skills and commitment that the Commission's employees brought to bear in tackling these."

A number of recommendations were made, which we accepted, for improving our approach and ensuring that we become fully compliant with the Hampton principles. Among these are making better use of intelligence and risk analysis, improving our focus on outcomes and

being clearer about our responsibilities with regard to the economic vitality of the regulated sector.

In addition the review said that we need to do more to explain to our licence holders and other stakeholders the rationale for our data and other requirements; to develop our capacity to assess the impact of our regulatory actions; and to clarify and strengthen the way in which we work with local licensing authorities.

There was also praise for the Commission's employees in their dealings with individual businesses, as well as recognition for some imaginative ways of communicating with harder-to-reach operators, for example, by text messaging.

We recognise the challenges we face as a young organisation and have already started to deliver the improvements recommended, for example, developing our capacity to assess the impact of regulatory action and steps to clarify and strengthen the way we work with licensing authorities. This is both at a local level between our compliance managers and licensing officers and at a national level to revise our concordant with LACORS<sup>9</sup>.

<sup>6</sup> Hampton review on regulatory inspections published on 16 March 2005 and updated on 28 November 2006

<sup>7</sup> Macrory Review of regulatory penalties published on 28 November 2006

<sup>9</sup> LACORS - the Local Authorities Coordinators of Regulatory Services

## > Regulatory activity

Our regulatory activity this year concentrated on ensuring that our licence holders operate within the framework set by the 2005 Act and the Commission's Licence Conditions and Codes of Practice (LCCP). We have adopted a proportionate approach to compliance in the licensed sector while our criminal enforcement work this year largely concentrated on illegal activity, for example, a nationwide operation to remove illegal gaming machines has resulted in the first conviction under the 2005 Act of an illegal machine supplier.

At the same time we have been improving our internal policies and procedures in light of the experience gained since the 2005 Act came into force. This included restructuring the senior management team to reflect the move from start-up to full scale operations, and an operations improvement programme to develop and streamline our regulatory activities. The results reflect the change in emphasis at the Commission from setting policy and licensing the gambling industry during our inception, to providing cost effective regulation under the 2005 Act.

### Development and performance of the business

#### Licensing activity

A total of 520 operating licences were issued during the year (most were small operator licences or converted lottery licences) of which the majority went to betting operators, gaming machine suppliers and society lotteries. In addition 4,271 personal licences were issued of which 3,116 were personal functional licences (PFLs) relating to the casino industry<sup>10</sup>. This is a significant change from last year when we were licensing the whole of the industry for the first

time and licensed over 4,000 operators before the end of March 2008. Details of licensing activity during the year are shown in Chart 2.

In anticipation of this predicted reduction in the level of licensing activity, and as part of the operations improvement programme, we reorganised the Licensing team; they now look after licence applications and fees collection as well as carrying out a licensing compliance function to manage the collection of regulatory and lottery returns, and desktop inspections to ensure that operators have the correct licence. In addition we rationalised our licensing processes and made improvements to the licence application forms, following feedback from our licence holders.

### Compliance and enforcement activity

Just as we have been developing our role as the regulator, our licence holders have been adapting to the requirements of the 2005 Act and the LCCP. We have spent time and effort during the year ensuring that operators are correctly licensed and understand the requirements of the 2005 Act and compliance with LCCP. A structured series of compliance visits<sup>11</sup> was undertaken by compliance managers and in general the industry has adapted well. However, compliance managers had to make a relatively high proportion of early re-visits<sup>12</sup> to licence holders with around one in four of all visits before 31 March 2009 being re-visits. This percentage is now falling and the approach supports our aim to deliver proportionate regulation and to work constructively with licence holders to ensure compliance with minimal recourse to our enforcement powers where this can be achieved.

<sup>10</sup> Many individuals in the casino industry still hold a section 19 certificate under the 1968 Gaming Act. Like the casino personal licence, this certificate is designed to ensure that those working on the gaming floor and/or managing such employees are fit and proper to act in that capacity. It is estimated that there are currently over 14,500 people employed in the casino industry but the Commission does not hold statistics on the number of certificate holders

<sup>11</sup> Compliance visits are defined as 'visits planned and undertaken, to assess an operator's level of compliance within the provisions of LCCP, and comprise announced and unannounced visits'

<sup>12</sup> A revisit is planned or conducted when an operator's level of non-compliance is of sufficient concern to require a repeat visit. This then ensures that the identified issue has been suitably rectified



**Chart 1: Visits to licence holders**

Industry sector	Compliance visits	Re-visits required
Betting	1,003	295
Bingo	520	151
Casinos	341	63
Lottery	54	17
Gaming machines	889	325
<b>Total</b>	<b>2,807</b>	<b>851</b>

As a supervisory body under the Money Laundering Regulations 2007 our visits to casinos include assessment of money laundering processes in place. We continue to

work with money laundering enforcement officers in the casino industry and are planning to provide guidance to other industry sectors on the Proceeds of Crime Act 2002, during 2009.

Our criminal enforcement work this year has concentrated largely on illegal activity with the unlawful supply of machines being a priority (see page 17). We received 149 referrals to our Enforcement team during the year to add to the 78 cases which were live at 1 April 2008. Of these 111 remain as live investigations and of the 116 referrals concluded, no further action was taken in 46 cases, four cases were referred to other agencies and 29 were dealt with through the regulatory process, as detailed at Chart 3 and Chart 4.

**Chart 2 Licensing activity to 31 March 2009**

Operator Licences held	1 April 2008 to 31 March 2009						Total licences as at 31 March 2009		
	Licences issued		Licences surrendered		Licences revoked/surrendered		Non remote	Remote	Total
	Non remote	Remote	Non remote	Remote	Non remote	Remote			
New casinos	2	2	0	8	0	0	3	20	23
Existing casinos	3	0	29	0	0	0	55	0	55
Bingo	17	4	18	9	2	2	216	9	225
General betting (standard)	61	45	76	28	24	12	650	72	720
General betting (limited)	36	0	42	0	9	0	714	0	714
General betting (telephone only)	0	6	0	9	0	0	0	40	40
Pool betting	2	17	3	3	0	0	26	42	68
Betting intermediary	0	7	0	5	0	0	3	19	22
Gaming machine general: AGC	44	0	44	0	9	0	632	0	632
Gaming machine general: FEC	13	0	23	0	3	0	319	0	319
Gaming machine technical: Full	11	2	11	7	1	1	54	12	66
Gaming machine technical: supplier	80	0	10	3	0	0	215	2	217
Gaming machine technical: software	2	0	1	1	0	0	11	3	14
Gambling software	12	16	2	2	1	0	55	49	104
External lottery manager	6	1	1	2	0	1	28	10	38
Society lottery	98	33	6	4	0	1	152	50	202
Converted lottery	0	0	81	0	1	0	340	0	340
Converted machine	0	0	39	0	0	0	367	0	367
<b>Totals</b>	<b>387</b>	<b>133</b>	<b>386</b>	<b>81</b>	<b>50</b>	<b>17</b>	<b>3,840</b>	<b>328</b>	<b>4,166</b>

Chart 3: Enforcement referrals

Enforcement referrals 1 April 2008 to 31 March 2009	Criminal/illegal			Regulatory				
	No further action	Cautions	Referral to another agency	No further action	Licence condition added	Advice to conduct	Revocations (see chart 4 for detail)	Warnings
Betting	7	1		5				5
Bingo				3			5	1
Casino				19	1	9	24	14
Gaming	2		2					
Gaming machines	4	2	2	2		1		3
Lottery	2			1				
Remote				1				
<b>Total</b>	<b>15</b>	<b>3</b>	<b>4</b>	<b>31</b>	<b>1</b>	<b>10</b>	<b>29</b>	<b>23</b>

There were 98 licences revoked between 1 April 2008 and 31 March 2009 including 67 operating licences, covering 52 different licence holders, and two personal licences revoked due to non payment of their fees. Of the remainder the majority related to theft or dishonesty by section 19 certificate holders or personal licence holders – 17 cases were heard by the Regulatory Panel, while 12 were determined by Commission directors.

Chart 4: Total revocations

Reasons for revocations 1 April 2008 to 31 March 2009	Operating licences (2005 Act)	Personal licences (2005 Act)	Certificates (1968 Act)	Total 2008/09	Total 2007/08
Theft		2	9	11	18
Integrity/dishonesty		1	10	11	
Involvement with drugs (including drug related convictions)			1	1	1
Violent offences			5	5	2
Failure to follow procedures					2
Non payment of annual fees	67	2		69	-
Others			1	1	2
<b>Total</b>	<b>67</b>	<b>5</b>	<b>26</b>	<b>98</b>	<b>25</b>

In addition, two personal licences and one operating licence were suspended during the year. One personal licence and one operating licence remain under review; the Crown Court asked for one personal licence to be forfeited and the individual was disqualified from holding a gambling licence for ten years.

Other compliance activity under the 1968 Act is detailed at Appendix 7.

## Illegal gaming machines

The Commission undertook a major exercise to reduce the illegal supply of gaming machines in order to protect the public in line with our licensing objectives, for example, such machines may not comply with the Commission's technical standards and therefore may not be fair to players.

Since September 2008 we have conducted 20 joint operations, working effectively with HM Revenue & Customs (HMRC), licensing authorities and the police. As a result 144 unlawfully sited machines have been removed and 294 visits made to operators to raise awareness or to obtain information. There has been one criminal conviction for the illegal supply of gaming machines (appeal pending), one criminal caution and, as a result of our activity, one machine supplier applied for a licence.

## Betting in pubs

No commercial betting, regardless of the level of stakes, is allowed in pubs and clubs. Those who facilitate such betting in pubs and clubs, whether publicans, designated premises supervisors or club officials are providing illegal facilities.

The Commission became aware that the practice of accepting bets in public houses was common in many parts of the country. To stop this, we engaged with local licensing authorities, provided advice as required and produced a leaflet for distribution to licence holders and publicans making clear the law on this practice. While this work is still underway it has proved successful to date. For example, in the North West, over 130 pubs were warned about their activity and one individual received a formal caution from the Commission. Complaints regarding this activity have all but ceased in the region.

## Advertising

The Commission expects licence holders to comply with the Committee of Advertising Practice (CAP) and the Broadcast Committee of Advertising Practice (BCAP) codes of practice on

the advertising of gambling. We also support the industry's voluntary advertising code and expect licence holders to comply with the code, including the requirement for a gambling awareness website (Gambleaware) address in all advertisements.

While the industry monitors its own advertising code, the Advertising Standards Authority (ASA) is the monitoring body for the CAP and BCAP advertising codes of practice. Four complaints against television advertisements were investigated during the year of which two were upheld.<sup>13</sup>

Advertising of remote gambling sites in Britain is only permitted by operators regulated by the Commission or by operators based in the European Community (including for this purpose Gibraltar) or in a white listed jurisdiction. White listing is the term used to cover a jurisdiction that has successfully applied to the Secretary of State (DCMS) for approval of its operators to advertise in Great Britain. Following technical advice from the Commission DCMS has approved the states of Antigua and Barbuda, Alderney, Isle of Man, and Tasmania for this purpose.

## Remote gambling

Many operators continue to maintain their remote gaming (casino, bingo, poker, slots) offshore and may be regulated in different countries for different products. Two large betting operators relocated all or part of their remote operations offshore during the last year.

With the majority of gambling websites available to the British public not regulated by the Commission, we produced a leaflet this year to help the public know what to look for when gambling online, and to satisfy themselves that they are content to gamble on a particular website before doing so.

In terms of compliance activity we carried out head office inspections of our remote gambling licence holders as well as conducting a rolling programme of Commission based compliance activity (mystery shopping) on a number of our licence holders. The sites tested had almost 3.2 million active customers<sup>14</sup> and a total of over 14.3 million customers registered with them.

<sup>13</sup> More information can be found on the ASA website at [www.asa.org.uk](http://www.asa.org.uk)

<sup>14</sup> Individuals who have visited the site within the last 12 months

Although not formally regulated by us, we also take an interest in the level of protection that British citizens receive from those overseas operators that are permitted to market their activities in Britain. Therefore, in 2009, the mystery shopping exercises were extended to include those operators. We focused on overseas operators with a reasonable presence in Britain mainly in terms of the level of their advertising in Britain and the level of British web traffic to their website. The approach and results are set out in 'Online mystery shopping programme' on our website.

When we tested for under age gambling, of the sites regulated by the Commission, over 95% of active customers were registered with operators that had no identified weaknesses, 2.5% were registered with those in the inconclusive category due to either technical limitations or other inconclusive factors that made it difficult to assess the operator and only 2.2% were registered with operators that had weaknesses that, in some circumstances, could allow under-age persons to gamble. These results are supported by other statistics we collate from complaints, regulatory reporting and research. The results from overseas jurisdictions suggest that, as with those licensed by us, the smaller and less well established operators are more likely to have weaknesses.

All our licence holders with deficiencies in their age verification procedures or other social responsibility measures have been contacted. For those still operating, remedial action has or is being taken; those concerned will be retested to ensure compliance.

Operators licensed in overseas jurisdictions are not subject to the Commission's control. We have discussed with overseas regulators any deficiencies found with their licence holders and expect to work with those regulators to secure improvements. Overseas operators with deficiencies are also re-tested.

## Enquiries and complaints

Our Enquiries team provides the main point of contact for the Commission for incoming post, telephone and email enquiries. Their aim is to resolve the majority of enquiries at this first point of contact thereby reducing enquiries in other areas of the Commission.

In total, 17,292 enquiries were received during 2008/09, of which 98% were dealt with within three days. We received 1,013 complaints against operators, personal licence holders and other bodies plus 108 reports of suspected illegal operations which were passed to our Intelligence team. Of the complaints, the majority were about a website that is not regulated by the Commission or required advice on how to complain about a licence holder or were referred to an adjudication service such as IBAS (the Independent Betting Adjudication Service). Of these complaints, 95% were dealt with within ten days. Details are provided below.

**Chart 5: Enquiries and complaints**

<b>1 April 2008 to 31 March 2009</b>	<b>Total</b>
Enquiries	17,292
Complaints against an operator	963
Complaints about personal licence holders	23
Complaints about other bodies	27
Reports on suspected illegal operations	108
<b>Total</b>	<b>18,413</b>

Eight complaints were received about the Commission during the year. Three were not upheld and two are still under investigation. The remaining three were complaints about administrative errors, relating, for example to enquiries about licensing requirements - one of these was partially upheld and two were fully upheld.<sup>15</sup>

<sup>15</sup> A further 21 communications were received concerning fees - the setting of fees is the responsibility of DCMS

## > Developing and embedding our approach

We have devoted considerable effort during the year to clarification both of our understanding of various aspects of the 2005 Act and of our approach to its enforcement. In doing so we have worked closely with our stakeholders (see page 26) to ensure that all those with an interest are involved as we review a particular topic.

### Integrity in betting

The Commission published a paper on betting integrity in March 2009<sup>16</sup>, including a summary of our stance on in-running betting. In the paper we recommend better inter-agency activity to advance understanding of the issue and we therefore welcome the Minister's recent initiative to set up an expert panel to look at betting integrity with all the interested parties. We are already working with the CCPR (Central Council for Physical Recreation) to assess how well equipped sports governing bodies are to manage any threat to integrity in their particular sport and with the betting industry to promote improved joint working. Licence condition 15.1, which obliges information sharing between betting operators, the Commission and sports bodies, was strengthened with effect from January 2009.

This paper also indicates that, while limited conclusive evidence has so far emerged to support it, the Commission recognises the widespread concern about the risks to betting integrity, particularly in relation to sporting events, and has been developing its policies and procedures to reduce such risks. Between 1 September 2007 when the 2005 Act came into force and 31 March 2009, 48 cases of potentially suspicious betting were identified. All have been or are being examined by the relevant sport governing body or the Commission and to date the grounds for suspicion have not been substantiated in 22 cases. The remainder are under consideration, by either the Commission or by sports governing bodies, and where evidence of an offence is found we work with the police who have further investigatory powers they can bring to bear.

Our approach is to work with the sports governing bodies, betting operators and others to strengthen the deterrents to corruption in betting by making it more likely that those involved can be identified and appropriate sanctions imposed. This process is helping us to clarify the extent of any lack of integrity in betting and the need, if any, for further regulatory action. Such regulatory action could be in relation to more disclosure about, or restrictions on, types of bets, or on rules relating to use of 'inside' information or on who may bet on what.

### Gaming machines

DCMS reviewed the stakes and prizes for category C and D gaming machines during the year principally to provide economic support to seaside arcades. As part of this review, the Commission advised DCMS that, provided appropriate controls were put in place, we did not consider that proposed increases in stakes and prizes would pose a threat to the licensing objectives.

Following the review we reassessed our category C and D gaming machine standards to determine whether compensatory measures were needed. As a result, proposals were put forward to slow the average speed of play for high-tech games with a stake higher than 60p and restrict the number of game links permitted on category C machines. Following consultation the revised standards, broadly reflecting the original proposals, came into force this summer.

We have also progressed our research on high stake, high prize gaming machines (see page 24) and reported to the Minister for Sport at the end of June 2009 on what further research is needed.

### Bingo

In June 2008 the Minister for Sport announced a proposal to increase the number of B3 (£1 stake/ £100 prize) machines permitted in

<sup>16</sup> <http://www.gamblingcommission.gov.uk/Client/mediadetail.asp?mediaid=495&id=1>

bingo clubs from four to eight. This increase came into effect in February 2009.

## Lotteries

Lotteries are the preserve of good causes and the Commission is keen to ensure that this remains the case. However, while we regulate society lotteries we have no regulatory responsibility for prize competitions. We monitor the boundary between prize competitions, free draws and lotteries to ensure that those operating lotteries are properly licensed and work closely with the Office of Fair Trading (OFT) to promote consumer protection.

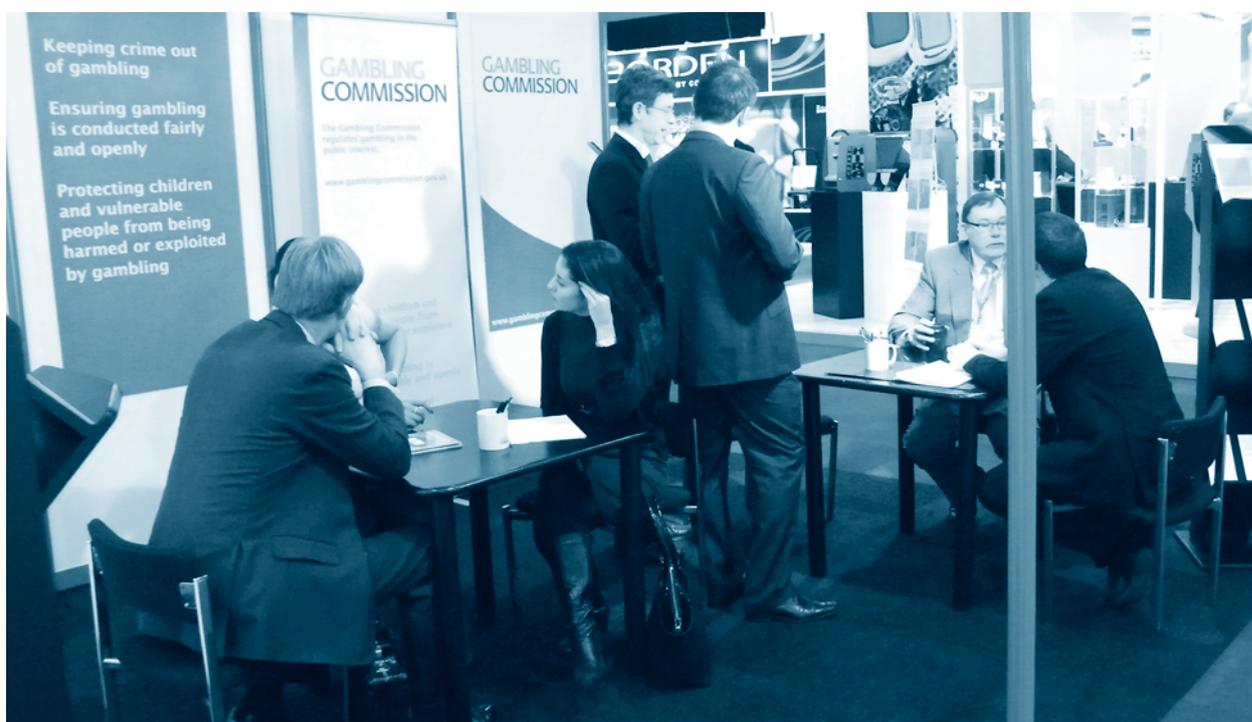
During the latter part of 2008 the Commission became aware that some individuals and businesses were attempting to offer their homes and other property as prizes in competitions. Most of these competitions were in fact unlawful lotteries. We contacted those involved to ask them how their schemes met the requirements of the 2005 Act and to advise them that they risked committing an offence by promoting a lottery, other than an exempt lottery without the necessary licence. In most

cases the schemes ceased or were changed to make them operate as lawful competitions.

Genuine prize competitions are free from statutory control under the 2005 Act and the onus is on the operators of such schemes to ensure that they are lawful. This is not straightforward. The Commission has no responsibility for prize competitions and cannot offer advice on how they should be structured or operate; organisers of such schemes are strongly advised to seek specialist legal advice before proceeding.

Following detailed discussions last year, most TV companies are now operating competitions as free prize draws, where participants can enter or use a free entry route, usually via the TV companies' website. However, this is an area of constant change and progress and we continue to monitor such companies and take action where appropriate.

DCMS raised the maximum proceeds on society lotteries in February 2009 from £2 million to £4 million. This allows for a larger top prize to be offered, as a person buying a lottery ticket can win up to 10% of the overall draw proceeds.



## Primary gambling activity

Operators are licensed according to the primary gambling activity declared on their licence application. During the course of our compliance activity we became aware of a number of licence holders who were providing gaming machines, £100 stake/£500 prize (four per premises as permitted by their licence type) either instead of or as the primary gambling activity contrary to that indicated on their licence, for example, a betting premises with B2 gaming machines but with little or no betting offered. The Commission considered this contrary to both the legislation and the policy underlying that legislation.

Following consultation, we therefore introduced a new licence condition and code of practice (generally effective from 1 May 2009) reinforcing the 2005 Act by specifically requiring licence holders who are actively offering facilities for gambling to offer, as a primary activity, the gambling activity that responds to their licence type and indicating what this means in practice. We have also updated our guidance to licensing authorities to help clarify this issue in relation to the activities expected to be provided in different types of gambling premises.

## Poker

The Commission concentrated this year on determining to what extent poker playing is taking place outside licensed premises. While we have established that poker playing in pubs and clubs often exceeds the permitted limits for stakes and prizes, this is primarily an issue for licensing authorities, who are responsible for the issue of liquor licences and club gaming permits for non-commercial enterprises. We are therefore concentrating our efforts in four key areas:-

- working with both LACORS<sup>17</sup> and COSLA<sup>18</sup> to tackle situations when it is believed that poker is being played under a club gaming permit when, in fact, it is being organised illegally on a commercial level
- engagement with licensing authorities and other bodies to take enforcement action against illegal poker played without permits
- provision of advice to publicans on the stakes and prizes that may be offered, through distribution of an information leaflet
- engagement with the pub trade associations to inform them of the regulations governing the playing of poker via pub leagues.

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<sup>17</sup> Local Authorities Coordinators of Regulatory Services

<sup>18</sup> Convention of Scottish Local Authorities

## > Research, Education and Treatment (RET)

The Commission has a responsibility to provide advice to the government and other stakeholders on gambling issues and to ensure that gambling policy is up to date, evidence based and proportionate. To this end we are keen to secure research that contributes to the understanding and regulation of gambling in Britain.

This year we carried out secondary analysis of the British Gambling Prevalence Survey Gambling (BGPS 2007) as well as a number of small scale projects as detailed in Chart 6 (see page 25).

### Research, education and treatment review

We consulted on how best to provide research, education and treatment (RET) and provided the Minister for Sport with a report in October 2008. The report recommended improved funding arrangements for RET to ensure that the funding is firmly committed, sufficient and sustainable and that all stakeholders should have access to expert, independent and authoritative strategic advice on RET. This to be achieved through a tripartite structure

consisting of a strategy board to advise on research, education and treatment components of a national responsible gambling strategy and set priorities; a fundraising body; and a distributing body to ensure the money raised is spent on the priorities determined by the strategy board, taking into account our and DCMS' regulatory requirements.

While we made it clear that we are in favour of voluntary industry funding, we also recommended that, while no satisfactory assurances existed from the industry to provide three-year rolling funding, the Minister should make preparations for the introduction of a statutory levy.

These recommendations were accepted and the Responsible Gambling Strategy Board was established, under the Chair of Baroness Neuberger, in February 2009. The Board consists of representatives with a breadth of experience including knowledge of the gambling industry, socially responsible gambling services, preventative education, public health, addiction and counselling services, epidemiological research and social research programme management.

### Responsible Gambling Strategy Board Members

<p><b>Neil Goulden</b> Gala Coral</p>	<p>Neil Goulden is the Chairman of the Gala Coral Group having started his career as a betting office manager in 1975. He is also Chairman of the South Central (Oxfordshire - Buckinghamshire - Hampshire - Berkshire) Ambulance Service, a Non Executive Director of Marstons Plc, Chairman of Business in Sport and Leisure and a Member of the Low Pay Commission.</p>
<p><b>Paul Bellringer</b> Consultant</p>	<p>Paul Bellringer has 27 years' experience of working with responsible gambling issues and has been an adviser to governments, regulators and the gambling industry and a principal architect of the social responsibility codes of practice on gambling. He was the founder and first Chief Executive of GamCare.</p>
<p><b>Dr Henrietta Bowden-Jones</b> Consultant Psychiatrist</p>	<p>Henrietta Bowden-Jones is an elected member of the Addictions Faculty Executive Committee of the Royal College of Psychiatrists. She is also the spokesperson on Problem Gambling for the College. She is the founder and Lead Clinician of the National Problem Gambling Clinic, the first NHS clinic of its kind in the UK, and is employed by Central and North West London NHS Foundation Trust as an Addictions Psychiatrist. She is Honorary Senior Lecturer at Imperial College, London where she researched the effects of orbito-frontal cortex impairment on treatment retention in alcohol dependency. She is a Trustee of Sporting Chance Clinic, a charity for sports people addicted to drugs, alcohol and gambling.</p>

<b>David Guy</b> Head of Knowledge Transfer	David Guy is Head of Knowledge Transfer at the Economic and Social Research Council. He was a member of the Responsibility in Gambling Trust (RIGT) and chaired the RIGT Research Panel.
<b>Richard Ives</b> Managing Director, educari	Richard Ives has extensive experience of prevention and education work with children and young people, especially in relation to illegal drugs and alcohol. He runs the company, educari, which has produced educational resources, for example, drug and substance abuse. Richard has carried out an evaluation of the Gambleaware website.
<b>Alan Jamieson</b> Executive consultant	Alan Jamieson is an adviser to the European Commission, World Health Organisation and national governments on the role therapy can play in healthcare and public education. He is the Deputy Chief Executive of the British Association for Counsellors and Psychotherapists.
<b>David Miers</b> Professor of Law	David Miers is Professor of Law at Cardiff Law School. He has a long-standing research interest in and has published extensively about the regulation of commercial gambling. He is regularly consulted by government and the regulatory bodies and in 2003/04 was a special adviser to the Joint Committee on the Draft Gambling Bill.
<b>Professor Gerda Reith</b> Senior Lecturer	Gerda Reith is Senior Lecturer and Director of the Gambling Research Group at the University of Glasgow. Her research focuses on the role of social, cultural and environmental factors in the development of different types of gambling behaviour, and on the implications of these for public health and policy.
<b>Eleanor Roaf</b> Public health consultant	Eleanor Roaf was appointed to the Strategy Board in June 2009. She is a consultant in public health with NHS Manchester and a Fellow of the Faculty of Public Health. She has 20 years' NHS experience and was Director of Public Health for North Manchester PCT from 2002-2006. Her background is in social science and research. She has worked extensively on safeguarding children and on reducing health inequalities.
<b>Adviser</b>	
<b>Peter Collins</b> Director, Salford Business School	Peter Collins is Professor of Public Policy Studies and Director of the Centre for the Study of Gambling at the University of Salford. He is also the founder and director of the South African National Responsible Gambling Programme. He was an expert adviser to the Joint Scrutiny Committee for the 2005 Gambling Act and has consulted widely for governments in other jurisdictions. He is a trustee of GamCare.

Dr Sian Griffiths, Professor of Public Health and Director of the School of Public Health in Hong Kong, was also originally appointed to the Board but resigned for personal reasons.

Following our recommendations DCMS commenced a consultation early in 2009 on the introduction of a statutory funding levy. The Minister announced in June 2009 that on the basis of assurances received, he does not currently consider it necessary to introduce a statutory levy.

In the meantime, the Responsibility in Gambling Trust (RIGT) has transformed into two bodies, a single-purpose fundraising body still called RIGT, and a new distributor body, the Responsible Gambling Fund (RGF).

## High stake, high prize gaming machines

Our research programme for the year included research on gaming machines and, as requested by the Minister for Sport, we gave particular attention to the potential risk of high stake, high prize machines. In July 2008 we reported back to the Minister on our plans for a work programme to identify what longer term research is needed to reduce the risks from machine gaming in general and high stake, high prize gaming in particular.

As part of this work we have set up two expert panels, one international and one British to advise on the focus for future research in this area and to support us in advising on the forthcoming stakes and prizes review.

We also undertook some short term qualitative research to improve our understanding of the potentially harmful effects of high stake, high prize gaming machines on problem gamblers.

While we found relatively little relevant evidence from studies carried out among adult gamblers in Britain, we need to assess evidence from overseas further to take account of the differences in regulatory, geographic and venue information as well as machine characteristics (including the size of stakes and prizes).

A report was provided to the Minister for Sport in June 2009 on what further research is needed.



**Chart 6: Research activity 2008/09**

<b>Completed research</b>	<b>Aim</b>
British Gambling Prevalence Survey 2007 (BGPS 2007): Secondary analysis	To learn more about gambling participation and problem gambling
Understanding non-response to the BGPS 2007	To consider the effect of participant non-response on the results of the BGPS 2007
Internet gambling: a secondary analysis of findings from the BGPS 2007	To compare the socio-demographic associations between internet gamblers and non-internet gamblers
A literature review of children and young people's gambling	To look at the participation of children in different types of gambling activities and the effects this might have on them
A literature review of cashless and card-based technologies in gambling: a review of the literature	To gather together a range of research into cashless technologies, including emerging technologies in the UK
Gambling, alcohol consumption, cigarette smoking and health: findings from BGPS 2007	To examine the links between gambling, consumption of alcohol, smoking and general health status
The role of social factors in gambling: Secondary analysis of the BGPS 2007	To look at the relationship between socio-economic variables and gambling or problem gambling
<b>Current research</b>	
A qualitative study into recovery from problem gambling	To ascertain the views and experiences of people who have recovered from problem gambling at some point in their lives
A qualitative study on the impact of high stake, high prize gaming machines and problem gambling	Establishment of an international panel of experts and working with industry stakeholders to investigate what data they could provide to aid future research
Qualitative follow up of the BGPS 2007	To better understand the gambling experiences and behaviours of BGPS 2007 participants and the impacts of these
Questionnaire development for a longitudinal study of gamblers	To identify key areas that any longitudinal study would need to include, and to examine methods of collecting this information

## > Working with our stakeholders

One of the critical activities in our early years has been to build up relationships with a wide range of stakeholders to ensure that they understand what we do, how we are accountable and the value of their input. We communicate through consultations, meetings, and more informal arrangements and provide a number of advice and guidance publications for the industry and for the public. While we have made considerable progress, we recognise that there is still a great deal to be done.

As recommended in the Hampton review, we need to develop our links with licensing authorities both at national level through LACORS<sup>19</sup> and COSLA<sup>20</sup> and at a more local level with licensing officers. To that end we are currently updating our concordat with LACORS and developing communications and joint working between our compliance managers and local licensing officers.

In addition we are building working relationships with over 20 organisations outside the gambling industry but important to our regulatory activity. This includes agreeing memoranda of understanding (MOU) or information sharing agreements with a range of regulatory organisations from the Asset Recovery Agency and HM Revenue & Customs (HMRC) to the European Sports Security Association (ESSA) and sports governing bodies. We also meet bi-annually with faith groups and charities to keep them up to date with our activity and future plans.

Commission representatives undertook 35 external speaking engagements including eight to trade associations, five to licensing authorities, seven to academic or charitable institutions and seven promoting better European and international understanding of gambling regulation in Britain. In addition we had a stand at the Betting Show and at the ATEI<sup>21</sup> Show in London.

### Working with international regulators

Commission representatives attended a number of events with overseas regulators including the annual conference of the Gaming Regulators European Forum (GREF)<sup>22</sup> and the annual conference of the International Association of Gaming Regulators (IAGR)<sup>23</sup>. The Commission's Chief Executive is a member of the IAGR steering committee and chairs the IAGR egambling working group. This group published a set of egambling guidelines early in 2009 setting out good practice in key areas of internet gambling regulation and is now concentrating on sharing good practice on compliance and enforcement.

In addition the Commission hosted a number of visits from overseas regulators including delegations from South Africa, France, Singapore and Spain. The Commission continues to advise the Foreign and Commonwealth Office (FCO) on matters relating to overseas gambling developments and legislation and also to assist other jurisdictions, at the FCO's request.

### Publications

The Commission published 76 documents during the year covering consultations, information and research findings and guidance and advice to the industry plus information for other stakeholders.

These included an update to our licence conditions and codes of practice (LCCP) to take into account the experience gained from working with the LCCP since September 2007 and to clarify some of its content. We also published our Advice for British Police Services and policy position papers on betting integrity and primary gambling activity plus leaflets on a range of topics including, for the public, 'What to look out for when gambling on line' and 'Lotteries and the law'; and for the industry on 'Guidance on the definition of a premises' and 'Gaming machines testing strategy'.

<sup>19</sup> Local Authorities Coordinators of Regulatory Services

<sup>20</sup> Convention of Scottish Local Authorities

<sup>21</sup> The Amusement Trades Exhibition and the International Gaming Expo

<sup>22</sup> [www.gref.net](http://www.gref.net)

<sup>23</sup> [www.iagr.org](http://www.iagr.org)

## > Our people

### Employees

During the year to 31 March 2009 we instituted two major programmes of work to ensure that as the Commission moved out of 'start-up' it remained fit for purpose as an independent regulator with a streamlined structure and cost effective ways of working:

- we restructured the organisation to produce a more integrated, flatter structure with a more streamlined senior management team
- we developed and improved processes and ways of working in licensing, compliance, enforcement, information and intelligence.

In support of these programmes, and as part of the continuing development of our employees, we have recently completed the first phase in a programme specifically designed to improve our leadership capability and capacity and, in turn, enable us to achieve our objectives more effectively. We also continue to run training programmes in a range of specialist areas. We have been working towards recognition under the Investors in People award, and have recently been awarded for accreditation.

While employee numbers peaked at 300 during 2007/08 when we were licensing the whole of the industry, at the end of this year we had 224 employees,\* including ten people on fixed term contracts.

### Equality and diversity

The Commission is working towards meeting the requirements of Single Equalities Scheme. For example, our Real Experience programme enables employees to become involved with sectors of the local community through a partnership programme that aims to raise their awareness of diversity issues.

Equality and diversity statistics are included at Appendix 5.

### Sickness absence

Almost half the Commission employees have taken no sickness absence during the year and the average proportion of working days lost to sickness was 2.1% which compares favourably with the public sector average of 3.6%<sup>24</sup>. We have comprehensive policies in place for the management of sickness absence, and for supporting employee health and wellbeing.

Sickness absence statistics are included at Appendix 5.

### The Commission and the environment

The Commission's approach to sustainable development covers all aspects of its work. The Birmingham offices were developed with energy efficient lighting and heating and bio-degradable materials were used in the office furnishings and construction. As a result our carbon footprint is running at an average of 1.4 tonnes per employee (as at 31 March 2009) well below the Government target of 2 tonnes.

Our Environmental Policy was launched on World Environment Day on 5 June 2008 and we have continued to demonstrate our commitment through:

- taking environmental factors into account when selecting contractors and suppliers
- renegotiating our stationery contract to ensure that we maximise our use of recyclable materials and supplies
- improving our recycling facilities for paper, card, glass, tin, plastics, and printer cartridges.

\*The note to the accounts on page 51 reflects the average number of employees at the Commission during the year.

<sup>24</sup> IRS Employment Review

## > Maintaining the quality and independence of our work

We recognise the importance of maintaining our independence and ensuring that we have the necessary safeguards in place to manage any risks to the quality and integrity of our regulatory activity.

### Commission funding

The Commission is an independent body, funded in the main by licence fees paid by the gambling industry but set by DCMS and approved by Parliament, with a general responsibility for advising national and local government on the incidence of gambling, the way it is carried out, its effects and its regulation. We must cover our operational activities (including enforcement activity) through licence fees (see Appendix 6).

A review of our fees was held jointly with DCMS early in 2008 resulting in some small changes to fees and fee categories but no overall change in the cost to the industry, which has remained the same for three years. In addition we introduced a new type of betting intermediary licence for trading rooms that provide facilities from licensed premises by a remote link to a betting exchange and four types of linked licence associated with the manufacture, supply, installation, adaptation or maintenance (as applicable) of gaming machines and gambling software. A further joint fees review is taking place in 2009 with a view to any amendments coming into effect from 1 August 2009.

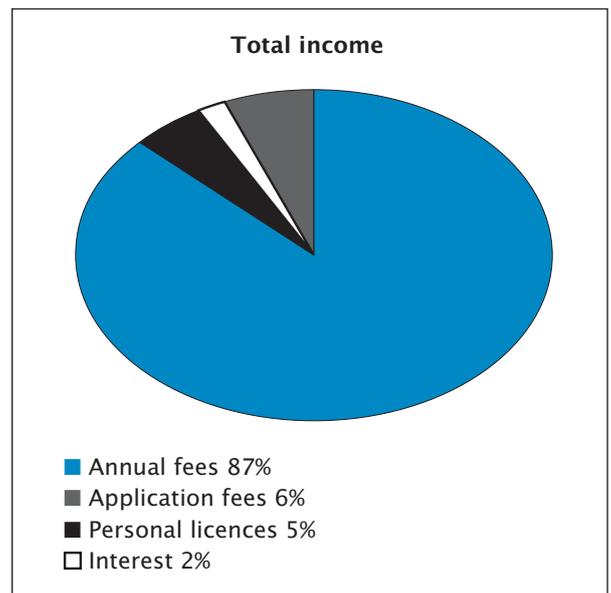
A funding agreement with DCMS is in place until 2010/11 and this sets out a series of targets against which the Commission is monitored, as well as confirming grant-in-aid (GIA) funding from DCMS for research activity (see page 22).

Annual fees were collected for the second time under the 2005 Act with most licence holders completing their payment on time. Late payers risked fines and the need to reapply.

### Financial Position

Our total income from fees and other sources for the year was £12.8 million and GIA financing from DCMS was £608,000. Chart 7 shows a break down of income. The GIA financing contributed to costs associated with carrying out work on research. Total revenue expenditure was £15.3 million, resulting in an end of year cumulative Income and Expenditure reserve deficit at 31 March 2009 of £1.5 million. The Commission plans to recover this deficit over a three year period. In the period to 31 March 2009 the book value of fixed assets was £5.2 million. Net assets at 31 March 2009 amounted to £2.0 million.

Chart 7 Commission income



The total operating costs for the year were £15.3m (31 March 2008 £16.7m). Year on year we have reduced our operating costs overall by £1.4m. Our expenditure is broken down in Chart 8 by strategic objective.

**Chart 8: Commission expenditure**



The above cost analysis, including calculations of the notional element of costs, conforms with the HM Treasury’s Fees and Charges Guide as far as practicable, and is not intended to comply with SSAP 25 (Segmental Reporting).

### Compliance with public sector payment policy

The Commission’s policy is to pay all invoices within 30 days of receipt unless a longer payment period has been agreed, or the amount billed is in dispute. In the year to 31 March 2009 97% (target 95%) of invoices, totalling £6,615,450, were paid within 30 days of receipt.

### Our approach to risk

The Chief Executive, as Accounting Officer, is responsible for identification and agreement of the key corporate risks. The top ten risks of 2008/09 are shown in the chart below. The Risk Management Committee (see Appendix 4) supports this activity and provides regular updates to the Board.

The key risks are documented and managed through a corporate risk register that summarises progress in identifying, allocating ownership, evaluating, responding to and reviewing risks.

Overall the Commission considers the risk position to be amber, reflecting the fact that

some of our systems and processes are immature; some have been updated and improved during the year and are not fully embedded in the way we operate. In addition the 2005 Act remains largely untested in the courts.

Risk	Impact strategic objective (SO)	Status as at 31 March 09
1. Untested policies and procedures (not efficiently delivering strategic objectives)	SO1 and SO2	Amber
2. Inability/failure to demonstrate effective use of available resources	SO1 and SO2	Red
3. Failure to maintain appropriate and balanced relationships with our stakeholders	SO3	Amber
4. Failure to deliver joined up regulation	SO1	Amber
5. Failure to develop effective culture and employment practices to support, develop and motivate employees.	SO4	Amber
6. Failure to ensure compliance with governance and control arrangements	SO4	Green
7. Resources not deployed to higher risk areas of operation	SO1	Amber
8. Risk of litigation	SO1, SO3 and SO4	Amber
9. Ineffective support for front line operations	SO1	Amber
10a. The Commission cannot recover effectively from major business disruption. Business continuity management is not effective.	SO1, SO2 and SO3	Green
10b. The Commission information assets are not protected by a system of information security.		Amber

## External factors that could affect our future performance

The key issues likely to affect our future performance are:

**Government policy** – both our remit and the way in which the gambling industry operates could be affected by changes to government policy reflected in statutory changes.

**Income** – as an independent body we rely on fees from the industry to cover virtually all our operational costs. Fee levels are currently subject to a joint consultation with DCMS and income projections are predicated on new fee rates from August 2009.

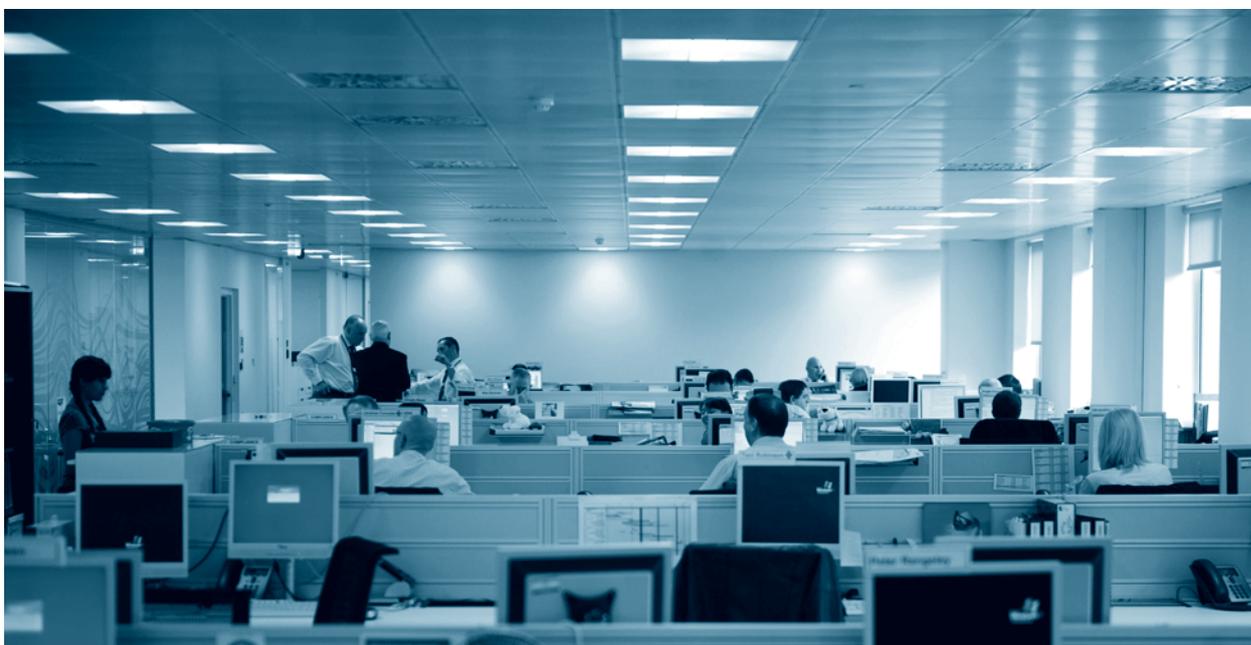
**Scale and make-up of the industry** – the impact of the current economic downturn on the gambling industry is, as yet, not fully known. It is assumed that the number of operators will contract over the next two to three years affecting the resources available to us and increasing the potential risk to the statutory objectives from increased economic pressures on both the Commission and operators.

**Industry developments** – we forecast that changes in the way that the industry operates

will require different approaches from the Commission. This includes, in particular, the increased use of technology which may require a different skill and resource mix internally.

**Legal challenge** – there have been a number of challenges to our interpretation of the 2005 Act, for example, on primary purpose. We expect such challenges to continue as familiarity with the 2005 Act grows and this could affect skills and resources required by the Commission.

**International issues** – we expect international issues to continue to affect our work, in particular with regard to remote gambling and continue to work with other jurisdictions to gain a common understanding of our differing approaches and issues. We also watch closely the changing environment in both Europe and the United States of America (USA) and its potential impact on remote gambling including in Europe the potential tightening of restrictions following changes to the law in Germany; and in the USA the possibility of a relaxation of the laws to allow USA citizens to gamble online.



## > Financial statements and accounts

### Remuneration report

This report covers the 12 months ending 31 March 2009 and sets out the policy and disclosures in relation to the remuneration of the senior managers of the Commission.

### Remuneration of senior management

#### Commissioners

The Chairman and Commissioners are appointed by the Secretary of State on terms set on the basis of advice from the Civil Service Senior Salaries Review Body. Appointments are for a period of between three and five years and may be renewed for a further term. Appointments may be terminated at any time by either party giving written notice.

Brian Pomeroy was appointed as Chairman on January 2008. He joined the Commission as a Commissioner on 1 October 2007 for a three year term. His contract provides for the Chairman to work approximately 2-3 days per week on average. The appointment may be terminated by written notice where the Secretary of State has reason to believe that the Chairman has been absent from Commission meetings without explanation, for a period of longer than three months; has become bankrupt or made an arrangement with a creditor; has been convicted of a criminal offence; has breached the Code of Conduct for

board members; or has become incapacitated by physical or mental illness.

#### Senior managers

Senior managers are normally employed directly by the Commission. Increases in pay are performance based and are broadly in line with senior civil service pay bands. Performance targets are set and measured in accordance with the Commission's policy on pay and reward. The process for the agreement of senior managers' performance targets, achievements against targets, and recommendations on changes in remuneration, are reviewed by the Remuneration Committee.

Except during probation or where guilty of gross misconduct, senior managers' contracts may be terminated by either party giving twelve weeks written notice, apart from the Chief Executive, Jenny Williams, whose contract may be terminated by either party giving six months' written notice.

Existing civil servants on loan to the Commission remain in the employment of their home department. The costs associated with their employment are recharged to the Commission. Except where stated otherwise, these employees are on civil service contracts that are open-ended until they reach normal retirement age of 60.

Details of all directors serving during the year, including updated role titles, are provided at Appendix 3. Duration of service is shown below:-

Name	Role	Duration of service
Jenny Williams	Chief Executive	October 2005 - to date
Tom Kavanagh	Deputy Chief Executive	October 2005 - to date
Bill Butler	Director of Corporate Services	February 2006 - to date
Nick Tofiluk	Director of Regulation	November 2007 - to date
Hazel Canter	Director of Licensing and Compliance	January 2006 - January 2009
Justine Kenny	Director of People and Organisation Development	February 2006 - to date
Matthew Hill	Director of Strategy, Research and Analysis	November 2008 - to date
Beryl Brown	Director of Policy and Communications	April 2006 - October 2008
Neil McArthur	Director of Legal	October 2006 - to date
Julia Mackisack	Director of Corporate Affairs	April 2007 - to date
Julie Grant	Director of Finance	January 2008 - to date

## Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the most senior managers of the Commission and are covered by the external audit opinion.

**Chart 8 (i) Remuneration**

	2008-09		2007-08	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Jenny Williams Chief Executive**	170-175	31,600	165-170	30,800
Tom Kavanagh Deputy Chief Executive***	50-55	12,600	80-85	
Bill Butler Director of Corporate Services	110-115	3,300	105-110	3,300
Nick Tofiluk Director of Regulation	105-110		40-45 (100-105 fye*)	
Hazel Canter Director of Licensing & Compliance (retired 3 January 2009)	85-90 (110-115 fye*)		105-110	
Justine Kenny Director of People & Organisation Development	40-45 (95-100 fye*)			
Matthew Hill Director of Strategy Research & Analysis (joined the Commission on 10 November 2008)	35-40 (90-95 fye*)			
Beryl Brown Director of Policy & Communications (left the Commission 31 October 2008)****	45-50 (85-90 fye*)		105-110	
Neil McArthur Director of Legal	35-40 (85-90 fye*)			
Julia Mackisack Director of Corporate Affairs	30-35 (75-80 fye*)			
Julie Grant Director of Finance	30-35 (75-80 fye*)			

\* fye = full year equivalent

\*\* The Chief Executive's salary and bonus arrangements are comparable with other non departmental public bodies' Chief Executives but with no pension provision. Her contract provides for retirement at age 65 and continues under the Commission pursuant to Schedule 4 of the 2005 Act.

\*\*\* Tom Kavanagh works three days a week from November 2008.

\*\*\*\*The role of Director of Policy and Communications, which was occupied by Beryl Brown, did not continue in the Commission's new structure. She left the Commission on 31 October 2008 and received a compensation payment of £75-80k

**Remuneration** (continued)

	2008-09		2007-08	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Brian Pomeroy Chairman (60-65 fye*)	65-70	3,100	30-35 (60-65 fye*)	2,300
Ben Gunn Commissioner	15-20	2,600	25-30	1,300
Bill Knight Commissioner	15-20	3,800	25-30	1,000
Rachel Lampard Commissioner	15-20	2,300	25-30	1,200
Andrew McIntosh Commissioner	15-20	4,000	25-30	1,300
Gill Millburn Commissioner	15-20	4,500	25-30	1,000
Roy Penrose Commissioner	20-25	7,100	25-30	3,400
Eve Salomon Commissioner	20-25	3,000	25-30	900
Peter Teague Commissioner	10-15	3,400	10-15	1,500

**Salary:** Salary is the gross salary; performance pay or bonuses; overtime; London weighting or allowances; recruitment and retention allowances; private office allowances; ex gratia payments and any other taxable allowance or payments. Apart from the Chief Executive, all Commissioners are part-time.

**Benefits in kind:** The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument.

- Jenny Williams and Tom Kavanagh were reimbursed for costs associated with their detached duties on which the Commission also paid the tax due.
- Bill Butler was provided with a lease car.
- The Chairman and the Commissioners were reimbursed for travel, subsistence and accommodation costs incurred whilst attending meetings at Victoria Square House on which the Commission also paid the tax due.

Chart 9 (ii) Pension benefits

2009 (12 months to 31 March 2009)	Accrued pension at age 60 as at 31/03/09 and related lump sum plus pension taken at partial retirement (£'000)	Real increase in pension and related lump sum at age 60 plus lump sum taken on partial retirement (£'000)	*CETV at 31/03/09 ** (£'000)	*CETV at 31/03/08 (£'000)	Employee contributions and transfers in (£'000)	Real increase in CETV to nearest (£'000)
Tom Kavanagh Deputy Chief Executive	32.5-35 Of which 30-32.5 in payment lump sum 2.5-5 lump sum already paid 205-207.5	0-2.5 lump sum 2.5-5	678	661	0-2.5	3
Bill Butler Director of Corporate Services	52.5-55 lump sum N/A	0-2.5 lump sum N/A	873	812	2.5-5	5
Nick Tofiluk Director of Operations	2.5 - 5 lump sum N/A	0 - 2.5 lump sum N/A	39	12	2.5 - 5	23
Hazel Canter Director of Licensing & Compliance (to 3 January 2009)	50 - 52.5 lump sum N/A	2.5 - 5 lump sum N/A	1,047	913	2.5 - 5	61
Justine Kenny Director of People & Organisation Development	27.5 - 30 lump sum N/A	0 - 2.5 lump sum N/A	291	264	2.5 - 5	5
Matthew Hill Director of Strategy, Research & Analysis (from 10 November 2009)	15 - 17.5 lump sum 25 - 27.5	2.5 - 5 lump sum 2.5 - 5	186	146	7.5 - 10	26
Beryl Brown Director of Policy & Communications (to 31 October 2008)	10 - 10.5 lump sum 30 - 32.5	0 - 2.5 lump sum 0 - 2.5	187	171	0 - 2.5	7
Neil McArthur Director of Legal (from 1 November 2008)	15 - 17.5 lump sum 45 - 47.5	0 - 2.5 lump sum 2.5 - 5	200	170	0 - 2.5	16
Julia Mackisack Director of Corporate Affairs	2.5 - 5 lump sum N/A	0 - 2.5 lump sum N/A	49	24	0 - 2.5	21
Julie Grant Director of Finance	0 - 2.5 lump sum N/A	0 - 2.5 lump sum N/A	13	3	0 - 2.5	8

\* Cash Equivalent Transfer Value

\*\* The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

The Chief Executive appointment is not pensionable under the Civil Service pension scheme and no contributions have been paid by the Commission to any other scheme.

## Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements, details of which can be found at note 7(b) of the accounts.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

## Cash equivalent transfer values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in

accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## Remuneration Committee

The members of the Remuneration Committee are Bill Knight (Chair), Ben Gunn, Rachel Lampard and Eve Salomon (see Appendix 2 for details).



**Jenny Williams**

Chief Executive and Accounting Officer

The Gambling Commission

7 July 2009

## Statement of the Commission's and Chief Executive's responsibilities

The Commission is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Secretary of State for Culture, Media and Sport, with the consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the Commission's state of affairs at the year-end and on its income and expenditure, total recognised gains and losses and cash flows for the financial year. These accounts have been prepared for the period from 1 April 2008 to 31 March 2009.

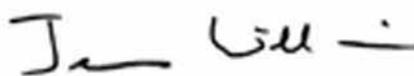
In preparing the accounts the Commission is required to:

- observe the Accounts Direction given by the Secretary of State for DCMS with the approval of the Treasury, in accordance with the Act 2005, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgments on a reasonable basis
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Commission will continue in operation.

The Accounting Officer for DCMS has designated me as the Accounting Officer for the Commission. The relevant responsibilities of Accounting Officer, which include the responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, and for keeping proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer' Memorandum issued by the Treasury and published in Government Accounting.

So far as I am aware there is no relevant audit information of which the Commission's auditors are unaware and that I have taken all the necessary steps to make myself aware of any relevant audit information and to ensure

that the Commission's auditors are aware of that information.



**Jenny Williams**

Chief Executive and Accounting Officer

The Gambling Commission

7 July 2009

## Statement on Internal Control for the year ended 31 March 2009

### Period of coverage

This Statement of Internal Control covers 2008/09, the second year of the operation of the Commission. The Commission was established in accordance with Part 2 of the 2005 Act on 1 October 2005 and became fully operational on 1 September 2007. During 2008/09, the Commission has continued to develop the systems, processes, structures and investment to facilitate the delivery of its functions and responsibilities under the 2005 Act. The systems of internal control that support this statement have therefore continued to evolve during the period covered by this statement.

### Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Commission's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

I operate within the terms of the Management Statement and Financial Memorandum agreed with DCMS, the responsible government department for the Commission's work.

## The purpose of the system of internal control

The Commission's system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a process designed to identify and prioritise the risks to the achievement of the Commission's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage those risks efficiently, effectively and economically. The system of internal control has been in place in the Gambling Commission for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

## Capacity to handle risk

As the Commission's Accounting Officer I am supported by a Risk Management Committee. This Committee comprises directors who provide the direction, ownership and resources with which to assess and manage risk. The Committee involves, and is supported by, employees in the risk assessment and management process. This is achieved through employee induction, the focus of job roles and responsibilities, through policy and procedure guides and specific training and development programmes.

Risk registers are maintained by the members of the Management Board and the Risk Management Committee plays an active role in ensuring that risks are identified, recorded and reviewed, and the outcome of the risk management strategies are challenged and monitored.

## The risk and control framework

The Commission's risk management framework has continued to develop over the year as the Commission embeds its regulatory approach.

The key risks and the framework have been reviewed regularly by the Risk Management Committee, which has also overseen the development of the framework.

The emphasis this year has been on developing our proportionate risk based approach in the light of the knowledge we have gained to date. The Commission has identified its current top ten risks through discussions with directors and Omand<sup>25</sup> style sessions with the Commission Board. The risk management process will continue to identify and review risks as they arise. The risk management process was subject to specific review by internal audit during the year and was found to be operating efficiently.

The risk and control framework implemented by the Commission comprises the following key elements:

The Board and Audit Committee - oversee the arrangements in place for the risk management function which operates within the Commission.

Risk Management Committee - oversees and monitors the operation of the risk management policies and procedures throughout the Commission, including the maintenance of the corporate risk register. The Chief Executive, who is also the Accounting Officer, chairs the Committee. The Risk Management Committee includes all directors who between them own and manage each of the corporate risks

Directors - own and manage risk. They review corporate risks on a monthly basis to ensure context, actions, risk ownership and processes are co-ordinated and fit for purpose.

The risk management strategy - the strategy outlines the objectives and policies for managing risk, including the Commission's tolerance for risk. The framework sets out management roles and responsibilities, the process for identifying and recording risk, allocating ownership of risk, evaluating risk, determining responses to risk and monitoring and reporting on progress in managing risk.

<sup>25</sup> Sir David Omand, a former Security and Intelligence Coordinator/ Permanent Secretary at the Cabinet Office led a review of risk management in government and encouraged Board members of public sector organisations to participate in discussions around 3 broad areas of risk on a bi annual basis.

The Commission's governance framework - the Commission has published a comprehensive corporate governance framework which sets out how the Board manages its affairs and which matters are delegated to the Chief Executive. This is reviewed at least annually.

An internal audit programme - this focuses on the requirement to provide assurance that the risks faced by the Commission are properly managed and controlled. Where control weaknesses are identified, these are drawn to the attention of senior managers, who are responsible for determining and implementing an appropriate response.

### Significant internal control issues

The Commission has not been required to address any significant control issues during the year. No fundamental control weaknesses have been identified by our internal auditors or any other issues resulting in the subsequent qualification of our accounts. We did not receive any high priority recommendations resulting from work undertaken by our internal auditors.

In addition to the Commission's internal and external audits, during the year the Commission's overall control and management arrangements have been subject to external review by the Office for Government Commerce (OGC) and a Hampton Implementation review team. The OGC team carried out a gateway review on the Commission's set up arrangements and found that these had been effectively controlled and managed. The Hampton Implementation review team reviewed the Commission's arrangements for delivering effective regulation in line with the Hampton principles<sup>26</sup> and concluded that the Commission's arrangements are developing effectively, although further progress in some areas is required (for example arrangements for assessing regulatory risk and working with licensing authorities).

Throughout the year we have strengthened our governance arrangements by requiring bi-annual assurance statements from senior managers.

We have revised our structure to support the move from start up to full scale operations. In order to deliver our strategic objectives our business plan comprises programmes which are underpinned by workstreams and supports our approach to embed cross functional working. We will continue to develop this approach and the associated skills over the coming year as the organisation is still relatively immature and needs constant attention to improve quality, coordination and internal consistency.

### Information assurance

In November 2008 the Commission decided to establish and monitor business continuity and information security as a separate corporate risk. The arrangements to mitigate this risk are considered by the Audit Committee and Board on a regular basis. We have reviewed our arrangements to ensure compliance with the Government's Security Policy Framework and are progressing towards accreditation with ISO27001 (Information Security Management) within the fiscal year 2009/10.

We have implemented the Cabinet Office requirements on data security and all employees are currently undergoing refresher training on information security through an online programme. We have also encrypted the hard drives of all laptops in line with Cabinet office guidance.

No protected data incidents took place during the year and no reports needed to be made to the Information Commissioner's office.

We have introduced a system of business continuity management conforming to the British Standard (BS25999) to mitigate threats to us. Two exercises were successfully carried out during the year to test our plans.

<sup>26</sup> Hampton review of regulatory inspections and enforcement published on 16 March 2005 and updated on 28 November 2006

## Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the systems of internal control. My review of the effectiveness of the system of internal control is informed by the directors within the Commission who have responsibility for the development and maintenance of the internal control framework, the work of the internal auditors and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board of Commissioners, the Audit Committee, and the Commission's Risk Management Committee and a plan to address any weaknesses and ensure continuous improvement of the system is in place.

In their annual report, the Commission's internal auditors (Grant Thornton) provide an independent opinion on the adequacy and effectiveness of the Commission's system of internal control, together with recommendations for improvement. During the year, Grant Thornton carried out specific reviews on:

- risk management
- financial regulations
- development of compliance and enforcement
- learning and development
- systems interface controls
- core financial systems
- ICT governance and project management
- income arrangements.

Their opinion for 2008/09 is that the Commission's risk management activities and controls are suitably designed to ensure that the Commission achieves the objectives required by management. The controls which were identified are operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review.



**Jenny Williams**

Chief Executive and Accounting Officer

Gambling Commission

7 July 2009

## The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Gambling Commission for the year ended 31 March 2009 under the Gambling Act 2005. These comprise the Income and Expenditure account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### Respective responsibilities of the Gambling Commission, Chief Executive and auditor

The Gambling Commission and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Gambling Act 2005 and the Secretary of State for Culture, Media and Sport's directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Gambling Commission's and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Gambling Act 2005 and the Secretary of State for Culture, Media and Sport's directions made thereunder. I report to you whether, in my opinion, the information which comprises the Management Commentary

included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Gambling Commission has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Gambling Commission's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Gambling Commission's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman and Chief Executive's statement, Key achievements and the unaudited part of the Remuneration Report included in the Annual Report. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Gambling Commission

and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Gambling Commission's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Gambling Act 2005 and directions made thereunder by the Secretary of State for Culture, Media and Sport, of the state of the Gambling Commission's affairs as at 31 March 2009, and of its deficit, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Gambling Act 2005 and the Secretary of State for Culture, Media and Sport's directions issued thereunder; and
- information, which comprises the Management Commentary included within the Annual Report, is consistent with the financial statements.

## Opinion on Regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## Report

I have no observations to make on these financial statements.

**Amyas CE Morse**  
Comptroller and Auditor General  
National Audit Office  
151 Buckingham Palace Road  
Victoria  
London

10 July 2009

## Income & expenditure account

for the 12 months ended 31 March 2009

	Notes	2009 £'000s	2008 £'000s
<b>Income</b>			
Licence fee income	2	12,842	11,541
Other income	3	1	26
<b>Total Income</b>		<b>12,843</b>	<b>11,567</b>
<b>Expenditure</b>			
Employee costs	4	(9,266)	(9,321)
Other operating costs	5	(5,027)	(6,645)
Depreciation and amortisation	6 & 7	(998)	(733)
<b>Total Expenditure</b>		<b>(15,291)</b>	<b>(16,699)</b>
<b>Operating surplus/(deficit)</b>		<b>(2,448)</b>	<b>(5,132)</b>
Release of deferred government grant reserve	12	842	688
Interest receivable		196	336
Interest cost on pensions	4	(4)	(13)
Notional capital charges		(103)	(145)
Tax incurred on interest received		(41)	(72)
<b>Surplus/(deficit) on ordinary activities</b>		<b>(1,558)</b>	<b>(4,338)</b>
Write back notional capital charges		103	145
<b>Surplus/(deficit) for the year</b>		<b>(1,455)</b>	<b>(4,193)</b>

## Statement of total recognised gains and losses

for the 12 months ended 31 March 2009

	Notes	2009 £'000s	2008 £'000s
Retained deficit for the year		(1,455)	(4,193)
Gain/(loss) on pension liability	4	27	234
Movement on deferred Government grant reserve	12	(842)	450
Grant-in-aid for revenue expenditure	12	608	3,110
Movement on revaluation reserve	12	(238)	(66)
<b>Total recognised losses since the previous annual report</b>		<b>(1,900)</b>	<b>(465)</b>

## Balance sheet

as at 31 March 2009

	Notes	2009 £'000s	2008 £'000s
<b>Fixed assets</b>			
Intangible assets	7	3,224	2,180
Tangible assets	6	1,989	2,943
<b>Current assets</b>			
Debtors and prepayments	8	610	308
Cash at bank and in hand	16	3,880	6,230
<b>Total current assets</b>		<b>4,490</b>	<b>6,538</b>
Creditors (falling due within one year)	9	(7,193)	(7,690)
<b>Net current assets</b>		<b>(2,703)</b>	<b>(1,152)</b>
Creditors (falling due in more than one year)	10	(469)	-
<b>Net assets excluding pension liability and other provisions</b>		<b>2,041</b>	<b>3,971</b>
Pension liability	11	(43)	(73)
<b>Net assets including pension liability and other provisions</b>		<b>1,998</b>	<b>3,898</b>
<b>Capital and reserves</b>			
Reserves	12	3,498	4,578
Income and expenditure reserve	12	(1,500)	(680)
<b>Total capital and reserves</b>		<b>1,998</b>	<b>3,898</b>

These accounts were authorised for issue by the Accounting Officer on 7 July 2009



**Jenny Williams**

Chief Executive and Accounting Officer

The Gambling Commission

7 July 2009

## Cash flow statement

for the 12 months ended 31 March 2009

	Notes	2009 £'000s	2008 £'000s
<b>Net cash outflow from operating activities</b>	15	(1,839)	(514)
Capital grant received	12 & 13	-	1,138
<b>Returns on investment &amp; servicing of finance</b>			
Interest received		204	336
<b>Investing activities</b>			
Payment to acquire fixed assets	6 & 7	(1,327)	(1,736)
<b>Net cash outflow before financing</b>		<b>(2,962)</b>	<b>(776)</b>
<b>Financing</b>			
Grant-in-aid for revenue expenditure	13	608	3,110
Fee income received	2	4	775
Less fees appropriated to DCMS		-	(775)
		612	3,110
<b>Increase/(decrease) in cash</b>	16	<b>(2,350)</b>	<b>2,334</b>

## 1: Accounting policies

### a) Accounting conventions

These are the accounts for the Commission covering the twelve months from 1 April 2008 to 31 March 2009. They have been prepared in a form directed by the Secretary of State for Culture, Media, and Sport with the approval of the Treasury, in accordance with Schedule 4 of the 2005 Act. A copy of the accounts direction can be obtained from the Commission.

The policies adopted follow generally accepted accounting practice (GAAP) in the UK, to the extent it is meaningful and appropriate in the public sector context, in accordance with the 2008/09 Financial Reporting Manual (FRM) issued by HM Treasury. The accounts meet the accounting and disclosure requirements of the Companies Act 1985 (as amended by the Companies Act 1989) and accounting standards issued or adopted by the Accounting Standards Board to the extent that they are appropriate. The accounts have been prepared using the historical cost convention modified by the inclusion of fixed assets at current cost. The Treasury have announced that accounts for public sector entities will be produced in accordance with IFRS in 2009/10.

### b) Fixed assets

All capital costs associated with the office move to Birmingham and its fitting out are defined as fixed assets and capitalised accordingly.

Ongoing tangible and intangible fixed asset purchases are capitalised when the original purchase price is £2,500 or more. Purchased software licences are classified as intangible assets, and are amortised over the life of the licence.

## Depreciation

Depreciation is provided on all assets on a straight line basis to write off the cost or valuation evenly over the asset's currently anticipated life as follows:

IT hardware	4 years
IT software licences	Over the life of the licence
IT developed software	7 years
Fixtures & fittings	10 years
Furniture	10 years
Equipment	7 years
Telecoms	7 years
Motor vehicles	4 years

Depreciation is charged in full in the month of acquisition, with no charge being made in the month of disposal. No depreciation is charged on software development until the asset is completed.

## Software Development

Costs in relation to the development of software are identified in the first instance as tangible assets, within the category software development. It is deemed that the useful life of the asset commences only when the asset is completed and therefore no depreciation is charged.

On completion of the asset, the development costs are recognised as intangible assets and transferred within the category software. The asset's anticipated useful life is deemed to commence from this point and depreciation is charged in line with the Depreciation Policy above.

Assets that have been initially identified as tangible assets during development before being transferred to software are identified as transfers within the tangible and intangible fixed assets note.

Software purchases that have not required development prior to completion are identified as additions within the category software in the intangible fixed asset note.

## Revaluation

In order to disclose fixed assets in the balance sheet by reference to current costs, the appropriate index is applied to each asset (Source: Office of National Statistics (ON) Price Index Numbers for Current Cost Accounting) unless the effect of revaluing assets in a particular year would make no material difference to the results for that year. Permanent diminution in the value of fixed assets is charged to the income and expenditure account. Assets are not re-valued in their year of acquisition as their current and historical cost would not be materially different. Assets brought forward have been included at their current cost values.

### **c) Deferred Government grant reserve**

Capital grants received in previous years from DCMS relate specifically to the capital costs associated with the set up and establishment of the Commission in accordance with SSAP4 and the FReM, these grants have been credited to the deferred Government grant reserve. The amount deferred is released back to the income and expenditure account in line with the depreciation charged against these specific assets. Where assets have been disposed of, the release associated with the remaining grant for these specific assets has been credited directly to reserves.

### **d) Notional capital charges**

In accordance with Treasury guidance, a notional charge for the cost of capital employed in the period is included in the income and expenditure account along with an equivalent reversing entry below operating surplus. The charge for the period is calculated using the Treasury's discount rate of 3.5% applied to the mean value of capital employed during the period.

### **e) Pension costs**

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded and contributory.

The Commission recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis.

Liability for payment of future benefits is a charge on the PCSPS.

A former Chairman of the Gaming Board for Great Britain is covered by a pension scheme which is analogous with the PCSPS. The Commission makes payments to the former Chairman as they are due. However the expected cost of providing the pension is recognised over the period which the Commission benefits from the Chairman's services through the building up of a provision for the future liability calculated using actuarially assessed assumptions.

### **f) Operating leases**

Payments made under operating leases on land and buildings and equipment are charged to expenditure as incurred.

### **g) Value added tax (VAT)**

The Commission is not registered for VAT and therefore all costs are shown inclusive of VAT where VAT has been charged.

### **h) Licence fee receipts and fee income recognition**

The Commission collects fee income in relation to 2005 Act. In accordance with its Financial & Accounting Policy, the Commission recognises income in the following way:

#### **Operator licence application fees**

Income is recognised in full when the operator licence is issued.

### Operator licence annual fees

Income is recognised equally over the duration of the licence.

### Personal licence fees

60% of the income received is recognised when the licence is issued (to reflect the application costs)

The remaining 40% is recognised equally over the duration of the licence.

### i) Revenue grant-in-aid

The Commission receives grant-in-aid from DCMS in relation to studies and research undertaken over the year. Grant-in-aid is drawn down to fund direct expenditure in these areas only and any unspent grant-in-aid allocation is returned to DCMS.

## 2: Fee receipts

### 2(a): 1968 Act fees

The Commission collected a very small number of 1968 Act fees in respect of certificates and registrations. These monies will be paid over in full to DCMS, and as a result, the income from 1968 fees are not included in the Commission's income and expenditure account. Any outstanding balance due to DCMS at the end of the financial year is included within the Balance Sheet within other creditors. At 31 March 2009, the balance due to DCMS was £4,212. Receipts in the year are as follows:

	2009 £'000s	2008 £'000s
Section 19 certificates	-	203
Section 27 certificates	0.2	219
Certificates of consent		
Bingo	-	47
Casino	-	18
Total gaming	0.2	487
Lotteries & Amusement Act	1.4	265
Total fee income	1.6	752
Interest on fee income	2.6	23
<b>Total</b>	<b>4.2</b>	<b>775</b>

## 2(b): 2005 Act fees

The 2005 Act came fully into force on 1 September 2007, upon which the gambling industry were required to apply for operator and personal licences under the jurisdiction of the 2005 Act. Fees payable under the 2005 Act therefore apply from September 2007, and are received in respect of application fees, annual fees and changes and variations to licences. These monies are retained by the Commission to fund operational activities under the 2005 Act.

Licence fees received that relate to future periods are included within Balance Sheet Creditors as deferred income. 2005 Act fee receipts in the year are as follows:

	2009 £'000s	2008 £'000s
Operator licence applications		
application fees	718	4,620
annual fees	11,646	10,739
Personal licence applications	986	1,013
<b>Total fee income received</b>	<b>13,350</b>	<b>16,372</b>
Interest on fee income	196	336
<b>Total</b>	<b>13,546</b>	<b>16,708</b>

## 2(c): 2005 Act income

Fees payable under the 2005 Act are identified by income stream, and released into the Commission's income and expenditure account as per the Commission's Financial and Accounting Policy. Recognised fee income is included within the income and expenditure as licence fee income. 2005 Act fee income recognised in the year is as follows:

	2009 £'000s	2008 £'000s
Operator licence applications		
application fees	718	4,620
annual fees	11,410	6,265
Personal licence applications	714	656
<b>Total fee income</b>	<b>12,842</b>	<b>11,541</b>
Interest on fee income	196	336
<b>Total</b>	<b>13,038</b>	<b>11,877</b>

### 3: Other income

Other income collected during the year related to the following items - penalties for late submission of regulatory returns, the sale of the Gaming Board for Great Britain website domain name, and costs incurred on airline tickets that have been recharged to an overseas gambling regulator.

Under the previous 1968 Act fee collection arrangements, Criminal Record Bureau (CRB) fees were collected separately from fees due to the Commission. This is not the case with 2005 Act fees. The income and expenditure arising from the CRB services were therefore previously included within the operating income and expenditure respectively.

	2009 £'000s	2008 £'000s
Other income	1	-
Recovery of CRB fees	-	26
<b>Total other income</b>	<b>1</b>	<b>26</b>

### 4: Employee costs

#### a) Analysis of Commissioners' and employee costs

	2009 £'000s	2009 £'000s	2009 £'000s	2008 £'000s
	Permanent	Short term	Total	
Salaries and wages	6,429	934	7,364	7,503
Social Security costs	514	90	604	629
Pension costs:				
Included within operating deficit	1,124	174	1,298	1,189
Included as other finance costs	4		4	13
Recognised in statement of total recognised gains and losses	(27)		(27)	(234)
<b>Total pension costs</b>	<b>1,101</b>	<b>174</b>	<b>1,275</b>	<b>968</b>
<b>Total Commissioners' and employee costs</b>	<b>8,044</b>	<b>1,199</b>	<b>9,243</b>	<b>9,100</b>

The above analysis comprises the following figures from the income and expenditure statement and Statement of Total Recognised Gains and Losses (STRGL):

	2009 £'000s	2008 £'000s
Employee costs	9,266	9,321
Interest costs on pensions provision	4	13
Actuarial adjustments to pensions provision	(27)	(234)
<b>Total</b>	<b>9,243</b>	<b>9,100</b>

### Footnote to analysis of employee costs

No costs in relation to permanent employees have been capitalised during the year:

	2009 £'000s	2009 £'000s	2009 £'000s	2008 £'000s
	Permanent	Short term	Total	
Salaries and wages	-	-	-	24
Social Security costs	-	-	-	4
Total capitalised employee costs	-	-	-	28

Permanent and short term employee costs are presented in accordance with section 231A of the Companies Act 2006, as detailed within the FReM. Permanent and short term employees are identified as follows:

- Permanent employees are those with a permanent (UK) employment contract with the Commission.
- Short term employees are other employees engaged on the objectives of the entity (for example, short term contract employees, agency/temporary employees, locally engaged employees overseas and inward secondments where the entity is paying the whole or the majority of their costs).

### b) Retirement benefits

The following disclosures are made in accordance with FRS 17, Retirement Benefits.

#### i) Employees

The Commission provides pension benefits for permanent employees under the PCSPS. This is a contributory unfunded multi-employer defined benefit scheme and the Commission is unable to identify its share of the underlying assets and liabilities. The scheme actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2008-09, employer contributions of £1,281,202 were payable to the PCSPS (2007-08 £1,162,762) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. In addition to this an amount of £11,958 was invoiced directly from DCMS for employees on secondment at the Commission. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2009-10, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2008/09 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £5,839 were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £552, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £423. No contributions were prepaid.

## ii) Chairman

In addition to the above, pension benefits are provided to one former Chairman of the Gaming Board for Great Britain under a defined benefit scheme which is broadly by analogy with the civil service classic scheme. There is no minimum retirement age and there are certain minor modifications to the standard civil service arrangements in respect of enhancements. The scheme is unfunded and there is no surplus or deficit. Benefits are paid as they fall due.

A full actuarial valuation of the scheme was carried out by the Government Actuary at 31 March 2004. The main financial assumptions used by the actuary in calculation of the liability for the scheme are as follows:

	31 March 2009	31 March 2008
Inflation assumption	2.75%	2.75%
Rate on increase in salaries	4.29%	4.30%
Rate of increase for pensions in payment, in line with inflation	2.75%	2.75%
Discount rate for scheme liabilities	6.04%	5.30%

The present value of the scheme liability at 31 March 2009 is £43,000.

	2009 £'000s	2008 £'000s
<b>Analysis of amount charged to operating surplus:</b>		
Current service cost (net of employee contribution)	-	18
<b>Analysis of amount charged to other finance costs:</b>		
Interest on pension scheme liabilities	4	13
<b>Analysis of amount recognised in statement of total recognised gains and losses (STRGL):</b>		
Actuarial gain/(loss)	27	234
Overnight increase in liability (change on return)	-	-
Total (loss) recognised in STRGL	27	234

Average number of persons employed by the Commission was:

	2009	2008
Permanent employees	219	173
Other employees	19	66
	<b>238</b>	<b>239</b>

## 5: Other operating costs

	2009 £'000s	2008 £'000s
Accommodation	1,174	1,174
Professional and accountancy fees	660	1,278
Travelling and subsistence	503	751
Agency and other employee costs	665	803
Recruitment, training and development	413	641
Hospitality	37	37
Office services	986	1,211
External audit fee*	47	33
Internal audit costs	42	54
Amounts payable to CRB	132	236
Other	368	428
<b>Total operating costs</b>	<b>5,027</b>	<b>6,645</b>

\* The external audit fee is broken down as follows:

Cost for the audit of the financial statements carried out by KPMG LLP on behalf of NAO: £42,500

Cost for the review of IFRS opening balances carried out by KPMG LLP on behalf of NAO: £4,500

Included within operating costs are payments made by the Commission during the year under operating leases. These may be analysed as follows:

	2009 £'000s	2008 £'000s
Land and buildings	808	841
Other	19	19
	<b>827</b>	<b>860</b>

## 6: Tangible fixed assets

	Software development £'000s	Information Technology £'000s	Fixtures and fittings £'000s	Furniture and office equipment £'000s	Telecoms £'000s	Motor vehicles £'000s	Total £'000s
<b>Cost/valuation</b>							
At 1 April 2008	540	621	1,622	687	216	-	3,686
Revaluations	-	(39)	(354)	57	(15)	-	(351)
Additions	312	43	44	34	-	10	443
Transfers	(714)	-	-	-	-	-	(714)
Disposals	-	-	-	-	-	-	-
At 31 March 2009	138	625	1,312	778	201	10	3,064
<b>Accumulated depreciation</b>							
At 1 April 2008	-	265	293	134	52	-	744
Revaluations	-	(23)	(95)	13	(8)	-	(113)
Provided in year	-	160	172	77	32	3	444
Disposals	-	-	-	-	-	-	-
At 31 March 2009	-	402	370	224	76	3	1,075
<b>Net book value at 31 March 2009</b>							
	138	223	942	554	125	7	1,989
<b>Net book value at 31 March 2008</b>							
	540	356	1,329	553	165	-	2,943

## 7: Intangible fixed assets

	Software £'000s
<b>Cost/valuation</b>	
At 1 April 2008	2,567
Revaluations	-
Additions	884
Transfers	714
Disposals	-
As at 31 March 2009	4,165
<b>Accumulated amortisation</b>	
At 1 April 2008	387
Revaluations	-
Provided in year	554
Disposals	-
As at 31 March 2009	941
<b>Net book value at 31 March 2009</b>	<b>3,224</b>
<b>Net book value at 31 March 2008</b>	<b>2,180</b>

## 8: Debtors (amounts falling due within one year)

	2009 £'000s	2008 £'000s
Employee season ticket loans and expense imprests	52	51
Bank interest accrued	5	11
Other debtors	44	-
Prepayments	509	246
	610	308

## 9: Creditors (amounts falling due within one year)

	2009 £'000s	2008 £'000s
Trade creditors	472	441
Payroll		
PCSPS and third parties	125	77
Social Security	84	100
Taxation	105	119
Other creditors	129	73
Deferred income (2005 Act fee income)	4,950	4,846
Accruals	1,328	2,034
	<b>7,193</b>	<b>7,690</b>

### Other creditors

The Commission held the following balances with other Government bodies as at 31 March 2009:

HMRC - £112,659 in respect of corporation tax due.

DCMS - £4,212 in respect of 1968 Act fees received.

## 10: Creditors (amounts falling due in more than one year)

	2009 £'000s	2008 £'000s
Deferred income (2005 Act fee income)	469	-
	<b>469</b>	<b>-</b>

## 11: Pension liability

This provision recognises the payments due in respect of one former Chairman of the GBGB.

	2009 £'000s
At 31 March 2008	73
Current service cost	-
Staff contribution	-
Interest cost	4
Actuarial loss/gain in the period	(27)
Pensions paid in the year	(7)
At 31 March 2009	<b>43</b>

## 12: Reserves

	Revaluation reserve	Income and expenditure reserve	Deferred Government grant reserve	Total
	£'000s	£'000s	£'000s	£'000s
<b>At 1 April 2008</b>	(59)	(680)	4,637	3,898
<b>Deficit for the year</b>	-	(1,455)	-	(1,455)
Grant-in-aid finance	-	608	-	608
Capital grant received	-	-	-	-
Release for depreciation	-	-	(842)	(842)
Transfer for disposal of fixed assets	-	-	-	-
Pension charge	-	27	-	27
Revaluation reserve	(238)	-	-	(238)
<b>At 31 March 2009</b>	<b>(297)</b>	<b>(1,500)</b>	<b>3,795</b>	<b>1,998</b>

## 13: Financing

	2009 £'000s	2008 £'000s
Grant-in-aid and capital grant drawn from DCMS for operational purposes		
Resource	608	3,110
Capital	-	-
Less transfer to deferred Government grant reserve regarding fixed asset acquisitions	-	(1,138)
Plus capital grant drawn transferred from other creditors	-	1,138
<b>Total grant-in-aid financing</b>	<b>608</b>	<b>3,110</b>

## 14: Impact of pension liability on income and expenditure reserve

	Notes	2009 £'000s	2008 £'000s
Income and expenditure reserve excluding pension liability		(1,457)	(607)
Pension liability	11	(43)	(73)
Income and expenditure reserve		<b>(1,500)</b>	<b>(680)</b>

## 15: Reconciliation of operating (deficit) to the net cash inflow from operating activities

	2009 £'000s	2008 £'000s
Operating (deficit)	(2,448)	(5,132)
Depreciation provided in year	998	733
(Increase) in debtors relating to operating activities	(302)	(41)
(Decrease) in creditors relating to operating activities	(80)	3,916
Increase in provisions relating to operating activities	(7)	10
Net cash inflow from operating activities	<b>(1,839)</b>	<b>(514)</b>

## 16: Analysis of balances of cash as shown in the balance sheet

	31 March 2008	Cash flow	31 March 2009
Notes	£'000s	£'000s	£'000s
Cash at bank and in hand	6,230	(2,350)	3,880
	<b>6,230</b>	<b>(2,350)</b>	<b>3,880</b>

All of the Commission's cash reserves are held in commercial bank accounts.

## 17: Capital commitments

Capital commitments at 31 March 2009 amounted to £60,000 (£132,000 in 2007/08) in respect of new IT systems.

## 18: Commitments under operating lease

At 31 March 2009, the Commission was committed to making the following annual payments under operating leases in the year to 31 March 2010.

	2008/09		2009/10	
	Land and buildings	Other	Land and buildings	Other
	£'000s	£'000s	£'000s	£'000s
Operating leases which expire:				
Within one year	-	3	-	5
In the second to fifth years inclusive	-	16	-	7
Over five years	841	-	800	-
	<b>841</b>	<b>19</b>	<b>800</b>	<b>12</b>

## 19: Related party transactions

The Commission is a Non Departmental Public Body (NDPB) funded through the collection of licence fees from the industry, and grant-in-aid for revenue purposes from the DCMS.

The DCMS is regarded as a related party. During the 12 months to 31 March 2009, the Commission has had a small number of material transactions with DCMS, comprising of:

- £500,000 revenue grant-in-aid received in relation to prevalence study work undertaken;
- £108,000 revenue grant-in-aid received in relation to white listing research undertaken at the request of DCMS;
- £64,585 paid in relation to DCMS employees on secondment.

During the period the Commission did not undertake any material transactions with entities in which Commissioners, members of key management or employees hold an interest.

## 20: Financial instruments

FRS 25 (Financial Instruments: Disclosure and Presentation), FRS 26 (Financial Instruments: Measurement, Recognition and De-recognition) and FRS 29 (Financial Instruments: Disclosures) establishes principles for the presentation, recognition and measurement, and disclosure of financial instruments as liabilities or equity. Because of the way the Commission is funded, it is not exposed to the degree of financial risk faced by business entities. Also, financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which these standards mainly apply.

The Commission has obtained consent from its sponsoring department to place surplus funds on bank deposit. It would also require consent from its sponsoring department prior to acquiring financial instruments or borrowings.

### Currency risk

The Commission is a domestic organisation with the great majority of transactions, and all assets and liabilities being in the UK and denominated in sterling. The Commission has no overseas operations. The Commission therefore is not exposed to currency rate fluctuations.

### Interest rate risk

The Commission has no borrowings, and is therefore not exposed to interest rate risk.

### Credit risk

The Commission does not provide credit arrangements for the payment of licence fees by the industry. All fees must be paid on or before the date prescribed to prevent a breach of a licence and the licence being revoked. Because the Commission relies on fees receivable from the gambling industry (payable immediately) and departmental grant-in-aid for its cash requirements, the Commission has very low exposure to credit risk. All of the Commission's cash reserves are held with one major UK commercial bank. No losses have been experienced and the Commission considers the risk of potential future losses to be very low.

### Liquidity risk

As the Commission has no borrowings and relies on fees receivable from the gambling industry and departmental grant-in-aid for its cash requirements, the Commission is exposed to minimal liquidity risk.

**(i) Financial assets and financial liabilities**

Financial assets		Fixed rate				Non-interest bearing	
Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Weighted average interest rate	Weighted average period for which fixed	Weighted average term
	£'000s	£'000s	£'000s	£'000s	%	Years	Years
At 31 March 2009							
Sterling	3,977	3,880	-	97	0.00	-	-
<b>Gross financial assets</b>	<b>3,977</b>	<b>3,880</b>	<b>-</b>	<b>97</b>			
At 31 March 2008							
Sterling	6,281	6,230	-	51	0.00	-	-
<b>Gross financial assets</b>	<b>6,281</b>	<b>6,230</b>	<b>-</b>	<b>51</b>			
<b>Financial Liabilities</b>							
Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Weighted average interest rate	Weighted average period for which fixed	Weighted average term
	£'000s	£'000s	£'000s	£'000s	%	Years	Years
At 31 March 2009							
Sterling	6,334	-	-	6,334	0.00	-	-
<b>Gross financial liabilities</b>	<b>6,334</b>	<b>-</b>	<b>-</b>	<b>6,334</b>			
At 31 March 2008							
Sterling	5,656	-	-	5,656	0.00	-	-
<b>Gross financial liabilities</b>	<b>5,656</b>	<b>-</b>	<b>-</b>	<b>5,656</b>			

**(ii) Financial assets and financial liabilities**

	At 'fair value' through profit and loss	Loans and receivables	Available for sale	Total
	£'000s	£'000s	£'000s	£'000s
Debtors	-	97	-	97
Cash at bank and in hand	-	3,880	-	3,880
<b>Total at 31 March 2009</b>	-	<b>3,977</b>	-	<b>3,977</b>
	At 'fair value' through profit and loss	Other	Total	
	£'000s	£'000s	£'000s	
Creditors	5,865	-	5,865	
Creditors over 1 year	469	-	469	
<b>Total at 31 March 2009</b>	<b>6,334</b>	-	<b>6,334</b>	

**21: Contingent liabilities**

There are no contingent gains, losses or liabilities to report in the 12 months to 31 March 2009 (£0 in 2007/08).

**22: Post balance sheet events**

These accounts were authorised for issue by the Accounting Officer on 10 July 2009.

There are no post balance sheet events to report since 31 March 2009.



## > Appendix 1

### Board of Commissioners

#### Brian Pomeroy CBE

Brian Pomeroy is an economist and chartered accountant who spent his career with Touche Ross Management Consultants (now Deloitte Consulting), becoming the Managing Director and then Senior Partner of the firm. Brian is a former Chair of the National Lottery Commission, and is currently Chairman of the Payments Council and the Financial Inclusion Task Force. He is a member of the Financial Reporting Review Panel; Director and Deputy Chairman of QBE Insurance Europe Ltd; a Trustee of the Money Advice Trust; a Board Member of The Social Market Foundation and Chair of The Photographers' Gallery.

#### Ben Gunn CBE QPM

Ben Gunn was Chief Constable of Cambridgeshire from 1993 to 2002. On his retirement he was appointed Chairman of the Joint Jockey Club/British Horseracing Board Security Review which reported on the Integrity of Horseracing in Great Britain in 2003. In 2008 he jointly undertook a Review of the Integrity of Professional Tennis worldwide. Mr Gunn is a Non-Executive Director of the British Horseracing Authority as well as being the senior partner in Campbell Gunn Associates, Consultants in Sports' Integrity; he is also a Trustee of the Child Victims of Crime Child Charity.

#### Bill Knight

Bill Knight is a solicitor and Chairman of the Financial Reporting Review Panel. He is a former Deputy Chairman of Lloyd's Council and a former Chairman of the Enforcement Committee of the General Insurance Standards Council and of the Law Society's Company Law Committee. He was senior partner at Simmons & Simmons until 2001.

#### Rachel Lampard

Rachel Lampard leads an ecumenical team shaping Baptist, Methodist and United Reformed Church work on political and social issues. She was previously a trustee of the Responsibility in Gambling Trust and is currently on the executive committee of the Society for the Study of Gambling.

#### Andrew McIntosh

Andrew McIntosh is a Member of the House of Lords and has been President of GamCare, the National Association for Gambling Care Educational Resources and Training since 2005. He was DCMS Minister for Media and Heritage (2003–2005) including responsibility for gambling and the passage of the Gambling Act 2005. In his business career, he ran IFF Research Ltd, a market and social research company, for 30 years and was Chairman and then President of the Market Research Society

#### Gill Milburn JP

Gill Milburn had a career in taxation and marketing prior to joining the Gaming Board (now the Gambling Commission). She is a Magistrate and has served on Cheshire Magistrates Court's Youth, Licensing and Enforcement Panels. She also works with a programme to settle and rehabilitate drug offenders.

#### Roy Penrose OBE QPM

Roy Penrose has had a career of almost 40 years with the police service. He was Director General of the National Crime Squad from 1998 until December 2000 and was previously a Deputy Assistant Commissioner in the Metropolitan Police. Mr Penrose joined the Gaming Board (now the Gambling Commission) in 2001 and was charged with taking a particular interest in the compliance team.

**Eve Salomon**

Eve Salomon is a regulatory and public affairs consultant, and a director of Salomon Whittle Ltd, a company specialising in media-related matters both in the UK and internationally. Prior to joining the Gaming Board she was Director of Legal Affairs and Secretary to the Radio Authority. She is chair of the Internet Watch Foundation and a member of the Press Complaints Commission. She was a member of the Better Regulation Commission from 2004 to 2008.

**Peter Teague**

Peter Teague is Chair and Finance Director of New Technology 2006 Ltd; Non-Executive Director and Chair of the Audit Committee at Immedia Broadcasting plc and Elexon Limited and non-executive director at Voice Commerce Group Limited. Peter holds one other public appointment as Chair of Ofcom's Audit Committee.

**Jenny Williams (Chief Executive)**

Jenny Williams became the Chief Executive of the Gaming Board, now the Gambling Commission, in 2004. She was previously a Director General at the Lord Chancellor's Department (now the Department for Justice). Before that she held a variety of policy and project management posts as a senior civil servant in the Inland Revenue, the Departments of Environment and Transport, and the Home Office. She is a non-executive director of Northumbrian Water Group plc and a trustee of the charity, Connections at St Martins.

## > Appendix 2

### The Commission Board and associated committees – remit and structure

#### The Board

The Board consists of ten Commissioners including the Chief Executive. It sits at least ten times each year and is responsible for the strategic direction of the Commission and for the performance of the Management Board (see Appendix 4).

Members of the Board also sit as the Commission's Regulatory Panel which consists of at least two Commissioners. The Regulatory Panel determines some licence applications and will deal with serious regulatory decisions including the revocation of licences.

#### Audit Committee

The Audit Committee supports the Board and the Accounting Officer in their respective responsibilities for control and governance, risk management and associated assurance. Details of the committee members and their attendance are detailed below.

In exercising its responsibilities the Committee advises the Board and Chief Executive on:

- the reports it has received on the strategic framework and processes for the control and governance and the management of risk
- the accounts, the accounting policies and other accounting information, the Statement of Internal Control, and the assurances relating to corporate governance contained in the annual report
- the planned activity and results of both internal and external audit, including the quality of service
- the adequacy of management responses to issues identified by audit activity, including the external auditor's management letter and reports prepared by internal audit

- the proposals for the tendering of internal audit services, or for the purchase of non-audit services from organisations who provide audit services, where appropriate
- the arrangements by which the Commission's employees may, in confidence, raise concerns about possible improprieties
- any other matters at the request of the Board of Commissioners.

The Committee received and reviewed all internal and external audit reports, together with the recommendations arising, and monitored with implementation of the agreed actions.

#### Remuneration Committee

The Remuneration Committee supports the Board and the Accounting Officer in their responsibilities for:

- confirming a strategic direction for remuneration policies and systems, and other significant terms and conditions of employment
- reviewing the performance, and remuneration of the Chief Executive
- reviewing the remuneration proposed for the senior management team
- reviewing the annual remuneration report
- recruitment (as required) of the Chief Executive.

During the year, the Committee reviewed the Commission's pay and performance system, and employee pay awards. The Committee reviewed and agreed the pay proposals for senior employees and also reviewed and agreed the Chief Executive's annual remuneration report within the annual report and accounts.

Details of the committee members and their attendance are detailed below.

**Board and associated committees – membership and attendance**

Commissioner	Board	Audit Committee	Remuneration Committee
Brian Pomeroy	10		
Ben Gunn	10		3
Bill Knight (Chair of Remuneration Committee)	7	3	3
Rachel Lampard *	8		1
Andrew McIntosh	7	2	
Gill Milburn	10	3	
Roy Penrose	9		
Eve Salomon	8		3
Peter Teague (Chair of Audit Committee)	9	3	
Jenny Williams	10		
<b>Number of meetings per year</b>	<b>10</b>	<b>3</b>	<b>3</b>

\* Rachel Lampard was on maternity leave for May and June 2008

**Regulatory Panel**

The regulatory panel decides certain licence applications<sup>27</sup> and also makes decisions about regulatory cases, where a licence review has been carried out and regulatory sanctions may be appropriate.

The Panel normally comprises three Commissioners, but may comprise two Commissioners. Decisions are normally be made by consensus but where that cannot be achieved panel members are required to vote, in which case the Chairman has a casting vote in the event of a tie.

The Chairman of the Commission, if present, presides at all meetings of the Panel. If the Chairman is not present, he may designate a Commissioner to chair the meeting, or if there has been no such prior designation the Commissioners present decide who should chair the meeting.

The Chief Executive may designate appropriate employees to attend meetings of the Panel. The role of employees is to assist or advise the Panel, but they do not take part in the decision making process of the Panel.

<sup>27</sup> There are three reasons why an application will be referred to the Regulatory Panel:

- certain decisions will be reserved to the Panel for decision
- there may be cases where the particular circumstances of the case mean that it is appropriate for a case to be referred to the Panel for consideration
- cases where an applicant has been sent a 'minded to refuse' letter and the applicant wishes to make representations to the Panel

## > Appendix 3

### The senior management team – the Management Board

#### Jenny Williams: Commissioner and Chief Executive

Jenny became the Chief Executive of the Gaming Board, now the Gambling Commission, in November 2004. She was previously a Director General at the Lord Chancellor's Department (now the Department for Justice). Before that she held a variety of policy and project management posts as a senior civil servant in the Inland Revenue, the Departments of Environment and Transport, and the Home Office. She is a non-executive director of Northumbrian Water Group plc and a trustee of the charity, Connections at St Martins.

##### Role

The Chief Executive is the senior executive of the Commission and is responsible for the development and effective delivery of the strategy agreed by the Commission Board. She manages the Commission employees through the Management Board comprising the Directors reporting to her and, as Accounting Officer, is responsible for the proper management and financial governance of the organisation.

#### Bill Butler: Director of Corporate Services

Bill is the Director of Corporate Services. He joined the Commission in February 2006 for a period of three years (extended to July 2009). Prior to this, he had been Finance Director for the Healthcare Commission and carried out a variety of senior roles at the Audit Commission. Bill is a member of the Chartered Institute of Public Finance and Accountancy.

##### Role

The Director of Corporate Services is responsible for oversight of the Commission's finance and resource governance, in particular he leads the Commission's work on fees and funding. He reports to the Chief Executive and supports the Commission, in particular through the Audit and Remuneration Committees.

#### Julie Grant: Director of Finance

Julie joined the Commission in January 2008 as Head of Finance and became Director of Finance in November 2008. Prior to this, she served as the Ministry Controller for the Cabinet Secretary of Bermuda focusing on tourism and transport. Julie worked in the private sector in a variety of senior financial roles including Claire's Accessories and Signet Group plc. She is a member of the Chartered Institute of Management Accountants.

##### Role

The Director of Finance is responsible for the Commission's finances, including its income and expenditure, budgeting, systems of financial control and management. She prepares the Commission's annual accounts. She liaises with the Commission's internal and external auditors. She supports the Commission, in particular through the Audit Committee and the Chief Executive in the latter role as Accounting Officer and Chair of the Risk Committee

**Matthew Hill: Director of Strategy, Research and Analysis**

Matthew joined the Commission in November 2008 as Director of Strategy, Research and Analysis on a two-year secondment from DCMS. He has spent most of his career as a civil servant covering a wide range of topics, including gambling, broadcasting, alcohol reform, animal health, e-government and civil contingencies.

**Role**

Matthew chairs the Regulatory Policy Board (see page 69) and manages the Commission's policy and research, intelligence, information management, business strategy and ICT functions. He is responsible for staff co-ordinating the Commission's business planning, developing and maintaining statutory guidance (including the LCCP) and overseeing information and intelligence management (including the prevalence survey). He leads the Commission's working relationships with government departments and industry groups. He has responsibility for the Commission's ICT strategy and infrastructure.

**Tom Kavanagh: Deputy Chief Executive**

Tom was Secretary to the Gaming Board for Great Britain from November 1991 until it was succeeded by the Commission in September 2005. Before that he held a variety of statistical and administrative civil service posts in the Department of Employment, the Central Statistical Office and the Home Office. He is immediate past Chairman of the Gaming Regulators European Forum (from 2005 to 2008) and the past Secretary (1991 to 2005) to that body. He was awarded the CBE in the Queen's birthday honours list in June 2003. On his retirement from DCMS he joined the Commission as a direct employee. He was appointed as Deputy Chief Executive at the Commission.

**Role**

Tom acts as the Commission's key adviser on gambling policy and technical matters and on international developments and deputises for the Chief Executive.

**Justine Kenny: Director of People and Organisational Development**

Justine joined the Commission in February 2006 as Director of Human Resources. She became Director of People and Organisational Development in November 2008. She was previously Director of Human Resources at a health-related national NDPB and before that had spent her career in HR in various NHS organisations, most recently as Deputy Director of HR at Gloucestershire Hospitals NHS Trust. She has recently been appointed as a non-executive director of Mercian Housing Association Ltd and is a Fellow of the Chartered Institute of Personnel and Development.

**Role**

Justine is responsible for people and organisational development within the organisation. This includes employee recruitment, training and development and employee management policies. Justine works closely with the Chief Executive on the Commission's strategic development needs, including Board development. She is also the Director responsible for the Commission's facilities management.

**Julia Mackisack: Director of Corporate Affairs**

Julia joined the Commission in April 2007 as Director of Communications. She became Director of Corporate Affairs in November 2008. Previously, Julia worked in a range of change-communications senior management roles within the financial services sector, most recently with Norwich Union and Resolution plc, and in the not-for profit sector with organisations such as the Princess Anne Trust for Carers and the Royal Air Forces Association.

**Role**

Julia is responsible for the Commission's corporate affairs, managing the delivery of the Commission's communications, both internally and externally, including events, publications and the Commission's e-communications, including the website. She works closely with the Commission Chairman and Chief Executive in leading the Commission's relationships with stakeholders including the media.

**Neil McArthur: Director of Legal**

Neil joined the Commission in October 2006 as Head of Legal. He became Director of Legal in November 2008. He has worked as in-house solicitor for a number of regulatory and public bodies, most recently as Head of Legal at the General Teaching Council for England. Prior to that he was Deputy Council Solicitor at the Learning and Skills Council and before that he worked in local government.

**Role**

Neil is the Commission's principal legal adviser with overall responsibility for the Commission's legal work, including the provision of advice to the Commission on the operation of the regulatory regime and support to the Commission's Regulatory Panel.

**Nick Tofiluk: Director of Regulation**

Nick joined the Commission in November 2007 as Director of Operations. for a period of two years. He became Director of Regulation in November 2008. Prior to this he spent six years as Assistant Chief Constable with West Midlands Police. As a Programme Director for a National Ballistics Intelligent System and founder of the West Midlands Regional Information Sharing Forum he worked to raise crime detection rates and improve efficiency through the use of technology and development of a national police intelligence system.

**Roles**

Nick chairs the Operations Board (see page 69) and has responsibility for the 140 employees that deliver all aspects of the operation of the Commission's licensing, compliance and enforcement regimes. This includes the licence application and maintenance arrangements for operators and individuals, the activity of the regional compliance teams and the national compliance leads and the enforcement activity conducted against unlawful operators.

**Other senior directors serving during the year, 1 April 2008 to 31 March 2009**

**Beryl Brown** was appointed as Director of Policy and Communications on 19 April 2006 on a fixed term contract and left the Commission on 31 October 2008.

**Hazel Canter** was appointed as Director of Licensing & Compliance on 3 January 2006 and left the Commission on 3 January 2009 on retirement.

## > Appendix 4

### Management Boards - remit

#### **Management Board (known as the Management Group to 31 October 2008)**

The Management Board meets at least monthly and is responsible for:

- implementation of corporate strategy
- coordination of corporate and business planning
- monitoring of the corporate and business plan implementation
- performance and risk
- budget and audit
- accountability and governance issues
- employee development and performance
- facilities and working environment.

#### **Operations Board**

The Operations Board meets at least monthly and is responsible for operational strategy, policies, procedures, planning and casework for licensing, compliance and enforcement including the associated risk assessment processes, delegated budget control, performance and quality control.

#### **The Regulatory Policy Board**

The Regulatory Policy Board meets at least monthly and is responsible for the development of the regulatory framework and associated policy decision making, and the provision of advice on such matters to the DCMS and its Ministers.

#### **Risk Management Committee**

In addition we manage risk at departmental, programme and corporate levels. Risks identified at a departmental level are monitored by the Risk Management Committee and coordinated with our key corporate risks.

The Chief Executive, as Accounting Officer, is responsible for identification and agreement of the key corporate risks. The Risk Management Committee, which meets quarterly, supports this activity and provides regular updates to the Board. It also monitors risks at all levels of the Commission and has the authority to take action and manage such risks as appropriate.

See page 70 for membership of the management boards.

### Management boards membership

	Role	Management Board	Regulatory Policy Board	Operations Board	Risk Management Committee
Jenny Williams	Chief Executive	Chair	✓	✓	Chair
Tom Kavanagh	Deputy Chief Executive	✓	✓	✓	from 1 Nov 2008
Beryl Brown	Director of Policy and Communications		to 31 Oct 2008		to 31 Oct 2008
Bill Butler	Director of Corporate Services	✓	✓	✓	✓
Hazel Canter	Director of Licensing and Compliance	to 3 Jan 2009	to 3 Jan 2009	to 3 Jan 2009	to 3 Jan 2009
Julie Grant	Director of Finance	from 1 Nov 2008	✓	✓	from 1 Nov 2008
Matthew Hill	Director of Strategy, Research and Analysis	from 10 Nov 2008	Chair from 10 Nov 2008	Core member from 10 Nov 2008	from 10 Nov 2008
Justine Kenny	Director of People, Organisation and Development	✓	✓	✓	from 1 Nov 2008
Julia Mackisack	Director of Corporate Affairs	✓	✓	✓	from 1 Nov 2008
Neil McArthur	Director of Legal	✓	Core member	Core member	from 1 Nov 2008
Nick Tofiluk	Director of Regulation	✓	Chair until 9 Nov 2008	Chair	✓
Sharon McNair	Head of Licensing			Core member	
Nomaan Nazem	Business Performance Manager				✓

## > Appendix 5

### Employment statistics for 2008/09 (as at 31 March 2009)

#### Total employees by contract type

Secondees	2
Fixed term employees	10
Permanent employees	212
<b>Total</b>	<b>224</b>

#### Departmental split

Corporate Affairs	6
Executive	7
Finance	8
Legal	5
People, Organisation and Development (POD) including	10
· POD	7
· Facilities	3
Regulation including	140
· Compliance	67
· Enforcement	10
· Licensing	57
· Regulation	6
· Other	6
Strategy, Research & Analysis including	48
· ICT	11
· Intelligence	13
· Policy	15
· Information Management	3
· Strategic Programme/ Project Management	4
· Strategy, research and analysis	2
<b>Total</b>	<b>224</b>

#### Diversity - Gender

Female	101
Male	123
<b>Total</b>	<b>224</b>

#### Diversity - Disability

Employees with a disability as defined under the 2005 Act	1
Employees without a disability as defined under the 2005 Act	223
<b>Total</b>	<b>224</b>

#### Diversity - Ethnic origin

Ethnic origin	No
Asian/Asian British - Bangladeshi	1
Asian/Asian British - Indian	15
Asian/Asian British - Other	1
Asian/Asian British - Pakistani	2
Black/Black British - Caribbean	6
Chinese	1
Mixed race - other	2
Mixed race - White/African	1
Mixed race - White Black Caribbean	1
Not disclosed	1
White British	185
White Irish	3
White other	6
<b>Total</b>	<b>224</b>

#### Diversity - Age

Age	No
Under 20	0
21 to 30	58
31 to 40	67
41 to 50	50
51 to 60	35
61+	14
<b>Total</b>	<b>224</b>

#### Sickness absence rates

1 April 2008 to 31 March 2009	% of working days lost
Quarter 1	2.2
Quarter 2	2.0
Quarter 3	2.0
Quarter 4	2.1

## > Appendix 6

### Operator Licence Application Fees

Operating licence type	Proposed licence application fees									
	Non-Remote					Remote				
	A	B	C	D	E	F	G	H	I	J
Casino 2005 Act	30,148	39,569	45,221			6,860	13,703	20,580	30,148	39,569
Casino 1968 Act	6,852	10,277	20,556	20,556	20,556					
Bingo	1,028	1,713	3,426	17,986	21,583	3,430	7,546	17,130	20,580	30,148
General betting - standard	1,028	1,028	3,597	17,986	42,139	3,430	7,546	17,130	20,580	30,148
General betting - limited	187	374	1,030			624				
Pool betting	685	1,713	5,139			685	1,713	5,139	5,139	5,139
Betting intermediary	208	208	208			6,680	13,703	17,130	20,580	30,148
Betting intermediary (trading rooms)						624	1,028	1,713		
Gaming machine general AGC	1,028	1,028	1,713	5,139	17,130					
Gaming machine general FEC	1,028	1,028	1,713	5,139	17,130					
Gaming machine technical: full	1,028	1,713	£17,130			1,028	1,713	17,130		
Gaming machine technical: supplier	1,028	1,713	5,139			1,028	1,713	5,139		
Gaming machine technical: software	1,028	5,139	17,130			1,028	5,139	17,130		
Gambling software	1,028	5,139	17,130			6,680	13,703	17,130		
Lottery managers	1,028	1,713	2,398			1,028	1,713	2,398		
Society lotteries	172	257	342			172	257	342		

## Operator Licence Annual Fees

Operating licence type	Proposed annual licence fees									
	Non-Remote					Remote				
	A	B	C	D	E	F	G	H	I	J
Casino 2005 Act	48,825	101,771	203,543			12,733	35,885	69,658	110,820	146,282
Casino 1968 Act	16,356	21,752	69,572	310,316	417,436					
Bingo	1,571	7,077	16,860	37,579	82,002	12,733	35,885	69,658	110,820	146,282
General betting - standard	1,571	7,077	16,860	38,705	222,990	12,733	35,885	69,658	110,820	146,282
General betting - limited	200	467	1,267			1,500				
Pool betting	2,121	4,083	4,083			1,500	35,885	69,658	110,820	146,282
Betting intermediary	267	4,083	4,083			12,733	35,885	69,658	110,820	146,282
Betting intermediary (trading rooms)						1,500	6,367	17,942		
Gaming machine general AGC	1,564	6,464	12,928	27,812	38,705					
Gaming machine general FEC	1,047	4,683	9,365	22,352	37,579					
Gaming machine technical: full	2,961	6,325	14,883			6,367	17,942	34,829		
Gaming machine technical: supplier	1,201	3,243	4,083			6,367	17,942	34,829		
Gaming machine technical: software	1,535	3,861	6,188			6,367	17,942	34,829		
Gambling software	1,535	3,861	6,188			6,367	17,942	34,829		
Lottery managers	1,981	2,261	2,541			6,367	17,942	34,829		
Society lotteries	348	692	1,392			348	692	1,392		

## Personal Licence Application & Maintenance

Personal Licences	Fees	
	Licence	Maintenance
Management licence	330	330
Functional licence	165	165

## > Appendix 7

### **Regulation under the Gaming Act 1968 (1968 Act)**

#### **Employee certification**

All applications by individuals are now dealt with under the 2005 Act, either as a personal functional licence (PFL) or a personal management licence (PML).

#### **Regulating the casino industry**

There are still 145 casinos operating which were licensed under the 1968 Act. During the year a number of 1968 Act casino certificates of consent were surrendered leaving only six applications outstanding at 31 March 2009.

#### **Regulating the bingo industry**

No certificates of consent were dealt with during the year. All applications are now dealt with under the 2005 Act.

#### **Regulating the gaming machine industry**

No section 27 certificates were dealt with during the year. All applications are now dealt with under the 2005 Act.



**Commissioners 2008/09**

Brian Pomeroy CBE, Chairman  
Ben Gunn, CBE, QPM  
Bill Knight  
Rachel Lampard  
Andrew McIntosh  
Gill Milburn, JP  
Roy Penrose, OBE, QPM  
Eve Salomon  
Peter Teague  
Jenny Williams (Chief Executive)

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