

Annual Report and Accounts

2016/17

**GAMBLING
COMMISSION**

Annual Report

and Accounts

For the period 1 April 2016 to 31 March 2017

Presented to Parliament pursuant to Paragraphs 14 and 16 of Schedule 4 of the Gambling Act 2005 and Section 14(3) and Paragraph 11(4) of Schedule 2A of the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998 and the National Lottery Act 2006)

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**GAMBLING
COMMISSION**

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Overview



Who we are

The Gambling Commission regulates the gambling industry in Great Britain, keeping gambling fair, safe and crime free by placing consumers at the heart of regulation, maintaining the integrity of the gambling industry and being an exemplar of best practice internationally.

We license operators and individuals in Britain that provide arcades, gaming machines, betting, lotteries, bingo, remote gambling (online, telephone), casinos and gambling software. We are also responsible for awarding the licence to run the National Lottery.

There are three main pieces of legislation that underpin our work:

- ▶ the Gambling Act 2005 which gives us the authority and duty to regulate commercial gambling in Britain in partnership with licensing authorities
- ▶ the Gambling (Licensing and Advertising) Act 2014 which requires any operator wishing to transact with consumers in Britain to obtain an operating licence from the Gambling Commission

- ▶ the National Lottery etc. Act 1993 which sets out the framework within which we regulate the National Lottery.

We are an independent non-departmental public body sponsored by the Department for Culture, Media and Sport.

We have around 300 employees, mostly based at our offices in Birmingham, including around 40 home-based colleagues working across England, Scotland and Wales.

Licensing objectives

We regulate in the public interest, as guided by our statutory duties to:

- ▶ permit gambling, in so far as we think it is consistent with the 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.
- ▶ regulate the National Lottery to ensure that:
 - ▶ every lottery that forms a part of it, is run with all due propriety
 - ▶ the interests of every participant in the Lottery are protected
 - ▶ subject to these two duties, to do our best in making sure that the proceeds of the National Lottery are as great as possible.

“ We license operators and individuals in Britain that provide arcades, gaming machines, betting, lotteries, bingo, remote gambling (online, telephone), casinos and gambling software. We are also responsible for awarding the licence to run the National Lottery. ”

Chairman's message

The essence of the Commission's statutory objectives can be stated very simply. They are:

- ▶ 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 people from being harmed or exploited by gambling.

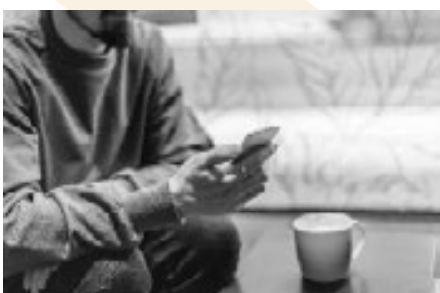
And, in the case of the **National Lottery** to ensure that play is fair and safe, and that the money generated for good causes is maximised, and that the Lottery is being properly run, in accordance with the requirements of statute and of the licence.

Although our statutory duties seem straightforward, they raise complex issues about the nature of the regulatory regime and how and when we should use our powers.

In addition there are wider contextual aspects that we should not ignore. The gambling industry provides entertainment that many people value and it creates jobs and wealth. However, problem gambling has a real cost to the economy and to the individuals and families affected by it, although the scale of the adverse impact is currently poorly understood. Public opinion also needs to be taken into account. Even those who are strong supporters of gambling share some of the concerns expressed by the wider public about the place of gambling in society.

We know that the majority of gamblers confine their losses to what they judge they can afford and regard the cost as a reasonable price to pay for the entertainment. For this group the key consideration is that gambling should be fair, and free from the influence of crime.

These are just some of the issues that have preoccupied me, and my colleagues, during my first few months as Chair of the Commission, and I suspect they will continue to be major items on our agenda. Underpinning our



consideration of all these issues, and, indeed, every aspect of the work of the Commission, is the question: What kind of gambling market does Britain want? Does the country want gambling to be a constantly growing industry operating within a light-touch regulatory approach? Or, is the public inclined to be less supportive of growth and increasing accessibility, and more supportive of a tightening of regulations?

Evidence indicates that public attitudes to gambling are hardening. The proportion of people who believe that gamblers should be able to gamble whenever they want has dropped from **78%** in 2010 to **67%** in 2016. Another important indicator of changing public opinion is the proportion of people who believe gambling is dangerous to family life. In 2010 this stood at **62%** whereas by 2016 this had risen to **69%**. Finally, the proportion of the population who believe that gambling should be discouraged has risen from **36%** in 2010 to **55%** in 2016.

It would appear from these figures that public attitudes towards gambling have become less tolerant. This is a trend which we must recognise and will influence our approach to regulation.

Later this year the Commission will publish its three-year strategy. The interests of the gambling consumer will be central to how we operate and develop our regulation, and allocate our resources. We know that the majority of gamblers confine their losses to what they judge they can afford and regard the cost as a reasonable price to pay for the entertainment. For this group the key consideration is that gambling should be fair, and free from the influence of crime.

Our strategy will also signal a clear intention to give greater priority to the protection of vulnerable, or potentially vulnerable groups – children, people with learning difficulties, people whose gambling is problematic or in danger of becoming so.

The scale of gambling-related harm is not at all clear. Definitions and estimates differ. So, an early priority for the Commission, with the Responsible Gambling Strategy Board (RGSB), will be to develop definitions and estimates that command general confidence. At the moment we estimate that there are around **320,000** problem gamblers and a further **2.5m** are at risk of experiencing gambling harm. We support the RGSB's strategy and will continue to support them in driving forward its implementation. We also support GambleAware's plans to broaden the range and scale of treatment interventions available to problem gamblers.



William
Moyes

Chairman's message continued

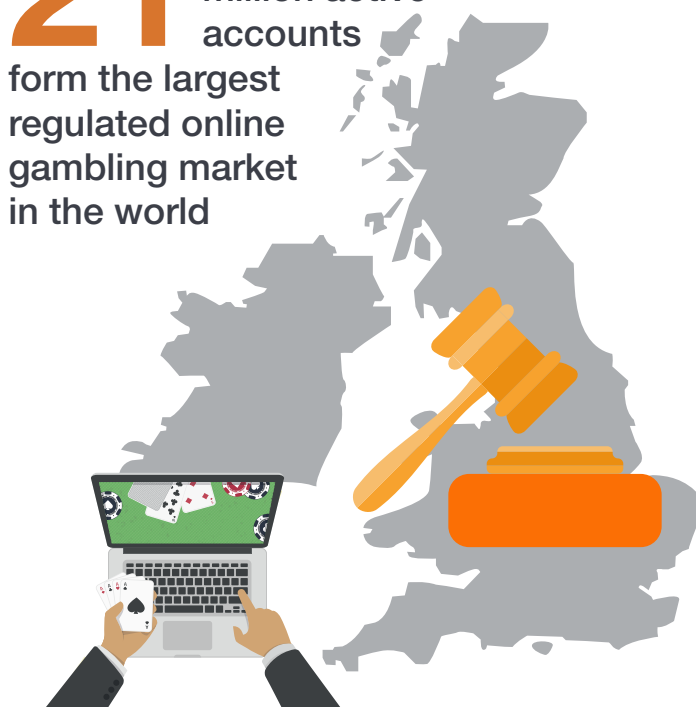
We will be considering in detail the amount of funding available to provide preventative and treatment services and whether different arrangements might increase the funding available and provide greater financial certainty. We will also continue to develop the Assurance Statements as a means of helping the largest gambling operators to improve their approaches to identifying and tackling problem gambling and to demonstrate their commitment to ensuring that support and treatment is readily available to those who require it.

Operators have a big part to play in identifying people whose gambling is, or is becoming, problematic and in helping them to manage their gambling effectively. Technology provides increasing opportunities to monitor patterns of play and to create new ways for effective interventions. These opportunities often start with the specifications given to designers of games and products, and with ensuring that responsible gambling is firmly in the minds of operators from the creation of new products. We will continue to consider, in consultation with Government and with the gambling industry, how these different opportunities can and should be utilised to secure a reduction in problem gambling.



The decision to call a general election has inevitably delayed progress with the previous Government's review of gaming machines and social responsibility measures. As the Government's advisor on gambling and its regulation we, with considerable support from the RGSB, have been assessing evidence – including that relating to stake level – in order to help the Government develop its thinking. We will publish our advice in due course.

21 million active accounts form the largest regulated online gambling market in the world



Great Britain now has the largest regulated online gambling market in the world with around **21 million** active accounts. Technological developments are making access to online gambling ever easier and gambling operators are able to provide almost limitless events and products to gamble on, such as eSports which has grown in popularity as convergence between computer games and traditional gambling increases. As new technology makes gambling more easily accessible and appealing it potentially attracts new consumers.



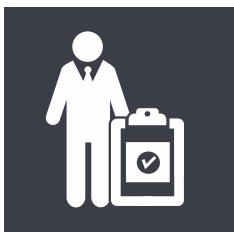
We, and policy-makers, need to understand better the risks posed by online gambling and what might be the most effective methods of regulating this industry to keep up-to-date with the constant evolution that online gambling offers. We are carrying out a considerable amount of work to better understand and address the risks posed by this market. In focussing on online gambling we are working closely with the Advertising Standards Authority, the Competition and Markets Authority and other agencies. We hope to publish our thinking early in 2018.

This year we will begin to consider the next licence competition to run the National Lottery. Although the competition and the awarding of a contract are some years away, considerable effort is required to ensure we develop the right framework. Funds generated by the National Lottery are vital to the success of a wide range of activities which the public value enormously – sports success, world-class arts, preserving our heritage and enabling a huge range of community and charitable

projects to happen. It is therefore essential that, as well as ensuring that it is well run and that play is fair and safe, the National Lottery appeals to every part of the population and that the funds it generates are maximised. Achieving this is one of our biggest challenges.

My first few months as Chair have been fascinating but challenging. It's a large, complicated and constantly-changing industry. I am most grateful to my fellow Commissioners and to the executive team – especially Sarah Harrison – for their support during the initial phase of my tenure. The issues the Commission has to deal with are complex and important. But I am confident in our ability and determination to find the right solutions and to implement them effectively.

William Moyes Chairman



Performance analysis

Chief Executive's message

Two themes have dominated in 2016/17: working to put consumers at the heart of regulation and raising standards. These themes, consistent with our statutory duties to permit gambling subject to it being fair, safe and free from crime, have been an important focus in a year when gambling remains popular but one in which public attitudes towards it appear to be hardening.

Fairness

With competition intensifying, in particular in the growing online sports betting and gaming market, concerns have increased over marketing and terms and conditions. In response, we have joined forces with the Competition and Markets Authority (CMA), Advertising Standards Authority (ASA) and Information Commissioner's Office (ICO). The CMA's investigations into terms and conditions will conclude in the next year setting standards on which we will build. We and the ASA have taken action on misleading advertising and we continue to support the ICO in tackling unsolicited direct e-marketing, sending a strong message on accountability via our first case under new regulations. Treating customers fairly at the point of complaint or dispute has led to our March review of complaints and Alternative Dispute Resolution providers and plans for further action to raise standards.

Safe play

Problem gambling and the cost of gambling-related harm have remained chief concerns. In April 2016 the new National Responsible Gambling Strategy was launched, developed by the Commission's expert panel (RGSB). Some **35** projects are underway via the industry voluntary scheme which funds and commissions research on prevention and treatment. We welcome these initiatives but continue to press the industry to invest in the use of data and technology to empower consumers and reduce harm, and to keep a continuous focus on 'what works'.

Some 35 projects are underway via the industry voluntary scheme which funds and commissions research on prevention and treatment. We welcome these initiatives but continue to press the industry to invest in the use of data and technology to empower consumers and reduce harm, and to keep a continuous focus on 'what works'.

As statutory adviser to Government we have been contributing to the previous Government's review of gaming machines, including fixed odds betting terminals, and social responsibility measures, including advertising. Understanding patterns of machine play, and action to reduce harm (including via stake reduction) has been challenging given much of play in betting shops is anonymous, and doesn't allow consumers to track their play across machines, premises and over time. Nonetheless, our analysis of **20** billion plays over 24 months has helped shine further light on trends, and as part of a broad evidence base, will inform our advice to Government. In February we published the dataset, consistent with our commitment to transparency, and to drawing on the best available evidence to shape advice and regulation.

In other areas we have modernised rules covering the siting of gaming machines in pubs, clubs and venues to ensure access is controlled effectively. New requirements for self-exclusion schemes have seen increased awareness and take up. Operators remain on track to implement the scheme for the online sector in the coming year. The first Assurance Statements were received from four of the largest operators, giving board level commitments to continuous improvement in relation to the licensing objectives.

Compliance and enforcement have played their part in raising standards with a number of well publicised cases in 2016/17 and in January we began a review of enforcement, signalling potential for tougher action to tackle persistent or systemic failures. The convergence of gambling and computer gaming led to action on a number of fronts, including, in February, our first of a kind criminal prosecution against an illegal gambling website targeting children and young people.

Integrity

Ensuring consumer confidence in market integrity has also been a priority, with a review of licence conditions and codes of practice requirements. Consistent with our principles-based approach, revised regulations were implemented in October to ensure operators act to limit the risks of crime and money laundering. We will continue to review risks in the coming year. The Government decided in April not to include gambling sectors (other than casinos, which are already included) when the EU 4th Anti Money Laundering Directive is implemented.

The relationship between sport and gambling remains in the public eye. The Commission leads work to keep sports betting markets clean via the Sports Betting Intelligence Unit (SBIU). The SBIU received over **300** referrals in 2016/17 with football and tennis generating the majority of these. The Commission works effectively internationally in Sports Betting Integrity. Britain has one of the largest regulated gambling markets worldwide and we are leading contributors to international regulator and law enforcement frameworks. In the lead-up to Brexit, we will work closely with Government and fellow European regulators to safeguard arrangements which help protect consumers in Britain.



Sarah Harrison
MBE

Chief Executive's message continued

Lotteries

As regulator of the National Lottery our role is to keep play fair, and subject to that, to ensure contributions to good causes in the UK are maximised. A total of over **£1.6billion** went to sporting, heritage, arts and community projects across the country. Society lotteries, also regulated by the Commission, have contributed over **£230million** to good causes.

Participation, in particular in the National Lottery draw-based games, has continued to decline over the year which has significantly contributed to the drop in returns to good causes. This year, money raised was down **15%** on last year. Recovering this and securing future growth is a key priority for the National Lottery operator, Camelot, which needs to adapt to changing market conditions and consumer appetite.

In the year our focus has been on Camelot's performance both in relation to its controls, which are key to our first statutory duty to protect players, and concerning its trading position. Substantial change, including a strategic review, is now underway at Camelot. We will continue to use our powers to the full to create the conditions in which Camelot can deliver for lottery players and good causes during the remainder of the third licence, as well as prepare for the fourth licence competition.

Improving regulation

This year we have also held the mirror up to ourselves to examine the way we put consumers at the heart of regulation, and raise standards.

In October we published a strategy to improve consumer engagement and progress has been made with the



The National Lottery has raised over £1.6billion for good causes: 1. Key To The Door project 2. The London Taxi Benevolent Association 3. Into Film Cymru 4. North West Blood Bikes Lancs & Lakes 5. Go4It! Families

launch of a new website in January and strengthened relationships with representative organisations. A stakeholder survey in the summer provided helpful feedback about the need for improved communications with smaller and independent operators. As co-regulator with local authorities we have continued to invest in this vital partnership, for example implementing new requirements on operators in April for local risk assessments.

We have made progress on our programme of organisational development, working across **8** priority projects and on building relevant skills and leadership capability. The **5%** increase in staff engagement in the year has been encouraging.

Business plan delivery improved on 2015/16 with **90%** of deliverables met. Performance in some of our core functions has been mixed, in particular with KPIs for licensing applications and contact centre enquiries falling short of target. An increase in customer contacts, more complex licensing issues, and historic under-investment have been the cause and a programme for improvement is underway.

Outturn expenditure in 2016/17 has been broadly in line with budget. Working with DCMS, we delivered a new fees regime in April 2017 which provides secure funding while reducing operator fees by **10%** across the industry over the next three years.

I want to thank Philip Graf and outgoing Board members for their guidance and support. Our new Chairman, Bill Moyes, and Board members bring a wealth of experience and I am confident that, working with the excellent and committed Commission staff we will make good progress in the coming year towards a new strategy and further action to safeguard consumers and raise standards.



Sarah Harrison Chief Executive



Overview of the gambling sector

This report contains statistics relating to the gambling industry in Great Britain. The information contained in these pages covers betting, bingo, casinos, arcades and gaming machines, lotteries and remote (online and telephone) gambling. Data is drawn from four quarterly telephone surveys conducted during 2016 totalling 4,000 interviews. Respondents are asked about their past-four week gambling participation.

Key facts and figures about the gambling industry

£13.8 bn

Total gross gambling yield (GGY)* of the Great Britain gambling industry
(Oct 2015 – Sep 2016)

106,678

Total number of employees in the Great Britain gambling industry (Sep 2016)
0.4% decrease from Mar 2015

8,788

Total number of betting shops in Great Britain (Mar 2017)
1.4% decrease from Mar 2016

583

Total number of bingo premises in Great Britain (Mar 2016)
5.7% decrease from Mar 2016

147

Total number of casinos in Great Britain (Sep 2016)
1 fewer than Mar 2016

£4.5 bn

Total GGY* for the remote (online and telephone) sector
(Oct 2015 – Sep 2016)

32%

Market share of the remote (online and telephone) betting, bingo and casino sector
(Oct 2015 – Sep 2016)

176,410

Total number of gaming machines in Great Britain (Oct 2015 – Sep 2016)
0.4% decrease from Apr 2015 – Mar 2016
(excludes those requiring only a local authority permit)

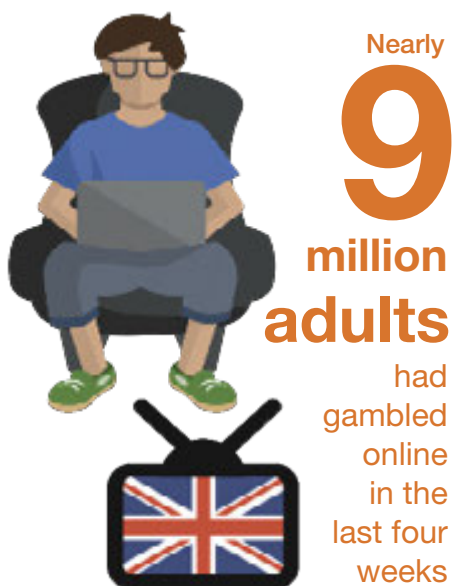
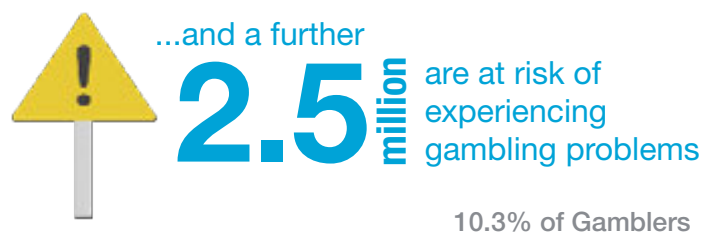
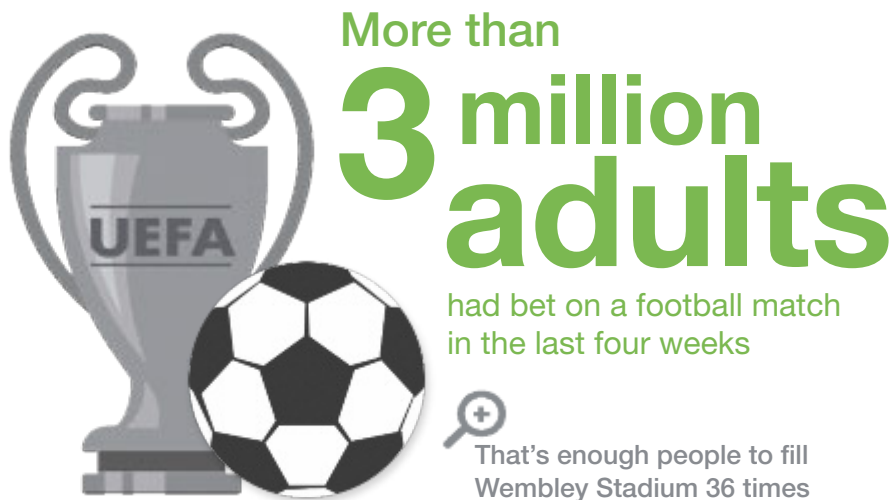
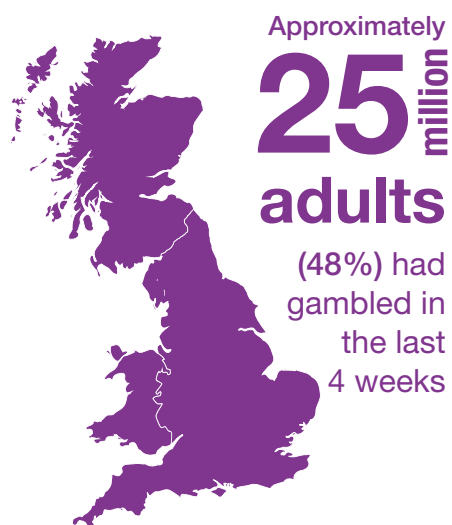
£1.6 bn

Contributions (to good causes) from The National Lottery (April 2016-March 2017)
15% decrease from Apr 2015 – Mar 2016

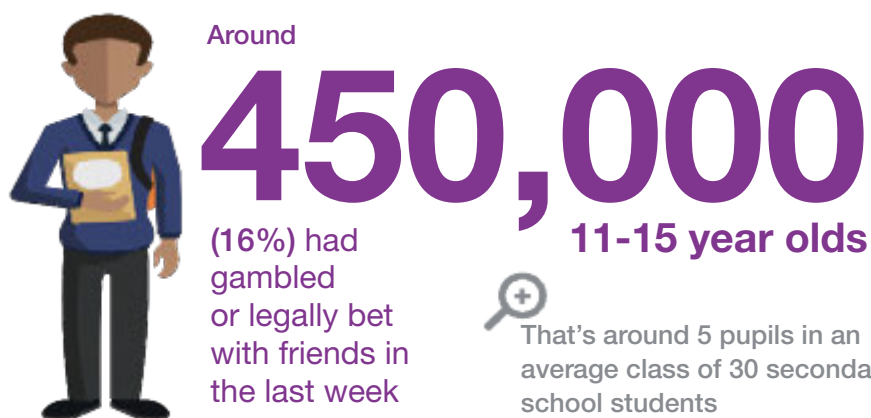
We collect and analyse data to monitor changes that may have an impact on the regulatory framework. And to make sure we are up-to-date with gambling industry statistics and gambling-related research.

* Gross gambling yield (GGY) – the amount retained by operators after the payment of winnings but before the deduction of the costs of the operation.

Consumer participation



Similar to the number of people who watch Britain's Got Talent



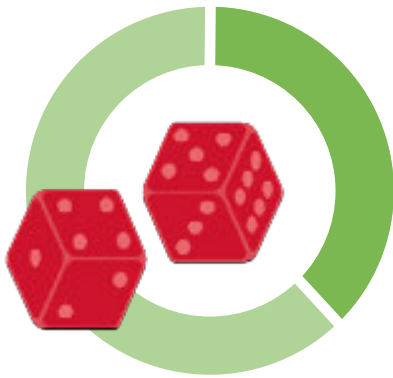
Statistical reports can be found in more detail on our website where methodological information is also available: www.gamblingcommission.gov.uk

Attitudes

Overall, attitudes towards gambling are more negative

34%

of people think that gambling is fair and can be trusted



39%

of people think that gambling is associated with criminal activity

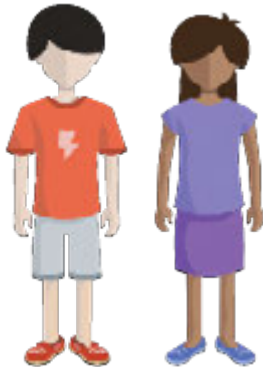


78%

of people think there are too many opportunities for gambling

69%

of people think that gambling is dangerous for family life



People think that protecting children from gambling is the most important policy issue...



...followed by regulating non-UK based gambling companies.

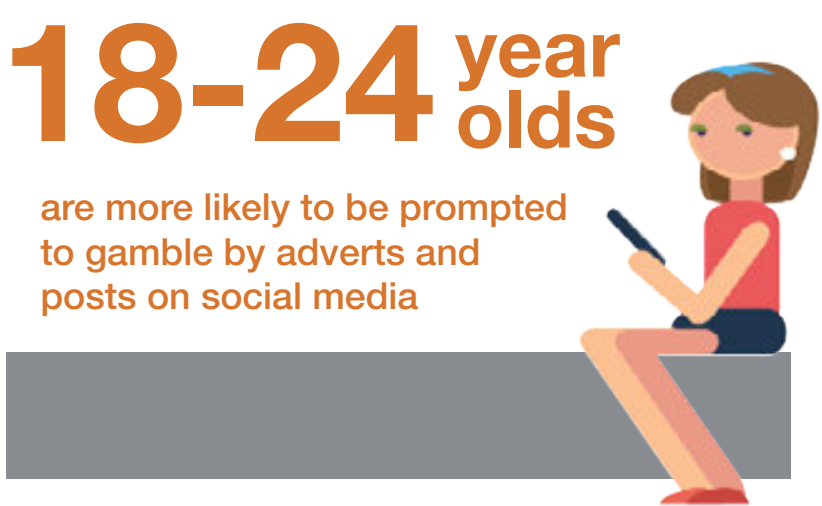
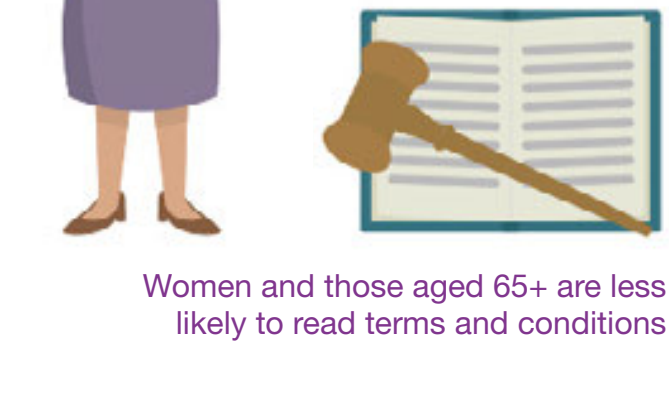
Public opinion is informed by personal experience, advertising and television news



For more gambling statistics visit our website:

www.gamblingcommission.gov.uk

Consumer issues



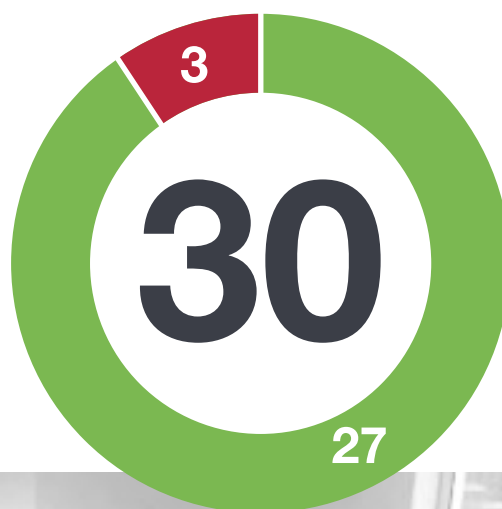
A year in review – delivery of our business plan

The Gambling Commission’s role is to ensure that gambling is fair, safe and crime free for everyone. This section reports on the work that we have undertaken this year and how we have met milestones set out in the 2016/17 business plan across five key focus areas:

- ▶ empower and protect consumers
- ▶ raise standards across all gambling sectors
- ▶ build partnerships and understanding both domestically and internationally
- ▶ ensure fair play on the National Lottery
- ▶ improve regulation.

A summary for 2016/17 corporate business plan milestones:

- ▶ 30 Corporate business plan (CBP) milestones were due
- ▶ 27 were delivered
- ▶ 3 will deliver in 2017/18





Empower and protect consumers

We have a long established record of placing the consumer at the centre of what we do and we have continued to build on these strong foundations over the year. We have focused on raising standards for consumers; ensuring there are strong protections in place for vulnerable people and empowering the public so they can make well informed choices about their gambling. Our work in this area is linked to the National Responsible Gambling Strategy and is consistent with our approach to protecting consumers at risk of harm.

Some of the key activities that helped us achieve this were:

- ▶ Implementing a planned programme of work to improve the way that we provide information to consumers, and to better understand the consumer perspective to help shape policy. The result is a more transparent organisation that is more responsive to consumer needs. We have also focused on improving the quality of services provided through our contact centre as it is the first point of contact with consumers.
- ▶ Listening to issues that are important to consumers and building partnerships with other regulators to tackle those issues. The fairness of terms and conditions and concerns about misleading advertising were two focus areas. This led to a joint programme of work with the Competition and Markets Authority (CMA) which has launched an investigation into possible unfair terms and misleading practices by online gambling businesses and also informed our work with the Advertising Standards Authority (ASA) to tackle misleading advertising, leading to a landmark fine for an operator in 2017.
- ▶ Raising awareness of key issues directly to consumers via a new and easier to navigate website, improved use of social media and proactive media activity, giving consumers the information they need to make effective choices about their gambling.
- ▶ Setting a clear agenda for developing research on prevention and treatment for gambling related harm through the Commission's expert panel, Responsible Gambling Strategy Board (RGSB) who launched the National Responsible Gambling Strategy earlier this year.



Raise standards across all gambling sectors

Raising standards in the industry is not simply about ensuring that operators comply with regulatory obligations. It is also about encouraging a culture in the industry of going the extra mile to treat consumers fairly, tackle gambling-related harm and maintain public confidence in the integrity of gambling.

Some of the key activities that helped us achieve this were:

- ▶ Successfully setting the social responsibility agenda with the boards of operators through the introduction of assurance statements. Our ambition is for them to not only meet the standards we require, but raise them. Following receipt of the first set of statements we have held workshops for operators, trade bodies and industry lawyers to share best practice and provide information and guidance on how to develop content further.
- ▶ Evaluating and publishing a revised enforcement policy, enabling us to use our full range of powers more effectively to help drive up standards. The consultation will conclude in 2017/18.
- ▶ Publishing and implementing changes to the Licence conditions and codes of practice (LCCP). This ensures we reflect how the market is changing so that we can keep on top of evolving issues and across emerging markets. These include new and revised conditions and codes to improve standards on crime detection and prevention and also requirements relating to the siting of machines in appropriate licensed premises. These new and effective tools mean that higher stake gaming machines are only made available in a socially responsible way in licensed environments.
- ▶ Hosting the first Raising Standards conference for operators which aimed to inform, educate and provide a forum for sharing experiences and learning from each other.



Build partnerships and understanding

We do not work in isolation to keep gambling fair, safe and crime free. We are just one part of an effective regulatory framework that includes both central and local government. This year we have continued to build on those partnerships, providing advice to government as part of the gambling review and supporting local authorities as they regulate gambling in our local communities. The effectiveness of this tripartite regulatory system is key to ensuring that local concerns inform national policy and that, in turn, national policy is locally implemented. This collaborative approach extends to working with other expert regulators such as the Competition and Markets Authority, Advertising Standards Authority and the Information Commissioner's Office, as well as strong engagement with international regulators where we share evidence and best practice.

Some of the key activities that helped us achieve this were:

- ▶ Ensuring strong local partnerships by supporting and working closely with licensing authorities and operators to have local risk assessments in place which mitigate risks to the licensing objectives. This new LCCP requirement was implemented in April 2016 and is a valuable tool in ensuring operators are alert to and act upon the specific vulnerabilities and risks in each of their premises, for example the proximity of an addiction clinic or a new college opening up nearby. We also work with colleagues in police licensing units to tackle local illegality and to improve the protections available to gambling premises staff and customers through schemes such as Betwatch. We also work closely with the Local Government Association to deliver training, good practice and dissemination of gambling updates to licensing authorities across Great Britain.
- ▶ Building strong relationships and partnerships at a national level including working closely with Department for Culture, Media and Sport as it developed its thinking around the previous Government's review of gaming machines and social responsibility measures. Later this year we will provide our formal advice to government, drawing on a broad evidence base, including advice from the Responsible Gambling Strategy Board. Other important relationships include other regulators, and sports governing bodies, who we work closely with as part of the Sports Betting Intelligence Unit. In addition we work with the Gambling Anti-Money Laundering Group – a group that tackles money-laundering across the industry.
- ▶ Maintaining a strong presence globally and taking opportunities to learn from others and share our experience with other regulators. We have done this through participation in the European Commission expert groups, with European regulators group meetings and speaking at key international conferences, as well as hosting visits from other jurisdictions such as Sweden, South Korea, Denmark, Peoples Republic of China, Bermuda, Singapore, Nigeria and South Africa. The Commission contributes to international regulators associations, in particular GREF and IAGR. This work plays a vital role in improving how we regulate as well as enabling us to set best practice across the international gambling market.



Ensure fair play on National Lottery

The National Lottery is a valued national asset which has raised over **£36bn** for good causes since it was launched in 1994. It is essential that the public has trust in its lottery and confidence in the way it is run and regulated. Our role is to make sure that play is fair, that the nation's interest in the Lottery is protected and that the current National Lottery licensee, Camelot UK Lotteries Ltd, is motivated to maximise the enjoyment and benefits that the Lottery brings, both to players and to good causes.

Some of the key activities that helped us achieve this were:

- ▶ Monitoring Camelot's performance against its strategy and budget and challenging it to deliver in the interests of players, good causes and the public.
- ▶ Assessing and encouraging game changes and innovations in the context of Camelot's five year strategy, which included the launch of a revamped EuroMillions game.
- ▶ Checking Camelot's compliance with its licence and taking robust action where it has not met our expectations. This includes enforcement action such as the raffle case – where Camelot published inaccurate Lotto Millionaire Raffle results on the National Lottery website – and a case involving allegations of a fraud against the National Lottery where we found that Camelot had breached conditions of its operating licence. This resulted in record fines to Camelot totalling **3.3million** over the year. In both cases, we sent a clear message to Camelot, the public and other stakeholders that maintaining public confidence in the Lottery and the way it is run is of paramount importance and we will use our powers to ensure that integrity is maintained.
- ▶ Laying the foundations for the long term direction of the National Lottery, including enhancing our forward-looking analytical capacity. This year we will be using our powers under Condition 17 of the Third Licence requiring Camelot to procure an independent review of the effectiveness of its Board and we will be starting the work to shape the next licence competition so that consumers can continue to have a National Lottery which they enjoy playing and benefits good causes.



Improve regulation

As a regulator it is important that we hold ourselves to the same high standards that we expect of others. This means constantly reviewing our performance in priority and core areas such as compliance, licensing and enforcement; and then taking significant steps to further improve, maximise our impact and provide continued value for money. Where we can, we also look to reduce the regulatory burden to operators. As we work to raise standards in the industry it is important that we turn the mirror on ourselves and work to raise standards in our own organisation to further improve regulation.

Some of the key activities that helped us achieve this were:

- ▶ Supporting a strong, effective and sustainable regulatory system by implementing new fee arrangements while ensuring costs are applied proportionately to industry sectors. This means that this year around **1,900** operators have seen an average of **10%** reduction in fees. The implementation of new fees has ensured a fairer distribution of costs, in particular benefiting smaller operators and has bought stability to our own funding regime for the next three years.
- ▶ Improving and ensuring effective relationships with those that we regulate by stepping up our engagement with small and independent operators, reviewing our consultation and engagement strategy and making improvements to the way we communicate and update on developments in regulation. We are also looking at simplifying the way we gather industry data, which is used to identify trends in the sector and ensures operators have the correct licence.
- ▶ Reducing regulatory burden by updating our approach for the testing of online games to allow minor, non-critical updates to be made more quickly without the need for third party testing. The process for licence holders is now smoother, however, operators are still required to provide assurance about fairness in an annual audit.
- ▶ Implementing year one of a two year internal change programme to ensure skills, capabilities, structure and ways of working are fit for purpose. This work included developing an ambitious people strategy featuring a leadership development programme, a learning and development drive for all staff, a dignity at work programme and the launch of a recognition scheme. This work contributed to successfully raising our 2016 employee engagement score by **+5%**. Additionally we enhanced our approach to knowledge and information management with the roll out of OneDrive, along with planning for the introduction of SharePoint, which will improve how we store, access and update all our documents.

A year in review – delivery of core functions

As well as delivering on the key milestones and initiatives which are outlined in our business plan, there is also our essential day-to-day work as a regulator and licence provider – these areas include:



280

licence applications
processed from
prospective operators

Licensing

We ensure that those offering facilities for gambling are suitable to do so and that the activities they carry out are conducted in a manner which minimises the risks to the licensing objectives.

The Licensing department manages the accounts of over **2,800** operators, and **18,000** individuals. We assess the ongoing suitability of our licensees by using a variety of tools, such as regulatory data and interaction with stakeholders to ensure they remain suitable to continue to be licensed.

In the past year we have processed over **280** licence applications from prospective operators, and over **2,300** individuals applied for a licence.

Our licensing function continues to evolve, so applicants can be assured that their licence applications will be dealt with thoroughly, and consumers can be assured that entry requirements on operators seek to provide them with strong protections. Over the next year, through investment, we will continue to improve our service.

Contact Centre

The Gambling Commission contact centre receives calls and emails from licensees, local authorities and the general public.

The contact centre handles on average **6,500** enquires per month.

As well as supporting licensees to ensure they are meeting their regulatory requirements, **60%** of the contact centre's work is directly from consumers.

Our contact centre has provided advice and guidance to consumers on a wide range of issues from the fairness of games being offered to self-exclusion. In 2017/18 we will continue to work hard to improve the quality of the service we provide.



6,500

enquiries per month
with 60% directly
from consumers

Compliance

As part of our compliance activity with larger operators, we undertake regular planned assessments of the management arrangements, known as corporate evaluations. We also conduct regular assessments of smaller operators, undertake regulatory reviews and work in partnership with local authorities in their area to support delivery of the licensing objectives.



1,582

operator assessments
in the last year

In the last year our compliance teams have carried out over **1,582** operator assessments and **39** licence reviews.

£3 million
landmark fine against
lottery operator Camelot

Enforcement

Enforcement is one of our core functions. It may not be the first place we go to ensure the needs of consumers are met but, when necessary, it is the sharp end of our regulatory approach and we want to use it to best effect.

We've carried out **71** regulatory and criminal investigations in the last year, most notably including our first prosecution against a website for allowing unlicensed gambling on a computer game, and a landmark **£3 million** fine against lottery operator Camelot for failing to meet conditions of its operating licence.

Intelligence

Our intelligence team and Sports Betting Intelligence Unit (SBIU) provide a confidential ear to the industry and public, as well as our main gateway to partner agencies, such as the National Crime Agency, other public bodies, international law enforcement organisations, and sports governing bodies.

This year, our intelligence team logged over **2,700** intelligence reports. Crucial to this is the **453** calls to our confidential telephone line, daily interaction with police forces across the UK, and our work with overseas regulators.

The SBIU receives reports from a number of sources including operators, concerns from over **15** sports governing bodies and over **25** countries outside of Great Britain, or tip offs through the confidential intelligence line. These reports cover a wide range of incidents such as sports rules breaches, misuse of inside information, Gambling Act offences or other criminality such as fraud or bribery.

Volumes have increased by over **80%** since 2014, with football and tennis accounting for the majority of reports although we are seeing an increasing number of reports from other sports that aren't traditionally associated with betting integrity.



2,700

intelligence reports
logged in 2016/17

National Lottery

Our National Lottery team monitors the performance of the operator and leads a programme of work designed to ensure that we achieve our objectives in respect of the National Lottery. During the year, the National Lottery team has reviewed **8** significant proposals from Camelot, including new game requests, such as a change to the EuroMillions game which launched in September. In addition to our programme of compliance activity, we've also taken enforcement action to ensure the National Lottery is run with integrity and that player interests are protected, resulting in a record fine against the lottery operator.

During the year, the National Lottery team has reviewed 8 significant proposals from Camelot, including new game requests, such as a change to the EuroMillions game which launched in September.

08



Evidence and insight

Our regulatory approach is evidence led. Our evidence and analysis team has continued to develop its research and insight programme to better inform our work and enable us to provide advice to the government about gambling behaviour in Great Britain.

Protecting young people from gambling-related harm has been high on our agenda. In November 2016, we published a report exploring the gambling behaviours of 11-15 year olds and worked with national broadcast media to highlight to parents the dangers of under-age gambling.

Other highlights in our research work have included our gambling participation annual report, which provided commentary around behaviours, awareness and attitudes to gambling – including important insight into online gambling trends and the impact of social media. We also published our bi-annual industry statistics report, and statistics on the levels of problem gambling in Scotland and Wales.

Financial review

Commission funding

The Commission is an independent public body funded:

- ▶ by application and licence fees set by the Secretary of State, approved by Parliament and paid by the gambling industry. These fees fund all gambling regulation except for the National Lottery.
- ▶ in respect of National Lottery functions, by grant-in-aid from the National Lottery Distribution Fund (this grant-in-aid is not treated as income).

Income

Our total income from fees and other sources was **£19.65 million** for the year (2015/16: £19.21m). This does not include the grant-in-aid funding in respect of National Lottery functions which is transferred directly to reserves.

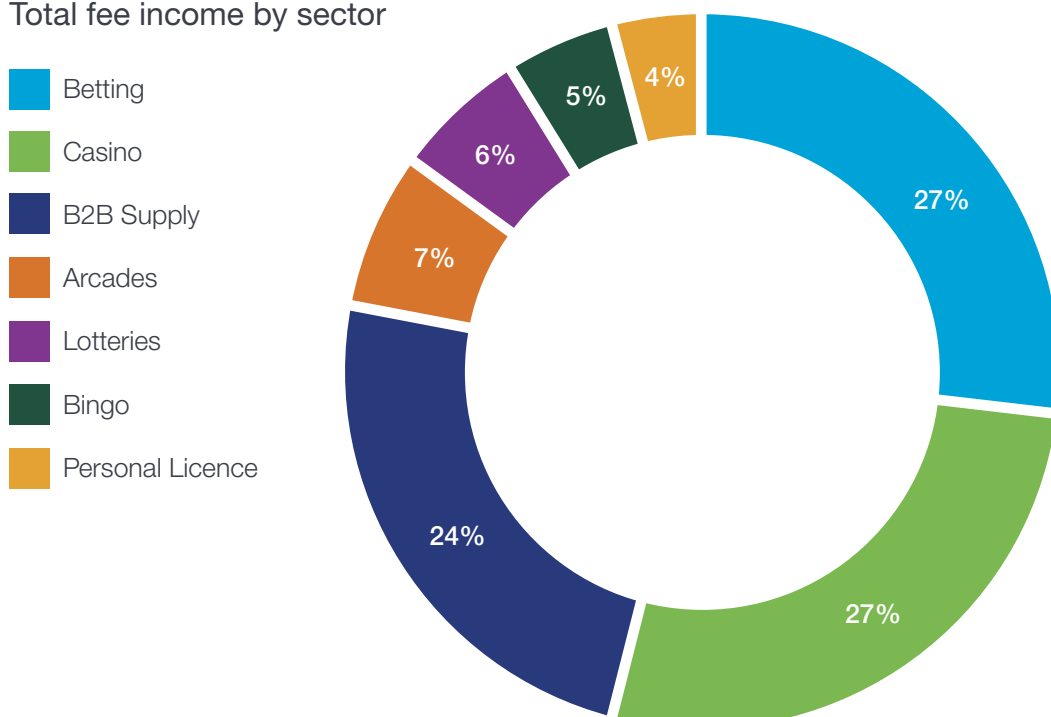
Operator application fee income for the year amounted to **£0.94m** (2015/16: £0.83m). In accordance with our accounting policies, fees for the current year have been recognised amounting to **£0.75m** (2015/16: £0.72m) for personal licences and **£17.64m** (2015/16: £17.54m) for

operator annual licence fees (see page 74). Licence fees and other charges can be found on our website at www.gamblingcommission.gov.uk.

The Commission also received **£0.32m** in miscellaneous income (2015/16: £0.12m). This was mainly attributable to contributions to compliance and enforcement costs received from operators.

Total fee income has been analysed by industry sector in the chart below.

Total fee income by sector



Expenditure

During the year, total expenditure on operational costs including depreciation was **£20.88m** (2015/16: £19.59m), an increase of **£1.29m** on the prior financial year (6.6%).

Expenditure on gambling regulation totalled **£18.01m** (2015/16: £16.95m). This increase was due to the considerable increase in regulatory work under our expanded remit following the introduction of the Gambling (Licensing and Advertising) Act 2014, and in relation to our increasing focus on the consumer.

National Lottery functions accounted for **£2.87m** (2015/16: £2.65m). Additional expenditure was also incurred within the National Lottery work on scoping

activity ahead of the National Lottery licence competition in 2022.

Employee costs for the year were **£14.31m** (2015/16 £12.83m), an increase of **£1.48m**. This increase is mainly due to additional staff required following the introduction of the Gambling (Licensing and Advertising) Act 2014. Employee costs for gambling regulation were **£13.34m** (2015/16 £11.84m), and National Lottery regulation **£0.97m** (2015/16 £1.0m).

For comparative purposes, the table below shows year on year operational expenditure comparison for gambling and National Lottery regulation.

Year on year comparison for gambling and National Lottery regulation expenditure

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
National Lottery regulation	5.00**	2.80**	2.20*	2.48***	2.65	2.87
Gambling regulation	13.30	13.82	14.35	15.82	16.94	18.01
Total costs of operation	18.30	16.62	16.55	18.30	19.59	20.88

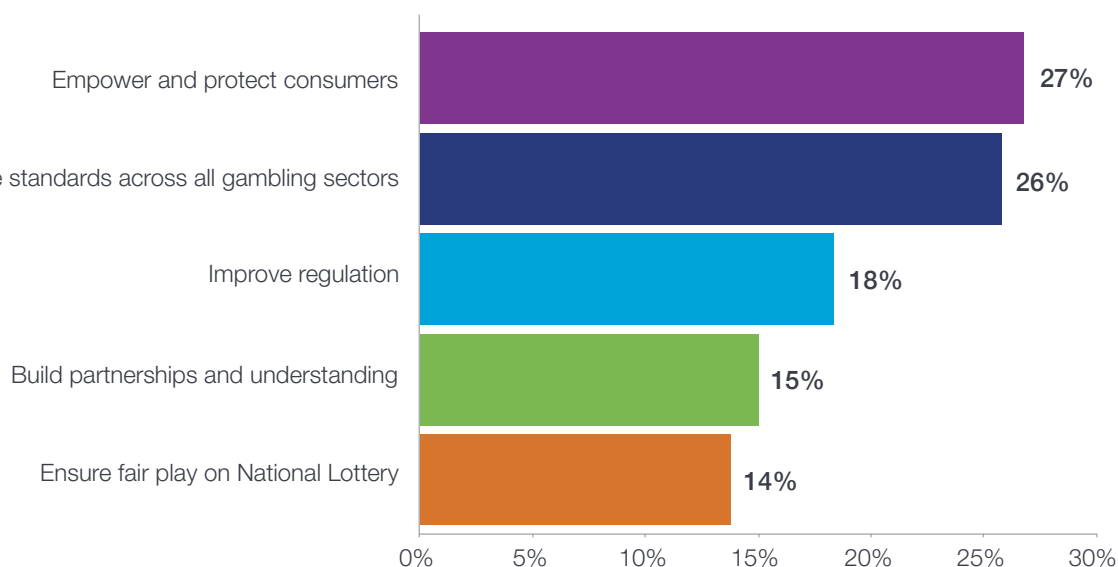
* of which £0.55m was incurred by the National Lottery Commission prior to the merger.

** expenditure incurred by the NLC prior to the merger.

*** includes one-off redundancy costs of £0.20m following the merger.

Our business plan is split into five broad strategic objectives.

Costs for 2016/17 are summarised below by strategic objective.



Net expenditure for the year

During the year, the regulation of gambling under the Gambling Act 2005, as amended and updated by the Gambling (Licensing and Advertising) Act 2014, produced an income and expenditure surplus of **£1.68m**. This surplus, as was the case last year, largely arose from an excess of fee income collectable following the extension in remit over the cost of regulation. Changes arising from the recent fees review took effect from 6 April 2017, and it is our intention to return accumulated surpluses to operators through this reduction in fees.

The total income and expenditure deficit arising for the year is **£1.23m**, including regulating the National Lottery. This deficit is due to the requirement to transfer grant-in-aid funding in respect of National Lottery regulation direct to reserves and not include it as income.

Statement of financial position

At 31 March 2017 the book value of non-current assets was **£1.57m** (2015/16: £1.3m). Assets less liabilities at 31 March 2017 amounted to **£5.97m** (2015/16: £4.55m).

The year-end closing cash balance at 31 March 2017 was **£17.08m** (2015/16: £15.82m). This cash balance position arises due to the requirement for operators to pay their annual fee in full and in advance. Grant-in-aid to fund National Lottery regulation is drawn down on a monthly basis as required, satisfying the normal conventions applying to Parliamentary control over income and expenditure.

Payment performance

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 2017, **92%** (target 95%) of invoices totalling **£5.73m** were paid within 30 days of receipt.

Sustainability report

Introduction

This sustainability report complies with the requirements of the Greening Government Commitments – the UK government’s commitments for delivering sustainable operations and procurement.

Greenhouse gas (GHG) emissions

These are commonly referred to as carbon accounting or carbon footprinting and are split into three areas:

- ▶ Scope 1: Direct GHG emissions – these occur from sources owned or controlled by the Commission, for example, emissions as a result of combustion in boilers, or emissions from fleet vehicles.
- ▶ Scope 2: Energy indirect emissions – as a result of electricity that we consume which is supplied by another party, for example, electricity supply in buildings.
- ▶ Scope 3: Other indirect GHG emissions – all other emissions which occur as a consequence of our activity but which are not owned or controlled by the Commission, for example emissions as a result of staff travel on official business.

Non-financial indicators	2016/17 tonnes CO ₂ e	2015/16 tonnes CO ₂ e
Total Gross Emissions for Scopes 1 & 2 (procured electricity, gas and fleet vehicles incl pool cars)	181.7	152.8
Gross emissions attributable to Scope 3 (indirect emissions and official business travel)	120.9	117.9
Related energy consumption	thousand kWh	thousand kWh
Electricity	366.69	307.89
Gas	25.49	34.60
Related energy consumption	£'000s	£'000s
Expenditure on energy	45.60	38.63
Expenditure on accredited offsets		
Expenditure on official business travel	305.90	318.06

Waste minimisation and management

Data on waste is collated (in line with Sustainable Operations on the Government Estate (SOGE) targets) for all offices and land owned by the Commission:

- ▶ waste to landfill (residual office waste)
- ▶ waste reused/recycled (paper, aluminium cans & glass)
- ▶ waste incinerated
- ▶ hazardous waste.

Non-financial indicators	2016/17 tonnes	2015/16 tonnes
Total waste arising	19.57	18.13
▶ Hazardous waste	–	–
▶ Non-hazardous waste		
▶ Landfill	2.71	2.40
▶ Reused/recycled	16.86	15.73
▶ Waste composted	–	–
▶ Incinerated with energy recovery	–	–
▶ Incinerated without energy recovery	–	–

Use of finite resources

This category is broken down into use of water, energy and other finite resources.

- ▶ Scope 1: Water owned or controlled the Commission. This would include water reserves in lakes, reservoirs and boreholes.
- ▶ Scope 2: Purchased water, steam or ice. This would include mains water supply as well as other deliveries of water eg for coolers.
- ▶ Scope 3: Other indirect water. This would include embodied water emissions in products and services.

Non-financial indicators	2016/17 m ³	2015/16 m ³
Water consumption (office estate), scope 2		
▶ Supplied	2,349.00	1,949.00
▶ Per FTE	7.80*	6.73
Financial indicators	£'000s	£'000s
Water supply costs (office estate)	–	–
Water supply costs (non-office estate)	–	–

*During the year new meters were installed by the landlords to provide them with more accurate readings, as a result there has been an increase in consumption charges for the period.

Sustainable procurement

Many of the Commission's contracts are awarded through pan-government frameworks operated by Crown Commercial Services (CCS). This allows us to take advantage of the CCS active sustainable procurement policy to ensure that environmental obligations are properly reflected.

CCS has also implemented the DEFRA sustainable procurement prioritisation tool to support decision making and, where appropriate, sustainability obligations are included within contracts let by CCS to ensure that:

- ▶ goods and services are purchased on whole life costs
- ▶ performance can be monitored throughout the life of the contract.

The use of small and medium sized enterprises (SMEs) for the supply of goods and services across the Commission exceeds the Government's 25% target. During 2016-17, 55% of our procurement expenditure was sourced from SMEs (56% 2015/16).



Sarah Harrison
Chief Executive and Accounting Officer
Gambling Commission
29 June 2017



Accountability report

Corporate governance report

Directors' report, Board of Commissioners



Bill Moyes (Chairman)

Having completed a PhD in theoretical chemistry at the University of Edinburgh, Bill entered the fast-stream of the UK Civil Service in 1974. His 20-year career in the Civil Service was spent mainly in policy-making roles in Whitehall and in the Scottish Office.

After leaving the Civil Service, he spent six years in the Bank of Scotland Group. In 2000 he became Director-General of the British Retail Consortium, the representative body for the retail sector. Between 2004 and 2010 he was the founding executive chairman of The Independent Regulator of NHS Foundation Trusts (Monitor), which authorises foundation trusts and regulates their finances and governance.

He currently chairs the General Dental Council and is Chair of the Board of St Mary's Music School, Edinburgh, and a member of the Board of the Albertus Institute.

Previous roles have included non-executive directorships with the Priory Hospital Group, the Legal Services Board and the Office of Fair Trading, the Chairmanship of the Board of Governors of Heythrop College, a constituent college of the University of London and of SERCO's Clinical Governance Committee.



Sarah Harrison MBE (Chief Executive)

Sarah became Chief Executive on 1 October 2015. Prior to joining the Commission, Sarah was at the UK energy regulator, Ofgem, where she held a number of senior executive roles: as Senior Partner, Sustainable Development, Managing Director of Corporate Affairs and, before that, Communications Director. Before joining Ofgem in 2000, Sarah was the first Chief Executive of ICSTIS, the UK industry regulator for premium rate telephone services. Her earlier career was in government and public relations consultancy. Sarah is a Board Member of the Association of Chief Executives and a Trustee of Sustainability First.

She was awarded an MBE in 2016 for services to consumer protection.



John Baillie

John is a Chartered Accountant and a former partner of KPMG in Scotland and London.

He is immediate past chair of the Accounts Commission for Scotland, the Scottish local authority watchdog and served two three-year terms.

He was also a member of the Reporting Panel of the Competition and Markets Authority for nine years.

John is a visiting professor of accountancy at the University of Edinburgh and has previously held similar appointments at other Scottish universities.

He is also a Trustee of the ICAS Foundation Trust, a charity that funds and mentors young people from deprived communities through their university courses in accounting and finance.



Stephen Cohen

Stephen has worked in the investment management industry for over 37 years, in London, New York and Tokyo, and focused most recently on governance and engagement, including being CEO of an activist asset manager. He has served on multiple boards and currently is a member of the Health and Care Professions Council, chairs a financial technology business and is a Director of the JPMorgan Japan Investment Trust plc. He has acted as advisor to the UK's leading independent technology research business and was a trustee of the Beacon Charitable Trust for ten years gaining wide experience of best practice in the third sector. Stephen lives in London and studied Physiology at University College, Oxford.



Alison Hastings

Alison is a non-executive Director and Vice President of the British Board of Film Classification, a non-executive Director of Clatterbridge Cancer Centre, a non-executive Director of Archant, a privately-owned media company, a Board Member of Durham University, a Board Member of the Press Association Trust and a member of the Sharing Economy Expert Advisory Panel.

Until recently she was the BBC Trustee for England and was formerly a Press Complaints Commissioner.

Continued over ►



Walter Merricks CBE

Walter qualified as a solicitor. He chairs the boards of IMPRESS the independent monitor for the press, and JUSTICE the law reform charity.

He was the inaugural Chief Ombudsman of the Financial Ombudsman Service – leading the organisation for ten years. Walter subsequently served on the board of Ombudsman Services, the dispute resolver for the telecoms, energy and property sectors.

He is Service Complaint Reviewer for the Royal Institution of Chartered Surveyors and was previously Reviewer for the Legal Ombudsman.

He was awarded the CBE in 2007 for his contribution to financial services.



Sarika Patel

Sarika is a business leader with over 25 years' blending of public and private organisational experience. Sarika is a partner at Zeus Capital leading cross-border transactions focused on infrastructure, real estate and technology sectors.

Sarika is a Trustee of the Royal Institution where she chairs the audit committee. She is on the Board of Imperial Healthcare Trust, where she chairs the remuneration committee and is a member of the audit, risk and governance committee. She has recently stepped down from being vice-chair of Centrepoin, a leading charity aimed at supporting homeless young people. Some of the previous board positions she has held include the University of Greenwich, the London Bioscience Innovation centre and the Council of Brunel University.

She is a qualified chartered accountant having graduated with LLb and BCom degrees.



Trevor Pearce CBE QPM

Trevor spent 40 years in law enforcement during which time he was Director General of both the National Crime Squad and the Serious Organised Crime Agency.

He has experience in senior public sector management and leadership in dealing with serious crime, having particular knowledge around intelligence processes and investigative procedures.

He is Chair of UK Anti-Doping.



Simone Pennie

Having qualified as a chartered accountant in 1991, Simone spent 18 months with KPMG in Toronto before joining P&O Nedlloyd in 1994.

She subsequently joined BBC Worldwide in 1996 and became Finance Director of BBC World News in 2005. Since 2011 Simone has maintained a portfolio career including Chair of the Audit Committee and Non-Executive Director for Wye Valley NHS Trust, Independent Risk & Audit Committee member for Ofcom, Governor for Westonbirt Schools and Independent member of the inaugural Audit & Assurance Board for the National Police Chiefs Council, and she was until recently a co-opted member for the Audit Committee at the University of Bath.

Simone is Finance Director and co-founder of Angus Kyle Partners, a software development business in the recruitment sector.



Jonathan Scott

Jonathan retired as Senior Partner and Chair of Herbert Smith Freehills, a leading global law firm, in 2015.

He has extensive high level experience of competition law including in the gambling sector, having advised on mergers within the industry and on governance and regulation. He is a non-executive director of the Competition and Markets Authority, member of the Audit Committee of The Press and Assessment Board of The University of Cambridge and a trustee of two charities.



Catharine Seddon

Catharine Seddon spent many years as a documentary film maker for BBC TV and then as an independent producer for Channel 4.

She began working for the judiciary in 2002 and now sits on tribunals in the jurisdictions of employment and mental health.

She is a presiding magistrate in Central London and she sits as a Lay Assessor under the Equality Act in county court cases.

Her national public appointments include Audit and Risk Assurance Committee (ARAC) chair and member of the Human Tissue Authority, member of the Determinations Panel of The Pensions Regulator and member of the Legal Services Board. She is also a trustee of the London Centre for Children with Cerebral Palsy.

Catharine read Philosophy and Psychology at Somerville College, Oxford.

Continued over ►

Register of disclosable interests

Board members completed their annual declarations of interest. Board members are asked to declare any relevant interests in agenda items at the start of each Board meeting and absent themselves from those discussions. No directorships or other significant interests were held by Board members which may have conflicted with their management responsibilities.

Directors disclosure

As far as the directors are aware, there is no relevant audit information of which the auditors have not been made aware. All reasonable steps have been taken by the directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of this information.

Fees and charges

The Commission aims to ensure that the costs incurred in delivering the organisation's strategic objectives are recovered from the industry through application and licence fees set by the Secretary of State. We periodically review our costs to drive efficiency and value for money as well as review our approach to cost recovery via fees to see how it could be made more equitable. As a direct result of this process, the Commission has delivered, through the 2017 fees review, a reduction in licence fees from 2017/18.

Current application and licence fees range from **£200** to **£443,526** dependant on operator size and licence type. The Commission's total income from fees and other sources was **£19.65 million** for the year (2015/16: £19.21m). Further analysis of fees and charges is provided in the Financial Review section (page 29).



Sarah Harrison

Chief Executive and Accounting Officer
Gambling Commission
29 June 2017

Statement of the Accounting Officer's responsibilities

Under the Act, the Secretary of State for Culture, Media and Sport has directed the Commission to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Commission and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- ▶ observe the Accounts Direction issued by the Secretary of State for Culture, Media and Sport – including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- ▶ make judgments and estimates on a reasonable basis
- ▶ state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the financial statements
- ▶ prepare the financial statements on a going concern basis.

The Accounting Officer of DCMS has designated me as the Commission's Chief Executive Officer to act as Accounting Officer. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Commission's assets, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum published by the Treasury.

The Accounting Officer has confirmed that the annual report and accounts as a whole is fair, balanced and understandable and that she takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.



Sarah Harrison

Chief Executive and Accounting Officer
Gambling Commission
29 June 2017

Governance Statement for the year ended 31 March 2017

I became Accounting Officer on 1 October 2015, having joined the Commission on 7 September 2015. This governance statement describes how I have carried out these duties and the structure that supported us in the financial year 2016/17.

This statement explains the key features of the Commission's governance structure.

The Gambling Commission Board

The Board has complied with government guidance for corporate governance in arm's length bodies.

The composition of the Board has changed significantly in recent years, with the arrival of a number of new Commissioners, including five in 2015/16, and the appointment of a new Chairman in 2016/17.

We have put in place an extensive programme of induction and training for new Commissioners, including the Chairman, to ensure a solid foundation of knowledge about consumer issues in gambling, and the operating environment and diversity of the sector. We also work closely with DCMS to ensure careful management of recruitment of new Commissioners, so that at all times the Board has sufficient experience and expertise.

Governance framework

The Board of Commissioners – led by the Chairman Bill Moyes, oversees the business of the Commission. The day-to-day activity of the Commission is managed by the Leadership Team, led by me as Chief Executive and Accounting Officer.

Commissioners are responsible for the strategic direction of the organisation and oversee delivery of the Commission's Business Plan. Commissioners also retain direct responsibility for some regulatory decisions, such as complex licence applications.

The Accounting Officer has personal responsibility for stewardship of the organisation's resources, consistent with the duties and requirements set out in Managing Public Money.

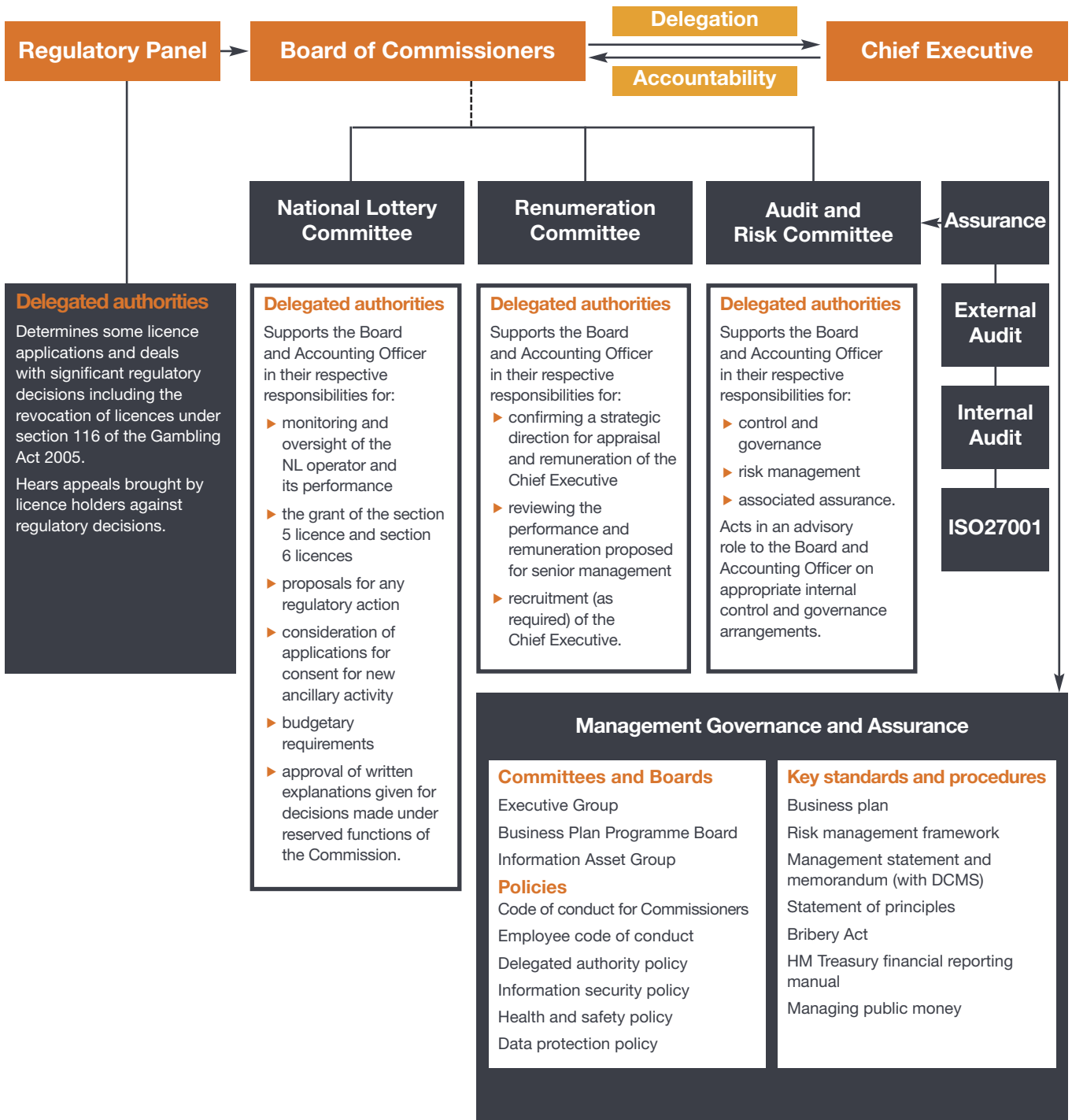
The Commission monitors its performance using an outcome-based framework built around its statutory duties and business plan. Performance against these outcomes is monitored by the Board on a regular basis. Each month the Board receives an update on the Commission's performance covering operational management and delivery, stakeholder satisfaction and a range of strategic measures. The Board also considers a monthly update on key performance and other matters in relation to the National Lottery.

Following Board discussions in early 2017 on the effectiveness of the Commission's performance reporting, a Commissioner-led working group is taking forward a project to test out new approaches, alongside development work on the Corporate Strategy.

The Executive has overall accountability for delivery of the Commission's strategic objectives. It is supported by the Business Plan Programme Board (BPPB), a group of Programme Directors and Heads of Functions, which monitors progress and resourcing in Business Plan delivery.

The Commission also reports on performance to DCMS, sharing the data and information set out in the management agreement.

The Commission’s governance structure



Board performance

The Board

The Board met formally ten times during the year and also met for a special session in January 2017 to discuss development of the Commission's Corporate Strategy. Board minutes and Committee terms of reference are

published on the Commission's website. Board meeting attendance records can be found below. The Board monitors and receives regular reports from its Audit and Risk, Remuneration and National Lottery Committees.

Meeting attendance by Commissioners is given below:

Commissioner	Board	Audit and Risk Committee	Remuneration Committee	National Lottery Committee
Philip Graf <i>(Chairman to 2 September 2016)</i>	4	N/A	2	4
Bill Moyes <i>(Chairman from 5 September 2016)</i>	6	N/A	N/A ¹	N/A
Sarah Harrison MBE (CEO)	10	4 ²	3	N/A ³
John Baillie <i>(from 11 April 2016)</i>	10	N/A	N/A	8
Stephen Cohen <i>(from 11 April 2016)</i>	9	N/A	N/A	7
Robin Dahlberg <i>(until 31 December 2016)</i>	7	3	N/A	7
Alison Hastings	8	N/A	4 ⁴	8
Walter Merricks CBE	8	N/A	4	N/A
Sarika Patel <i>(from 11 April 2016)</i>	8	3 ⁵	N/A	N/A
Trevor Pearce CBE QPM	10	3	N/A	N/A
Simone Pennie <i>(from 11 April 2016)</i>	8	3	3	N/A
Jonathan Scott	9	1 ⁶	N/A	10 ⁷
Catharine Seddon <i>(from 11 April 2016)</i>	8	3	N/A	N/A
Peter Teague <i>(until 30 June 2016)</i>	2	2 ⁸	N/A	N/A
Number of meetings	10	4	4	10

A. Robin Dahlberg, Philip Graf and Peter Teague left the Commission during the year.

B. Bill Moyes became Chair in September 2016.

C. John Baillie, Stephen Cohen, Sarika Patel, Simone Pennie and Catharine Seddon joined the Commission during the year.

- 1 Attended one Remuneration Committee meeting to observe
- 2 Attends as CEO and Accounting Officer
- 3 Occasionally attends NL Committee for specific business
- 4 Chair of Remuneration Committee from 01/09/2016
- 5 Chair of Audit and Risk Committee from 01/07/2016
- 6 Stood down from Audit and Risk Committee 30/05/2016
- 7 Chair of National Lottery Committee
- 8 Chair of Audit and Risk Committee until 30/06/2016

Board meetings provide the opportunity for robust and constructive challenge and debate amongst Board members and senior management. As part of this process, Commissioners are required to disclose any potential conflicts of interest, as set out in the code of conduct for Commissioners, which is available on our website.

During the year, the majority of time in formal Board meetings was focused on the Commission's consumer empowerment and protection work and on work to raise standards across all gambling sectors.

Much of the Commission's work on the National Lottery, including a range of delegated decision making, is undertaken by the National Lottery Committee. The Board receives an update on the National Lottery Committee's work at each meeting.

Commissioners also spend time outside of Board and Committee meetings, attending events in the sector and engaging with stakeholders, as well as providing non-executive advice on strategic projects.

Audit and Risk Committee

The Audit and Risk 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 can be found on page 42. In addition to Commissioners, the Audit and Risk Committee also has an independent member, Ann Harris OBE, who was appointed on 1 October 2015.

The remit and responsibilities of the Audit and Risk Committee are set out in the Committee's Terms of Reference, which are on our website.

In the year, the Committee received and reviewed all internal and external audit reports – together with the recommendations arising – and monitored implementation of agreed actions. This work on the internal audit programme forms the core of the Audit and Risk Committee's business, with significant time also directed to work with the external auditors. In addition, the Committee provides scrutiny and challenge of the Commission's approach to risk management.

Remuneration Committee

The Remuneration Committee supports the Board in its responsibilities for:

- ▶ confirming a strategic direction for appraisal and 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
- ▶ the remuneration aspects of the recruitment or termination of employment of the Chief Executive.

Details of the Committee members and their attendance can be found on page 42.

The remit and responsibilities of the Remuneration Committee are set out in the Committee's terms of reference, which are on our website.

Much of the Committee's business is focused on providing advice on reviews of the Commission's People policies, and on consideration of staff benefits arrangements.

National Lottery Committee

The National Lottery Committee advises the Board and the Chief Executive in relation to the exercise of the Commission's functions under the National Lottery etc. Act 1993. The Committee has decision making powers in a number of areas delegated to it by the Board.

Details of the Committee members and their attendance can be found on page 42.

Since April 2016, the Committee has received a range of proposals from Camelot and approved, or recommended to the Board for approval, some of these, described on page 28 of this report.

A significant part of the Committee's business is engagement with and review of the National Lottery operator's strategy and performance.

Regulatory Panel

The Regulatory Panel determines some licence applications and deals with significant regulatory decisions including the revocation of licences.

The procedure rules for the Regulatory Panel are on our website.

The Regulatory Panel sat on three occasions during 2016/17, one meeting for a licence application and two for regulatory settlements.

Risk and internal control framework

The Commission's risk and internal control framework 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 risk and internal control framework 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.

Risk is identified and managed at workstream level with each programme holding a risk register that, at a minimum, incorporates priority workstream risks. Programme risks are reviewed at the Business Plan Programme Board (BPPB) monthly.

The BPPB agrees risks to be escalated to the corporate risk register and submitted to the Leadership Team for ratification and onward submission to the Board.

The Board and Executive also identify corporate risks that are likely to impact or change the environment within which the Commission operates. In doing so, it uses a number of methods to ensure sufficient coverage has been achieved. This involves putting in place controls and actions to keep the level of residual risk within an acceptable level. The key risks and the framework are reviewed regularly by the Business Plan Programme Board and Executive.

The risk and internal control framework accords with Treasury guidance.

Risk management architecture

As an integral element of its risk and internal control framework, the Commission has an established corporate approach to risk management.

Clearly defined accountabilities exist for all relevant parties, including the roles and responsibilities of the Board, management and employees.

The Commission's Accounting Officer, in conjunction with the Board, is responsible for ensuring that an appropriate corporate governance framework is in place.

The Commission's Audit and Risk Committee is responsible for reviewing the risk management approach.

The Audit and Risk Committee also reviews internal control strategies and advises upon arrangements for internal audit including whether internal audit has the necessary resources and access to information to perform its role.

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

The Board and Audit and Risk Committee – oversee the arrangements in place for the risk management function which operates within the Commission (see page 50 for further details). This includes an Omand⁹ session at least annually with regular risk updates to consider risk in a wider context.

Business Plan Programme Board (BPPB) – monitors delivery of the business plan and monitors risks, identifying those for escalation to the Executive Group, Board and/or the corporate risk register.

Directors, Programme Directors and Functional Leads – own and manage risk. The Leadership Team reviews corporate risks on a bi-annual 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 identifying and managing risk to the achievement of the Commission's strategic objectives and business plan. This also includes the Commission's tolerance or appetite 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. The framework applies to all levels of the organisation up to the corporate risk register.

⁹ Omand principles of risk management cover three areas – external risks (economy, politics, stakeholders), operational risks (fraud, governance, people, finance) and self-imposed risks (new projects/ambitious targets).

The Commission's risk tolerance is expressed through the level of residual risk judged acceptable for each risk identified.

The Commission measures its tolerance for risk against five distinct areas, each of which will have varying acceptable residual levels of risk:

- ▶ reputation
- ▶ policy delivery
- ▶ finances
- ▶ legal standing
- ▶ capacity/effectiveness.

Risk owners are required to identify and implement mitigating actions to reduce the residual risk value to an acceptable level.

The Commission's governance framework sets out how the Board manages its affairs and which matters are delegated to the Chief Executive. This is reviewed at least annually. The most recent changes were made by the Board in September 2016.

Internal audit programme 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.

In their annual report, the Commission's internal auditors (Mazars) 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, Mazars carried out specific reviews on the following subjects (the level of assurance is also shown):

- ▶ Reactive compliance casework (adequate)
- ▶ High impact operator corporate evaluation (substantial)
- ▶ Freedom of information and transparency (substantial)
- ▶ Income model (substantial)
- ▶ Fees model (substantial)
- ▶ HR payroll processes (adequate)
- ▶ IT audit – PCI DSS (substantial)
- ▶ Change programme (adequate)
- ▶ Business and corporate planning/resource management (substantial)
- ▶ Maintaining data quality (adequate).

No fundamental weaknesses were identified in the Commission’s control and assurance processes.

Our expenditure continues to be modified to reflect the demands on the Commission arising from changes in the regulatory landscape. From 1 November 2014 those demands changed significantly as we took on the licensing of overseas operators who provide gambling facilities to British consumers, which in itself poses risks and challenges. This has continued – and will continue – within the Commission’s expanded remit.

The Commission’s fee income continues to be subject to uncertainty (for example, due to consolidations and closures) that we attempt to mitigate through regular review and re-forecast of income. An internal audit review was undertaken during the year within this area which provided substantial assurance on the effectiveness of internal controls. Further, a review of the Commission’s fee structure was undertaken during the year. Through consultation with the industry and stakeholders, revised fees were introduced from April 2017.

Whilst we forecast prudently, in the event of losing a further significant proportion of our income, there remains a risk that we may not be able to reduce our expenditure

(which is largely employee-based) as swiftly as needed to avoid an in-year deficit resulting from redundancy costs.

These risks are addressed as part of the budgeting process, through prudent planning and long-term management of reserves. Throughout the year, the risk to the Commission’s income and expenditure profile is continually reviewed through close monitoring of actual income and expenditure and forecasts.

To ensure we maintain tight control over our expenditure we continually review our procurement arrangements. Through a central contracts database ensure that all renewed contracts are brought in line with central frameworks where applicable.

There have been no reported actual or attempted frauds at the Commission during 2016/17.

However given the high profile of the gambling industry and the Commission within the public domain, it is important that the Commission remains proactive in identifying instances where there is potential for fraud and corruption. The quality assurance mechanisms which have been developed for the compliance and enforcement processes depend in their turn on accurate, timely and complete information, to help safeguard the Commission’s professional integrity and improve operational efficiency.

Internal control framework

The Commission has in place a wide range of internal controls to manage the risk of failure to achieve strategic objectives. These include:

Organisational structure and delegation of authority

The Commission is currently organised into cross-functional workstreams grouped into programmes that bring together related programmatic (every day activity), project and thematic (for example, under-age gambling) workstreams.

Authority to make decisions and authorise expenditure is delegated to the appropriate level of responsibility within each programme. The delegation of authority in the corporate governance framework is noted by Audit and Risk Committee on an annual basis, and reviewed and approved by Board.

Policies and procedures

Comprehensive policies and supporting procedures are in place across the Commission at a corporate and operational level. Policies are reviewed regularly and – where appropriate – presented to Audit and Risk Committee for consideration and advice. The appropriateness of Commission policies and procedures is periodically reviewed by internal audit as part of the audit plan. Adherence to policies and procedures is reported to management and the Audit and Risk Committee as part of internal audit review.

Operational and financial reporting

The Commission reviews and updates its business plan on an annual basis, and prepares an annual budget to support the delivery of the plan.

The budget also considers long-term implications to ensure that risks and uncertainties can be mitigated where possible. Both of these elements are reviewed and approved by the Board, along with progress against the business plan. Financial performance is reported to the Board on a monthly basis. In addition, the Commission also undertakes monthly financial re-forecasts to ensure that financial management of the Commission remains robust, which is reviewed and approved by the Board.

Review and sign-off of actions

The Commission has a series of checks and balances in place across the organisation to ensure that draft decisions and outcomes are appropriately reviewed. Quality assessment reviews have been undertaken within

a number of areas within the compliance area to ensure that regulatory activity continues to be of high quality. Management also reviews outputs within a range of frontline and support areas to ensure accuracy and relevance. These controls are subject to internal and external audit review as part of the internal audit plan and external audit fieldwork.

Public Interest Disclosure Policy

The Commission has a public interest disclosure policy in place for the confidential reporting of unlawful conduct or malpractice. The policy is readily available on the intranet for all employees to refer to. Reminders on the requirements of this policy, together with all aspects of the code of conduct are communicated regularly. As part of their induction programme all new Commission employees are required to confirm in writing that they have read the Code of Conduct, including the public interest disclosure policy.

Effectiveness of internal controls

The Commission's senior management reviews the operational effectiveness of the current internal controls. This is supported by the annual programme of internal audit reviews into the design of controls and whether those controls have been operating effectively. Through their work during the year, internal audit has concluded that:

- ▶ Overall, in the areas examined during the year, the Gambling Commission's governance, risk management and internal control arrangements were generally adequate and effective. Certain weaknesses and exceptions were highlighted, none of which were fundamental in nature. These matters have been discussed with management and all of these have been, or are in the process of being, addressed.

▶ As part of our compliance within the Regulation of Investigatory Powers Act 2000 (RIPA) and our work with communications data, the Commission successfully completed the latest biannual inspection by the Interception of Communications Commissioner’s Office (IOCCO) where our use of the current legislation was assessed.

The current legislation was reviewed in 2016, and we are planning for implementation of the Investigatory Powers Act 2016 which includes an interim agreement with partners Ofcom, to meet requirements.

The Commission therefore considers that its internal control framework continues to be effective and robust.

The findings were positive, with no major recommendations being made.

Principal risks and uncertainties facing the Commission

The principal risks and uncertainties are managed through the Commission’s corporate risk register as part of the internal control framework.

Risks	Controls and Mitigation
<p>Industry growth and innovation We fail to keep pace with the scale of changes in industry which weakens our ability to regulate effectively.</p>	<p>Current</p> <ul style="list-style-type: none"> ▶ Engagement with key stakeholders ▶ Trend/issue analysis ▶ Inform further gambling research (with Responsible Gambling Strategy Board and Responsible Gambling Trust). <p>Planned</p> <ul style="list-style-type: none"> ▶ Strengthen our research and insight capabilities ▶ Recruit sector specialists ▶ Review licensing operating model ▶ Review balance of targeted assurance and options for regulated self-assurance.
<p>Commission approach Our information and intelligence management capabilities are ineffective, undermining our ability to identify critical risk, make evidence based decisions and inform government policy.</p>	<p>Current</p> <ul style="list-style-type: none"> ▶ Data management project ▶ Engagement with DCMS over transposition of General Data Protection Regulation and review of our operational information exchange provisions ▶ Anti-money laundering programme plan ▶ External risk assessment project. <p>Planned</p> <ul style="list-style-type: none"> ▶ Review (and if necessary revision) of our engagement priorities.
<p>Resource allocation Systems of governance, risk management, and income and expenditure planning and control are weak and unsustainable, undermining effective decision making and regulation and increases the risk of successful legal challenges.</p>	<p>Existing</p> <ul style="list-style-type: none"> ▶ Legal advice is sought in relation to decision making processes and governance ▶ Budget approved for investment and development of the organisation ▶ Change programme vision agreed by the Board Dedicated change team and governance arrangements established ▶ Review of past 12 months' achievements, challenges, risks and actions ▶ Engagement with staff to test perceptions of change projects Recognition scheme to reward positive behaviour and performance . <p>Planned</p> <ul style="list-style-type: none"> ▶ Internal communications that bring stories about organisational change to life ▶ Development of framework for measuring and tracking impact of our investment in the organisation.

2016/17	Controls and Mitigation
<p>Income</p> <p>Systems of governance, risk management, and income and expenditure planning and control are weak and unsustainable, undermining effective decision making and regulation.</p>	<p>Existing</p> <ul style="list-style-type: none"> ▶ Monthly review/reporting and reforecast of financial outturn position to monitor income and expenditure trends, and inform expenditure plans ▶ Monitoring medium term (out to 2018/19) financial position planning and risk appraisal ▶ Monitoring delivery of the business plan via Business Plan Programme Board ▶ Revised business planning and budgeting process, clearly communicated business plan and strategic priorities ▶ Audit & Risk Committee terms of reference refreshed to incorporate risk, an updated Risk Management Framework for strategic risks and a Board Assurance Framework ▶ Governance Framework setting out key operational governance arrangements ▶ Core governance team in place. <p>Planned</p> <ul style="list-style-type: none"> ▶ Publishing of Corporate Strategy mid 2017/18 ▶ Develop revised Board Performance Reporting framework including strategic outcomes and KPIs.
<p>National Lottery good causes</p> <p>We fail to discharge our statutory duties for the National Lottery resulting in players not being protected, the integrity of the National Lottery not being maintained or returns to good causes not being maximised.</p>	<p>Existing</p> <ul style="list-style-type: none"> ▶ Monitoring controls including weekly sales monitoring, bi-annual performance assessment report, monthly returns performance update and risk assessment tool ▶ Licensing process assesses impact of new proposals ▶ Close liaison with DCMS on policy and legal matters and their implications for maximisation of returns for good causes (reflecting a duty shared by the Secretary of State) ▶ Supporting DCMS to frame assistance distributors can provide and maximising the potential for the NL family to support the brand. <p>Planned</p> <ul style="list-style-type: none"> ▶ Challenge of Camelot performance and strategy with additional budget sought from DCMS to increase resilience and skill set to address trading issue requirements ▶ Continuous development of evidence base and key indicators.
<p>Regulatory framework</p> <p>Licensed operators do not manage the risks to the licensing objectives effectively, which results in consumer detriment or undermines consumer confidence in the gambling market, with the result that a more prescriptive and intrusive approach to regulation is required.</p>	<p>Existing</p> <ul style="list-style-type: none"> ▶ Increased external partnership engagement, including Raising Standards Conferences ▶ Targeted engagement and interventions to embed understanding of regulatory approach and operators' commitment to managing risks ▶ Assurance Statements pilot to increase licensee focus on corporate risk management ▶ Ensure balance of short and medium term compliance/assurance and enforcement activity promotes operator accountability and results in proportionate interventions ▶ Continuous monitoring of High Impact Operator (HIO) activity and events, industry insight and case work to inform planned or reactive engagement ▶ Improve early identification and subsequent management of issues through Issue Management Group and Case Management Group, and continuously improve casework approach through lessons learned ▶ Third party supplier to cover single points of failure around specialist skills. <p>Planned</p> <ul style="list-style-type: none"> ▶ Recruitment to manage resilience and increase management capacity ▶ Engagement with small and medium sized operators ▶ Outcome of consultation on revisions to enforcement policy and processes ▶ Engagement plan for smaller businesses to raise standards including a series of roadshows/workshops.

Remuneration and staff report

Remuneration report

This report covers the 12 months ending 31 March 2017 and sets out the policy and disclosures in relation to the remuneration of the Commissioners and senior managers of the Commission.

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.

Bill Moyes was appointed as Chairman for a five-year term commencing 5 September 2016. His contract provides for the Chairman to work between two to three days per week on average.

Commissioners work on average one day per week. Commissioners' contracts may be terminated by written notice where the Secretary of State has reason to believe that the Commissioner 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.

The Commissioners' appointments are not pensionable under the Civil Service pension scheme and no contributions have been paid by the Commission to any other scheme.

Diversity breakdown for the Board of Commissioners:

Male board members – 6/11 (54.5%)

Female board members – 5/11 (45.5%)

BAME board members – 1/11 (9.1%)

Board members with declared disability – unknown

Full details of our Commissioners can be found on page 34.

Independent member of Audit and Risk Committee

The Commission has appointed Ann Harris on a three year contract with effect from 1 October 2015 as an independent member of Audit and Risk Committee, for which a payment is made.

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, is reviewed by the Remuneration Committee. Except during probation or where guilty of gross misconduct, senior managers' contracts may be terminated by either party giving 12 weeks written notice, apart from the Chief Executive and one other executive director whose contract may be terminated by either party giving six months' written notice.

Details of all executive directors serving during the year are provided at Appendix 1 on page 82, including the duration of their service.

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the Commissioners and Directors. This has been subject to audit review.

i) Remuneration of Senior Managers (salary and payments in kind) – audited information

	2016/17					2015/16				
	Salary (in bands of £5k)	Bonus Payments (in bands of £5k)	Benefits in kind (to nearest £100)	Pension Benefits (in bands of £5k)	Total (in bands of £5k)	Salary (in bands of £5k)	Bonus Payments (in bands of £5k)	Benefits in kind (to nearest £100)	Pension Benefits (in bands of £5k)	Total (in bands of £5k)
Sarah Gardner Director – Planning and performance	100-105	0-5	–	45-50	150-155	95-100	0-5	–	80-85	185-190
Sue Harley Chief Operating Officer	100-105	–	25,600	40-45	170-175	100-105	–	26,900	40-45	165-170
Mark Harris* Director (to 1 May 2015)	–	–	–	–	–	10-15	–	2,600	0-5	15-20
Sarah Harrison** Chief Executive (from 1 October 2015)	140-145	5-10	–	35-40	185-190	75-80	–	–	20-25	100-105
Matthew Hill Director – Regulatory risk and analysis (to 30 October 2015)	–	–	–	–	–	55-60	0-5	–	30-35	90-95
Julia Mackisack Board Adviser (to 31 August 2015)	–	–	–	–	–	25-30	–	–	45-50	75-80
Neil McArthur General Counsel	105-110	0-5	–	40-45	155-160	105-110	0-5	–	45-50	160-165
Tim Miller Director – Corporate affairs and research (from 30 August 2016)	50-55	–	–	20-25	70-75	–	–	–	–	–
Nick Tofiluk Director – Regulatory operations	105-110	0-5	–	40-45	150-155	105-110	0-5	–	40-45	150-155
Jenny Williams Chief Executive (to 30 September 2015)**	–	–	–	–	–	95-100	20-25	8,000	–	125-130
Band of highest paid directors total remuneration (£'000)	145-150					170-175				
Median total remuneration (£s)**	31,173					30,921				
Ratio	4.74:1					5.58:1				
Range of staff remuneration (£'000)	16 to 145-150					15 to 135-140				

* The former Chief Executive of the National Lottery Commission's redundancy was deferred until 1 May 2015 on the terms agreed during the negotiations for the move of the National Lottery Commission to Birmingham.

** Jenny William's salary and bonus arrangements were comparable with other non-departmental public bodies' Chief Executives except that there was no pension contribution. Her contract provided for retirement at age 65 and continued under the Commission pursuant to Schedule 4 of the 2005 Act.

i) Remuneration of Commissioners (salary and payments in kind) – audited information continued

	2016/17				2015/16			
	Salary (in bands of £5k)	Bonus Payments (in bands of £5k)	Benefits in kind (to nearest £100)	Total (in bands of £5k)	Salary (in bands of £5k)	Bonus Payments (in bands of £5k)	Benefits in kind (to nearest £100)	Total (in bands of £5k)
John Ballie (from 11 April 2016)	10-15	–	12,300	25-30	–	–	–	–
Mary Chapman (to 13 January 2016)	–	–	–	–	10-15	–	1,600	10-15
Stephen Cohen (from 11 April 2016)	10-15	–	3,600	15-20	–	–	–	–
Robin Dahlberg (to 31 December 2016)	10-15	–	1,400	10-15	10-15	–	1,600	15-20
Philip Graf Chairman (to 2 September 2016)	25-30	–	3,400	30-35	65-70	–	5,100	70-75
Ann Harris Independent Audit and Risk Committee Member (from 1 October 2015)	0-5	–	1,300	0-5	0-5	–	600	0-5
Alison Hastings	10-15	–	5,400	20-25	10-15	–	2,100	15-20
Rachel Lampard (to 1 July 2015)	–	–	–	–	5-10	–	900	5-10
Anthony Lilley (to 31 December 2015)	–	–	–	–	10-15	–	4,000	10-15
Walter Merricks	10-15	–	2,800	15-20	10-15	–	1,900	15-20
Bill Moyes Chairman (from 5 September 2016)	30-35	–	8,000	35-40	–	–	–	–
Sarika Patel (from 11 April 2016)	10-15	–	3,600	15-20	–	–	–	–
Trevor Pearce (from 1 July 2015)	10-15	–	6,100	15-20	10-15	–	3,100	15-20
Simone Pennie (from 11 April 2016)	10-15	–	3,100	15-20	–	–	–	–
Jonathan Scott (from 1 May 2015)	10-15	–	6,100	15-20	10-15	–	3,900	15-20
Graham Sharp (to 31 December 2015)	–	–	–	–	10-15	–	6,800	15-20
Catharine Seddon (from 11 April 2016)	10-15	–	3,700	15-20	–	–	–	–
Peter Teague (to 30 June 2016)	0-5	–	1,100	0-5	10-15	–	1,600	15-20

Salary: ‘Salary’ includes gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Commission and thus recorded in these accounts.

Apart from the Chair and Chief Executive, all Commissioners work around one day per week with a standard daily fee rate. No employees or Commissioners were remunerated by way of service companies or third parties.

Benefits in kind: The monetary value of benefits in kind covers any benefits provided by the Commission and treated by HM Revenue & Customs as a taxable emolument. All benefits in kind are in line with Treasury policy and within our expenses guidelines.

- ▶ Jenny Williams, Mark Harris and Sue Harley were reimbursed for costs associated with detached duties on which the Commission also paid the tax due.

- ▶ The Commission incurred costs for travel, subsistence and accommodation in respect of the Chairman and the Commissioners whilst attending meetings at Victoria Square House on which the Commission also paid the tax due.

Bonuses: Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual.

ii) Pension benefits 2016/17

	Accrued pension at age 60 as at 31/03/17 (in bands of £5,000)	Accrued Lump Sum pension at age as at 31/03/17 (in bands of £5,000)	Real increase in pension at pension age (in bands of £2,500)	Real increase in pension lump sum at pension age (in bands of £2,500)	* CETV at 31/03/17 £'000s	* CETV at 31/03/16 £'000s	Real increase in CETV £'000s	Employer contribution to partnership pension account (nearest £100)
Sarah Gardner Director – Planning and Performance	25-30	60-65	2.5-5	0-2.5	336	299	19	–
Sue Harley Director	5-10	N/A	0-2.5	N/A	106	68	29	–
Sarah Harrison Chief Executive	40-45	N/A	0-2.5	N/A	697	633	30	–
Neil McArthur General Counsel	35-40	90-95	2.5-5	0-2.5	590	542	19	–
Tim Miller Director – Corporate Affairs and Research (From 30 August 2016)	0-5	N/A	0-2.5	N/A	10	0	6	–
Nick Tofiluk Director of Regulatory operations	20-25	N/A	0-2.5	N/A	413	361	34	–

* Cash Equivalent Transfer Value

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.

Cash Equivalent Transfer Values (CETV)

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 member 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 worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 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.

Compensation for loss of office

No compensation payments were made for loss of office during the year.

Remuneration Committee

The members of the Remuneration Committee are Alison Hastings (Chair), Walter Merricks and Simone Pennie (see Appendix 2 for details).

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase Legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for **classic** and 3.5% and 8.85% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the

accrued pension is uprated in line with Pensions Increase Legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

New Career Average pension arrangements, introduced from 1 April 2015, transferred the majority of **classic**, **premium**, **classic plus** and **nuvos** members to the new scheme. Further details of this new scheme are available at <http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/>

Staff report

a) Analysis of Commissioners' and employee costs

	2017 Permanent £'000s	2017 Short term £'000s	2017 Total £'000s	2016 Total £'000s
Wages and salaries	10,178	830	11,008	10,055
Social security costs	1,052	93	1,145	830
Other pension costs	1,993	162	2,155	1,947
Total Commissioner and staff costs	13,223	1,085	14,308	12,832

b) Retirement benefits

The following disclosures are made in accordance with IAS 19, 'Employee Benefits'.

(i) Employees

The Commission provides pension benefits for permanent staff under the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme but the Commission is unable to identify its share of the underlying assets and liabilities.

The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation

www.civilservice.gov.uk/pensions.

For 2016-17, employers' contributions of **£2,117,505** were payable to the PCSPS (2015-16 £1,849,991) at one of four rates in the range **20.0%** to **24.5%** of pensionable pay, based on salary bands.

In addition to this an amount of **£15,050** (2015-16 £71,531) was invoiced directly from other Government departments for employees on secondment at the Commission.

The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2017-18, the rates will be in the range **20.0%** to **24.5%**. The contribution rates are set to meet the cost of the benefits accruing during 2016-17 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 or a stakeholder pension with an employer contribution. Employers' contributions of **£29,150** were paid to one or more of a panel of three appointed stakeholder pension providers. Employers' contributions are age-related and range from **8%** to **14.75%** of pensionable pay.

Employers also match employee contributions up to **3%** of pensionable pay. In addition, employer contributions of **£999 (0.5%)** 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 Statement of Financial Position date were **£241,493**. No contributions were prepaid.

(ii) Past chairman – Gaming Board for Great Britain

In addition to the above, pension benefits have been provided during the year to the widow of one former chairman of the Gaming Board for Great Britain under a defined benefit scheme which is broadly analogous 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 benefits were paid as they fall due. This scheme has now ceased.

(iii) Former Director General – OFLOT

Upon the merger between the Gambling Commission and the National Lottery Commission, the Commission inherited a pension liability for a former Director General of OFLOT from 1993 to 1998. This pension is an unfunded defined benefit scheme which has benefits by analogy to the PCSPS (for details see www.civilservice.gov.uk/pensions) and is paid directly from the Commission's own funds. In 2001, upon the recipient reaching retirement age, pension payments commenced.

A full actuarial valuation of both schemes was carried out by the Government Actuary at 31 March 2017 and the present value of the liability at 31 March 2017 is **£259,000**.

Sensitivity analysis

1. Increasing the discount rate by 0.5% would result in a corresponding decrease in liabilities of approximately £12,000 or 5%.
2. Increasing the CPI inflation assumption by 0.5% would result in a corresponding increase in liabilities of approximately £14,000 or 6%.

3. Increasing assumed life expectancies in retirement by around 1 year would result in a corresponding increase in liabilities of approximately £14,000 or 6%.

The opposite changes in assumptions to those set out above would produce approximately equal and opposite changes in the liability. Similarly, doubling the changes in the assumptions would produce approximately double the changes in the liability.

The sensitivities show the change in each assumption in isolation. In practice the financial assumptions rarely change in isolation and given the interdependencies between them, the impacts of such changes may offset each other to some extent.

Under IAS 19 the Commission is required to show the present value of these liabilities on its Statement of Financial Position.

Financial assumptions

The main financial assumptions and life expectancy assumptions used by the actuary in calculation of the liability for the schemes are as follows:

	31 Mar 2017	31 Mar 2016
Inflation assumption	2.55%	2.20%
Rate on increase in salaries	4.20%	4.20%
Rate of increase for pensions in payment, in line with inflation	1.00%	2.20%
Discount rate for scheme liabilities	2.80%	3.60%

Life expectancy at retirement

Current Pensioners Exact Age	As at 31 March 2017		As at 31 March 2016	
	men (years)	women (years)	men (years)	women (years)
60	29.0	30.8	28.9	30.7
65	24.0	25.8	23.9	25.7
75	14.8	16.4	14.7	16.3

c) Average number of persons employed by the Gambling Commission was:

	31 Mar 2017	31 Mar 2016
Permanent staff	280	264
Other staff	27	26
	307	290

d) Off-payroll appointments

i For all off-payroll engagements as of 31 March 2017, for more than £220 per day and that last for longer than six months	
No of existing engagements as of 31 March 2017	3
of which...	
No. that have existed for less than one year at time of reporting.	2
No. that have existed for between one and two years at time of reporting.	1
No. that have existed for between two and three years at time of reporting.	nil
No. that have existed for between three and four years at time of reporting.	nil
No. that have existed for four or more years at time of reporting.	nil
Confirmation that all existing off-payroll engagements, outlined above, have at some point been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.	3
ii For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017, for more than £220 per day and that last for longer than six months	
No. of new engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017.	2
No. of the above which include contractual clauses giving the Commission the right to request assurance in relation to income tax and National Insurance obligations.	2
No. for whom assurance has been requested.	2
of which...	
No. for whom assurance has not been received.	2
No. for whom assurance has not been received.	nil
No. that have been terminated as a result of assurance not being received.	nil
In any cases where, exceptionally, the Commission has engaged without including contractual clauses allowing the department to seek assurance as to their tax obligations – or where assurance has been requested and not received, without a contract termination – the Commission should set out the reasons for this.	n/a
iii For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility between 1 April 2016 and 31 March 2017	
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	nil
No. of individuals that have been deemed “board members, and/or, senior officials with significant financial responsibility”, during the financial year. This figure should include both off-payroll and on payroll engagements.	13
In any cases where individuals are included within the first row of this table the department should set out:	n/a
▶ Details of the exceptional circumstances that led to each of these engagements	
▶ Details of the length of time each of these exceptional engagements lasted	

Exit packages agreed in 2016/17

Exit package cost band (including any special payment element)	2016/17			2015/16		
	Compulsory redundancies Number	Other departures agreed Number	Total exit packages by cost band Number	Compulsory redundancies Number	Other departures agreed Number	Total exit packages by cost band Number
Less than £10,000	-	-	-	-	-	-
£10,001 – £25,000	-	-	-	-	-	-
£25,001 – £50,000	-	1	1	-	1	1
£50,001 – £100,00	-	-	-	-	-	-
£100,001 – £150,000	-	-	-	-	-	-
£150,001 – £200,000	-	-	-	-	-	-
>£200,000	-	-	-	-	-	-
Total number of exit packages	-	1	1	-	1	1
Total cost (£)	-	34,551	34,551	-	36,266	36,266

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Consultancy costs

As per Note 3(b) of the Annual Accounts, the Commission spent **£135,418** on consultancy assignments during 2016/17 (£119,786 in 2015/16). This related to three main areas of professional advice, as detailed below:

- ▶ **£67,689** re. Strategic professional advice on land-based and remote gambling activity, and overseas betting markets
- ▶ **£24,397** re. Media advice in respect of NL regulatory enforcement activity
- ▶ **£24,000** re. Strategic advice for the corporate strategy development

Employment Statistics for 2016/17 (as at 31 March 2017)

Total Employment by contract type	
Fixed Term Employees	18
Permanent Employees	292
Total	310

Department split	
Change Programme	13
Compliance	47
Consumers and Partners	18
Corporate Affairs	7
Evidence and Analysis and Knowledge Management	16
Enforcement and Intelligence	35
Executive	6
Executive Support	2
Finance	10
Human Resources	11
IT, Facilities and Smarter Working	27
Industry, Shared Regulation and Partners	23
Legal and Governance	8
Licensing	53
Lotteries (NL and Society Lotteries)	24
Programme Management Office (inc PAs and Reception)	19
Regulatory Strategy	1
Total	310

Sickness absence rates	
1 April 2016 to 31 March 2017	% of working days lost
Quarter 1	3.5
Quarter 2	4.1
Quarter 3	3.3
Quarter 4	3.5
Total	3.6

CIPD sickness absence rate from 2016 survey is 3.4%
(based on other public services mean)

Diversity – gender	
Female	143
Male	167
Total	310

Diversity – disability	
Employees with a disability as defined under the Equality Act 2010	8
Employees without a disability as defined under the Equality Act 2010	265
Not disclosed	37
Total	310

Diversity – ethnic origin	
Asian or Asian British – Bangladeshi	0
Asian or Asian British – Indian	20
Asian or Asian British – Other	1
Asian or Asian British or Pakistani	5
Black or Black British – Caribbean	4
Black or Black British – African	3
Chinese	0
Mixed race – Other	3
Mixed race – White Asian	2
Mixed race – White and Black Caribbean	6
White British	246
White Irish	4
White Other	3
Not disclosed	13
Total	310

Diversity – age	
24 and under	12
25-34	64
35-44	116
45-54	70
55-64	47
65-74	1
Total	310

Sickness rates

During the year, the average proportion of working days lost to sickness was **3.6%** (3.8% for 2015/16) which includes long term absence and sickness related to disability or underlying health condition. We continue to work with our Occupational Health provider and a review of the service provision will see us continue to build on the support we provide to colleagues in the upcoming year. We externally benchmark our sickness absence rates and remain in line with the average for comparable public sector organisations (3.4%), as reported in the 2016 Chartered Institute of Personnel Development annual absence survey report.



Sarah Harrison

Chief Executive and Accounting Officer
Gambling Commission
29 June 2017

Parliamentary accountability and audit report

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 2017 under the Gambling Act 2005. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Tax Payers' Equity; 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 and Staff Report that is described in that report as having been audited.

Respective responsibilities of the Commission, Accounting Officer and auditor

As explained more fully in the Statement of the Accounting Officer's responsibilities, the Commissioners and the Accounting Officer, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Gambling Act 2005. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Gambling Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Gambling Commission; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- ▶ the financial statements give a true and fair view of the state of the Gambling Commission's affairs as at 31 March 2017 and of the net expenditure for the year then ended; and
- ▶ the financial statements have been properly prepared in accordance with the Gambling Act 2005 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- ▶ the parts of the Remuneration and Staff Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Gambling Act 2005; and
- ▶ the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- ▶ adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- ▶ the financial statements and the parts of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- ▶ I have not received all of the information and explanations I require for my audit; or
- ▶ the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

4 July 2017

Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial statements

Statement of comprehensive net expenditure

for the year ended 31 March 2017

	Notes	31 March 2017 £'000s	31 March 2016 £'000s
Expenditure			
Employee costs	3a	(14,308)	(12,832)
Depreciation and amortisation	6 & 7	(459)	(673)
Other expenditure	3b	(6,114)	(6,088)
Total Operating Expenditure		(20,881)	(19,593)
Income			
Licence fee income	4b	19,330	19,093
Other income	5	317	120
Total Operating Income		19,647	19,213
Net expenditure		(1,234)	(380)
Finance income	4b	46	18
Finance expense		(9)	(3)
Interest cost on pensions liability	3a	(9)	(9)
Net expenditure for the year		(1,206)	(374)
Other comprehensive expenditure			
	Notes	31 March 2017 £'000	31 March 2016 £'000
Net gain/(loss) on pension liability	3a	(23)	11
Total comprehensive expenditure for the year ended 31 March 2017		(1,229)	(363)

The notes on pages 68 to 81 form part of these accounts

The Commission receives grant-in-aid funding which fully covers the National Lottery expenditure. Grant-in-aid is treated as financing rather than revenue and is taken directly to reserves.

Statement of financial position

as at 31 March 2017

	Notes	31 March 2017 £'000s	31 March 2016 £'000s
Non current assets			
Property, plant and equipment	6	513	584
Intangible assets	7	1,055	719
Total non-current assets		1,568	1,303
Current assets			
Trade and other receivables	8	1,713	852
Cash and cash equivalents	18	17,081	15,816
Total current assets		18,794	16,668
Total assets		20,362	17,971
Current liabilities			
Trade and other payables	10	(13,507)	(12,631)
Total current liabilities		(13,507)	(12,631)
Total assets less current liabilities		6,855	5,340
Non-current liabilities			
Other payables	11	(623)	(546)
Pension liability	12	(259)	(247)
Total non-current liabilities		(882)	(793)
Total assets less total liabilities		5,973	4,547
Taxpayers' equity			
General Fund		5,973	4,547
Total equity		5,973	4,547

The notes on pages 68 to 81 form part of these accounts

These accounts were authorised for issue on the dates shown on the Audit Certificate.



Sarah Harrison

Chief Executive and Accounting Officer
Gambling Commission
29 June 2017

Statement of cash flows

for the year ended 31 March 2017

	Notes	31 March 2017 £'000s	31 March 2016 £'000s
Cash flows from operating activities			
Net expenditure for the year		(1,243)	(383)
Adjustments for non-cash transactions			
Depreciation and amortisation charge	6 & 7	459	673
(Increase)/Decrease in trade and other receivables	8	(861)	221
Increase in trade and other payables	10 & 11	953	1,361
Use of provisions	12	12	(19)
Net cash inflow from operating activities		(680)	1,853
Cash flows from investing activities			
Interest received		46	18
Interest costs arising from pension liability	12	(9)	(9)
Purchase of property, plant and equipment	6	(153)	(361)
Purchase of intangible assets	7	(571)	(272)
Net cash outflow from investing activities		(687)	(624)
Cash flows from financing activities			
Grant-in-aid for revenue expenditure		2,655	2,858
Actuarial loss arising from pension liability	12	(23)	11
Net cash inflow from financing activities		2,632	2,869
Net increase in cash and cash equivalents in the period	14	1,265	4,098

Cash and cash equivalents at 31 March 2016

15,816

Cash and cash equivalents at 31 March 2017

17,081

The notes on pages 68 to 81 form part of these accounts

Statement of changes in taxpayers' equity

for the year ended 31 March 2017

	Income & Expenditure Reserve £'000s
Balance at 1 April 2015	2,052
Changes in reserves	
Comprehensive net expenditure for the year	(374)
Actuarial loss arising on pension scheme	11
Grant-in-aid for capital and revenue expenditure	2,858
Total recognised comprehensive net expenditure for 2014-15	2,495
Balance at 31 March 2016	4,547
Balance at 1 April 2016	4,547
Changes in reserves	
Comprehensive net expenditure for the year	(1,206)
Actuarial gain arising on pension scheme	(23)
Grant-in-aid for capital and revenue expenditure	2,655
Total recognised comprehensive net income for 2016-17	1,426
Balance at 31 March 2017	5,973

The notes on pages 68 to 81 form part of these accounts

Notes to the accounts for the 12 months ended 31st March 2017

1: Statement of accounting policies

The policies adopted are in accordance with IFRS, to the extent it is meaningful and appropriate in the public sector context, as adopted and interpreted by the 2016/17 Financial Reporting Manual (FRM) issued by HM Treasury.

a) Accounting conventions

These are the accounts for the Commission covering the twelve months from 1 April 2016 to 31 March 2017. 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 Gambling Act 2005 (the 2005 Act). A copy of the accounts direction can be obtained from the Commission.

The particular policies adopted by the Commission are described below and have been applied consistently during the year.

b) Non current assets

Ongoing non current asset purchases are capitalised when the original purchase price is £2,500 or more. Purchased software licences are classified as intangible assets.

Depreciation/amortisation

Depreciation/amortisation is provided on all non-current assets on a straight line basis to write off the cost or valuation evenly over the asset's currently anticipated life as in Table the below.

Anticipated life of assets

Asset	Anticipated life
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/amortisation is charged in full in the month of acquisition, with no charge being made in the month of disposal. No amortisation is charged on software development until the asset is completed.

Property, plant & equipment

Property, plant and equipment is stated at depreciated historic cost as a proxy for fair value. All of the Commission's assets are short life assets and therefore depreciated historic cost is not considered to be materially different from fair value. A review of property, plant and equipment is undertaken annually to ensure that all items are still in use and that no disposals have taken place.

Annual reviews are also undertaken to identify any impairment of assets as per IAS 36. Any gain or loss arising from the disposal of property, plant and equipment is determined as the difference between the disposal proceeds and the carrying amount of the asset, and is recognised in the Statement of Comprehensive Net Expenditure account as Other Income or Other Expenditure.

Intangible assets

The Commission's intangible assets are recorded in accordance with IFRS and compliant with IAS38. Under IFRS software development (in most cases) is classified as an intangible asset.

Expenditure on development is capitalised only where all of the following can be demonstrated:

- ▶ the project is technically feasible to the point of completion and will result in an intangible asset for sale or use;
- ▶ the Commission intends to complete the asset and sell or use it
- ▶ the Commission has the ability to sell or use the asset
- ▶ how the intangible asset will generate probable future economic or service delivery benefits e.g. the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset

- ▶ adequate financial, technical and other resources are available to the Commission to complete the development and sell or use the asset
- ▶ the Commission can measure reliably the expenses attributable to the asset during development.

Internal staff costs that have been directly incurred in the implementation of capital projects have been identified as capital expenditure, provided that they satisfy the conditions of IAS 38. Only those costs that have been directly incurred in the development of software have been recognised as capital. Research costs have not been capitalised.

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

In accordance with the FReM, all intangible assets are carried at fair value. Depreciated historical cost is used as a proxy for fair value on short life or low value assets, which is considered not to be materially different from fair value.

Revaluation

Increases in value are credited to the Revaluation Reserve, unless it is a reversal of a previous impairment. Reversals are credited to the Consolidated Statement of Comprehensive Net Expenditure to the extent of the previous impairment and any excess is credited to the Revaluation Reserve, in accordance with IAS 36 Impairment of Assets.

On disposal of a revalued asset, the balance on the Revaluation Reserve in respect of that asset becomes fully realised and is transferred to the General Fund. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Net Expenditure.

c) 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.

All our eligible employees have now been moved onto the new civil service Alpha pension scheme which remains a defined benefit scheme.

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

A former Chairman of the Gaming Board is covered by a pension scheme which is analogous with the PCSPS. The Commission makes payments to the former Chairman as they are due. The expected cost of providing the pension was recognised over the period which the Commission benefited from the Chairman's services, through the building up of a fund for the future scheme liability. This was calculated using actuarially assessed assumptions at 31 March 2017.

Upon the merger between the Gambling Commission and the National Lottery Commission, the Commission inherited a pension liability for the former Director General of OFLOT from 1993 to 1998. This pension is an unfunded defined benefit scheme which has benefits by analogy to the PCSPS and is paid directly from the Commission's own funds. In 2001, upon the recipient reaching retirement age, pension payments commenced. This was calculated using actuarially assessed assumptions at 31 March 2017.

d) Operating leases

The Commission has categorised all leases in accordance with IAS 17 and, following this ongoing exercise, all leases held by the Commission are classified as operating leases.

Payments made under operating leases on land and buildings, and equipment are recognised as an expense over the term of the lease.

Notes to the accounts for the 12 months ended 31st March 2017

e) Employee costs

Under IAS 19 Employee Benefits legislation, all employee costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave as at the year end. The cost of untaken leave has been determined using data from electronic leave records.

Permanent and short term employee costs are presented in accordance with IFRS. 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).

f) Value added tax

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

g) Licence fee receipts and fee income recognition

The Commission collects fee income in relation to the 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.e. 5 years).

h) Financing grant-in-aid

The Commission receives grant-in-aid funding for National Lottery operations. Grant-in-aid is treated as financing rather than revenue in line with the FReM, as it's a contribution from a controlling entity,

i) Financial instruments

The Gambling Commission reviews all contracts against IAS 39 in respect of recognition and measurement of financial instruments. As per IAS 39, cash and trade receivables have been identified as financial assets and trade payables have been identified as financial liabilities. The Commission's only non-current liability identified as a financial instrument relates to deferred income collected in advance of recognition. There is no financial risk associated with deferred income collected. The Commission does not hold any complex financial instruments.

j) Presentational/functional currency

The Commission's functional currency and presentational currency is sterling. The very small number of transactions denominated in a foreign currency have been translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses for either of these are recognised in the Commission's surplus/deficit in the period in which they arise.

k) Corporation tax

The Commission is registered with HMRC to pay Corporation Tax on interest received on cash balances held.

l) Segmental reporting

Following the merger of the Gambling Commission and the National Lottery Commission, the Commission's Board as 'Chief Operating Decision Maker' has determined that the Commission now operates in two distinct material segments; to regulate commercial gambling and to regulate the National Lottery. Both segments fall within one main geographical segment, Great Britain. The Commission has distinct sources of income for the two segments; licence

fees for gambling regulation and grant-in-aid for National Lottery regulation. The segmental reporting format in note 2 reflects the Commission's management and internal reporting structure.

m) Cash and cash equivalents

The Commission's cash deposits are held with a single commercial bank, and with Government Banking Service.

The Commission's deposits are considered to be cash, as all deposits with the commercial bank are repayable immediately without penalty and without notice.

Cash equivalents are classed as investments that mature in three months or less, and are readily convertible to known amounts of cash with insignificant risk of change in value. The Commission does not consider that it holds any cash equivalents.

n) Going concern

The financial statements have been prepared on a going concern basis.

o) Accounting standards that have been issued but not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the 12 months ended 31 March 2017 and have not been applied in preparing these financial statements. The following are those standards, amendments and interpretations that may be adopted in subsequent periods:

- ▶ IFRS 9 is expected to replace the current financial reporting standard for the recognition and measurement of financial instruments (IAS 39). The principal change arising from the new standard is that the categories for financial instruments have been reduced down to two categories. In addition, management will be required to assess financial instruments for impairment arising from future losses. No changes are expected to be made to the FReM until 2018-19 financial year, and it is not expected to have a significant impact upon the Commission.
- ▶ IFRS 16 was published in 2016 to be applied from 1 January 2019, however it may be some years after that the reporting requirements will be implemented for the public sector. The standard is expected to introduce a simpler approach to lease accounting by requiring all leases longer than 12 months, including operating leases for land and buildings, to have a "right of use" asset and liability for the future lease payments recognised in the Statement of Financial Performance.
- ▶ IFRS 15 is expected to replace the current financial reporting standards for revenue recognition (IAS 18) and introduces a change to the timing and recognition of some revenues. The new standard will clarify the distinction of where a body might be acting as an agent opposed to the principal. The impact for the Commission is anticipated to be minimal. No changes are expected to be made to the FReM until 2018-19 financial year.

2: Statement of Operating Costs by operating segment

a) Statement of Comprehensive Net Expenditure by operating segment

	31 March 2017			31 March 2016		
	Gambling operations £'000s	National Lottery operations £'000s	Total as per SoFP £'000s	Gambling operations £'000s	National Lottery operations £'000s	Total as per SoFP £'000s
Expenditure	(18,008)	(2,873)	(20,881)	(16,946)	(2,647)	(19,593)
Income	19,647	–	19,647	19,213	–	19,213
Net income/(expenditure)	1,639	(2,873)	(1,234)	2,267	(2,647)	(380)
Net income/(expenditure) after interest and finance costs	1,676	(2,882)	(1,206)	2,282	(2,656)	(374)
Other Comprehensive Expenditure						
Net gain/(loss) on pension liability	–	(23)	(23)		11	11
Total comprehensive expenditure	1,676	(2,905)	(1,229)	2,282	(2,645)	(363)

b) Statement of Financial Position by operating segment

	31 March 2017			31 March 2016		
	Gambling operations £'000s	National Lottery operations £'000s	Total as per SoFP £'000s	Gambling operations £'000s	National Lottery operations £'000s	Total as per SoFP £'000s
Non-current assets	1,422	146	1,568	1,282	21	1,303
Current assets	18,674	120	18,794	15,990	678	16,668
Total assets	20,096	266	20,362	17,272	699	17,971
Current liabilities	(13,424)	(83)	(13,507)	(12,369)	(262)	(12,631)
Non Current Assets less Net Current Liabilities	6,672	183	6,855	4,903	437	5,340
Non-current liabilities	(657)	(225)	(882)	(562)	(231)	(793)
Total liabilities	(14,081)	(308)	(14,389)	(12,931)	(493)	(13,424)
Assets less liabilities	6,015	(42)	5,973	4,341	206	4,547

3: Staff costs

3(a): Staff costs

	2017 £'000s	2016 £'000s
Employee costs	14,276	12,832
Interest costs on pension scheme liability	9	9
Actuarial adjustments to pension scheme liability	23	(11)
Total	14,308	12,830

3(b): Other operating costs

	2017 £'000s	2016 £'000s
Accommodation	1,293	1,389
Professional and accountancy fees *	917	769
Travelling and subsistence	521	496
Contingent labour costs	514	410
Other staff costs	186	174
Recruitment, training and development	578	724
Hospitality	22	12
Office services	1,077	1,187
External audit fee **	51	50
Internal audit costs	44	20
Amounts payable to Criminal Records Bureau	62	68
Research costs***	652	652
Other	197	137
Total Operating Costs	6,114	6,088

* Professional and accountancy fees include consultancy costs totalling £135,418 (2015/16 £119,876).

** The external audit fee represents the cost of the audit of the financial statements carried out by KPMG LLP on behalf of NAO. No non audit work was undertaken by KPMG LLP, or NAO during the year.

*** Other costs includes costs associated with prevalence studies into gambling. This totalled £651,634 in 2016/17 (2015/16 £652,389). This also includes National Lottery research costs totalling £283,147 in 2016/17 (2015/16 £320,918).

Included within operating costs are payments made by the Commission during the year under operating leases.

These may be analysed as follows:

	2017 £'000s	2016 £'000s
Land and buildings	811	864
Other	7	9
Total	818	873

The above analysis comprises the following figures from the Statement of Comprehensive Net Expenditure and Statement of Changes in Taxpayers Equity

3(c): Non-cash items

	2017 £'000s	2016 £'000s
Depreciation	224	278
Amortisation	235	395
Total	459	673

4: Fee receipts

4(a): Gambling Act 2005 fee receipts

The Act came fully into force on 1 September 2007, upon which the gambling industry was required to apply for operator and personal licences under the jurisdiction of the Act. Fees payable under the Act 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 Act.

Licence fees received that relate to future periods are included within Statement of Financial Position Creditors as 'Deferred Income'.

Gambling Act 2005 fee receipts in the year are as follows:

	2017 £'000s	2016 £'000s
Operator licence applications		
Application fees	943	827
Annual fees	17,300	16,647
Personal licence applications	854	1,515
Total fee income received	19,097	18,989
Interest on fee income	46	18
Total	19,143	19,007

4(b): Gambling Act 2005 income recognised

Fees payable under the Act are identified by income stream, and released into the Commission's Statement of Comprehensive Net Expenditure as per the Commission's Financial and Accounting Policy.

Recognised fee income is included within the Statement of Comprehensive Net Expenditure as 'Licence Fee income'

Gambling Act 2005 fee income recognised in the year is as follows:

	2017 £'000s	2016 £'000s
Operator licence applications		
Application fees	943	827
Annual fees	17,637	17,543
Personal licence applications	750	723
Total fee income	19,330	19,093
Interest on fee income	46	18
Total	19,376	19,111

5: Other income

Miscellaneous income collected during the year related to penalties issued for breach of licence conditions, withdrawn applications and contributions to costs arising from enforcement action.

	2017 £'000s	2016 £'000s
Miscellaneous income	317	120
Total other income	317	120

6: Property, plant & equipment

	IT hardware £'000s	Furniture & fittings £'000s	Plant & machinery £'000s	Transport equipment £'000s	Total £'000s
Cost/valuation					
At 1 April 2015	1,475	1,973	182	10	3,640
Additions	232	126	3	–	361
At 31 March 2016	1,707	2,099	185	10	4,001
Accumulated depreciation					
At 1 April 2015	1,221	1,730	178	10	3,139
Provided in year	115	161	2	–	278
At 31 March 2016	1,336	1,891	180	10	3,417
Net book value at 31 March 2016	371	208	5	–	584
Net book value at 31 March 2015	254	243	4	–	501

	IT hardware £'000s	Furniture & fittings £'000s	Plant & machinery £'000s	Transport equipment £'000s	Total £'000s
Cost/valuation					
At 1 April 2016	1,707	2,099	185	10	4,001
Additions	125	28	–	–	153
At 31 March 2017	1,832	2,127	185	10	4,154
Accumulated depreciation					
At 1 April 2016	1,336	1,891	180	10	3,417
Provided in year	167	56	1	–	224
At 31 March 2017	1,503	1,947	181	10	3,641
Net book value at 31 March 2017	329	180	4	–	513
Net book value at 31 March 2016	371	208	5	–	584

7: Intangible assets

	Software £'000s	Software licences £'000s	Websites delivering services £'000s	Total £'000s
Cost/valuation				
At 1 April 2015	5,002	318	235	5,555
Additions	272	–	–	272
At 31 March 2016	5,274	318	235	5,827
Accumulated amortisation				
At 1 April 2015	4,247	269	197	4,713
Provided in year	352	9	34	395
At 31 March 2016	4,599	278	231	5,108
Net book value at 31 March 2016	675	40	4	719
Net book value at 31 March 2015	754	49	38	842

	Software £'000s	Software licences £'000s	Websites delivering services £'000s	Total £'000s
Cost/valuation				
At 1 April 2016	5,274	318	235	5,827
Additions	571	–	–	571
At 31 March 2017	5,845	318	235	6,398
Accumulated amortisation				
At 1 April 2016	4,599	278	231	5,108
Provided in year	232	3	–	235
At 31 March 2017	4,831	281	231	5,343
Net book value at 31 March 2017	1,014	37	4	1,055
Net book value at 31 March 2016	675	40	4	719

8: Trade receivables and other current assets

	2017 £'000s	2016 £'000s
Trade receivables	541	317
Deposits and advances	320	104
Prepayments & accrued income	852	431
Total	1,713	852

9: Cash and cash equivalents

	2017 £'000s	2016 £'000s
Balance at 1 April 2016	15,816	11,718
Net change in cash and cash equivalent balances	1,265	4,098
Balance at 31 March 2017	17,081	15,816
The following balances at 31 March 2017 were held at:		
Government Banking Service	2	554
Commercial banks and cash in hand	17,079	15,262
Balance at 31 March 2017	17,081	15,816

The majority of the Commission's cash and cash equivalent balances are held at commercial banks or as cash in hand apart from £1,653 (£554,340 in 2015/16) which is held with Government Banking Services.

10: Trade payables and other current liabilities

	2017 £'000s	2016 £'000s
Trade payables	607	570
Staff cost payables	764	764
Other payables	265	–
Accruals and deferred income	11,871	11,297
Total	13,507	12,631

The Commission holds total deferred income balances of £10,513,100 (£10,280,009 in 2015/16) included in notes 9 and 10.

This relates to:

Licence fees paid that are due to be released to income within one year of £9,891,030 (£9,378,287 in 2015/16)

Licence fees paid that are due to be released to income after one year – £622,070 (£687,826 in 2015/16)

11: Amounts falling due after more than one year

	2017 £'000s	2016 £'000s
Deferred income	623	546
	623	546

The Commission's deferred income due after more than one year relates to personal licence fees paid that are due to be released to income in years 2018/19 onwards.

12: Pension liability provision

This provision recognises the payments due in respect of a former chairman of the Gaming Board and a former OFLOT Director General.

	2016 £'000s
At 1 April 2015	265
Interest cost	9
Actuarial loss/(gain) in the period	(11)
Pensions paid in the year	(16)
At 31 March 2016	247

	2017 £'000s
At 1 April 2016	247
Interest cost	9
Actuarial loss/(gain) in the period	23
Pensions paid in the year	(20)
At 31 March 2017	259

13: Third party assets

The Commission held the following assets on behalf of 3rd parties at 31 March 2017

	2017 £'000s	2016 £'000s
At 1 April	16	15
Arising in the year	–	1
Settled in the year	–	–
At 31 March	16	16

The only 3rd party assets that the Commission holds are in relation to seized funds from suspected non-compliant activity. These funds are held in a separate Commission bank account, and can be either retained by the Commission under the Proceeds of Crime Act, or returned.

14: Impact of pension liability on income and expenditure reserve

	Notes	2017 £'000s	2016 £'000s
Income and expenditure reserve excluding pension liability		6,232	4,794
Pension liability	12	(259)	(247)
Income and expenditure reserve		5,973	4,547

15: Capital commitments

At 31 March 2017 there were three capital creditors totalling £11,580 for the supply of IT hardware and software and fixtures, which has been capitalised (£48,533 in 2015/16).

16: Commitments under operating leases

At 31 March 2017 the Commission was committed to making the following payments in respect of operating leases.

	at 31 March 2017		at 31 March 2016	
	Land and buildings £'000s	Other £'000s	Land and buildings £'000s	Other £'000s
Obligations under operating leases for the following periods comprise:				
Not later than 1 year	814	7	896	9
Later than 1 year and not later than 5 years	3,434	6	3,586	14
Later than 5 years			–	–
	4,248	13	4,482	23

Following a successful application to the Government Property Unit at the Cabinet Office, the Commission signed a new lease for its existing premises in central Birmingham. The new lease was signed in May 2015. The lease is for a period of 10 years (with a 5 year break clause) and commenced with effect from February 2016 when the previous lease expired.

17: Related party transactions

The Commission is a Non-Departmental Public Body funded through the collection of licence fees from the industry, and grant-in-aid for National Lottery operations.

Salary costs:

in relation to DCMS staff on secondment	£42,791
grant-in-aid for revenue expenditure	£2,655,334

During the period none of the Commissioners, members of key management staff or other related parties have undertaken any material transactions with the Commission.

18: Financial instruments

IAS 32 (Financial Instruments: Classification), IAS 39 (Financial Instruments: Measurement, Recognition and Derecognition) and IFRS 7 (Financial Instruments: Disclosures) establishes principles for the presentation, recognition and measurement, and disclosure of financial instruments as liabilities or equity. Because of the way that the Commission is funded, the Commission 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.

Market rate risk

The Commission has no borrowings, and therefore is 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 the 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 specific projects, the Commission has very low exposure to credit risk.

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 & financial liabilities

Financial assets

Currency	Total £'000s	Floating rate £'000s	Fixed rate £'000s	Non-interest bearing £'000s	Fixed rate		Non-interest bearing
					Weighted average interest rate %	Weighted average period for which fixed Years	Weighted average term Years
At 31 March 2017							
Sterling	17,942	17,081	–	861	0.00		
Gross financial assets	17,942	17,081	–	861			
At 31 March 2016							
Sterling	16,237	15,816	–	421	0.00		
Gross financial assets	16,237	15,816	–	421			

Financial liabilities

Currency	Total £'000s	Floating rate £'000s	Fixed rate £'000s	Non-interest bearing £'000s	Fixed rate		Non-interest bearing
					Weighted average interest rate %	Weighted average period for which fixed Years	Weighted average term Years
At 31 March 2017							
Sterling	13,788	–	–	13,788	0.00		
Gross financial assets	13,788	–	–	13,788			
At 31 March 2016							
Sterling	12,866	–	–	12,866	0.00		
Gross financial assets	12,866	–	–	12,866			

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

	At fair value through profit and loss £'000s	Loans and receivables £'000s	Available for sale £'000s	Total £'000s
Embedded derivatives	-	-	-	-
Debtors	-	861	-	861
Debtors over 1 year	-	-	-	-
Cash at bank and in hand	-	17,081	-	17,081
Other financial assets	-	-	-	-
Total at 31 March 2017	-	17,942	-	17,942
Embedded derivatives	-	-	-	-
Debtors	-	421	-	421
Debtors over 1 year	-	-	-	-
Cash at bank and in hand	-	15,816	-	15,816
Other financial assets	-	-	-	-
Total at 31 March 2016	-	16,237	-	16,237

Financial liabilities

	At fair value through profit and loss £'000s	Other £'000s	Total £'000s
Embedded derivatives	-	-	-
Creditors	13,165	-	13,165
Creditors over 1 year	623	-	623
Borrowings	-	-	-
Other financial assets	-	-	-
Total at 31 March 2017	13,788	-	13,788
Embedded derivatives	-	-	-
Creditors	12,320	-	12,320
Creditors over 1 year	546	-	546
Borrowings	-	-	-
Other financial assets	-	-	-
Total at 31 March 2016	12,866	-	12,866

19: Contingent liabilities disclosed under IAS 37

There are no contingent liabilities to report as at 31 March 2017 (£0, 2015/16).

20: Post balance sheet events

These accounts were authorised for issue on the date the Comptroller and Auditor General certified the accounts shown on the audit certificate.

There are no post balance sheet events to report since 31 March 2017.

Appendices

Appendix 1

The Executive Group



Sarah Harrison MBE
Chief Executive

Sarah became Chief Executive on 1 October 2015. Prior to joining the Commission, Sarah was at the UK energy regulator, Ofgem, where she held a number of senior executive roles: as Senior Partner, Sustainable Development, Managing Director of Corporate Affairs and, before that, Communications Director. Before joining Ofgem in 2000, Sarah was the first Chief Executive of ICSTIS, the UK industry regulator for premium rate telephone services. Her earlier career was in government and public relations consultancy. Sarah is a Board Member of the Association of Chief Executives and a Trustee of Sustainability First.

She was awarded an MBE in 2016 for services to consumer protection.



Sarah Gardner
Executive Director

Sarah joined the Commission in 2009, having spent most of her career as a civil servant in a number of government departments and agencies covering a wide range of topics including tax, European and international policy, consumer protection, competition, better regulation, small business and enterprise policy.

Role

As an Executive Director, Sarah's main focus is the corporate leadership of the Commission and she sponsors a broad portfolio of Commission business which includes consumer policy, regulation of lotteries (including the National Lottery) and regulatory strategy.



Sue Harley
Chief Operating Officer

Prior to joining the Commission in April 2014, Sue spent nearly 18 years with Ladbrokes plc during which time she held a variety of positions. Her last role was as Customer Services Director where she held operational responsibility for Ladbrokes' customer support departments in Gibraltar and in the UK. Prior to that she was the company's first Compliance Director, a role she held for more than ten years. Sue has also held a number of senior HR roles in multi-site retail and leisure businesses, including as HR Director of Ladbrokes' casino business before its sale to Gala Coral.

Role

Sue, who was initially appointed to cover Sarah Gardner's maternity leave, agreed to extend her fixed-term contract for a further period from April 2016. As chief operating officer, Sue's primary responsibility is ensuring the delivery of the Commission's business plan. Sue will be leaving the Commission during the 2017/18 financial year.



Neil McArthur
General Counsel

Neil joined us in 2006. Neil is a qualified solicitor and holds degrees in Law and Accounting and Criminology. His legal career began in local government and he then moved to the Learning and Skills Council. Prior to joining the Commission he was the Head of Legal at the General Teaching Council for England.

Role

Neil has responsibility for our corporate governance, enforcement and legal work. He also shares responsibility for the leadership of the Commission and delivery of the business plan.



Tim Miller
Executive Director

Tim joined us in August 2016 as Executive Director of Corporate Affairs and Research. He has a long history of working within the regulatory sector having held a number of roles with the Law Society of England and Wales, the Parliamentary and Health Service Ombudsman and the Local Government Ombudsman. Tim is also Vice-chair of Coventry Citizens Advice, one of the largest local citizens advice in the country.

Role

Tim's main focus has been on the corporate leadership of the Commission, particularly developing its communication function to enhance engagement with stakeholders, industry and consumers. Tim also provides executive leadership of the Commission's Evidence and Analysis function ensuring that high quality research and insights inform the Commission's work.



Nick Tofiluk
Executive Director

Nick joined the Gambling Commission in 2007, before which he was an Assistant Chief of Police with extensive policy and operational command experience. Nick holds degrees from the Universities of Cambridge, Birmingham as well as an Advanced Diploma in Organisational Management from Manchester University.

Role

Nick's focus is on corporate leadership of the Commission. He oversees licensing, compliance, anti-money laundering, and intelligence. He also has responsibility for sports betting integrity matters in the UK and internationally. Nick is VP of the International Association of Gambling Regulators (IAGR), Chair of the Council of Europe's (Convention) Network of Regulators, and member of the European Commission's, Council of Europe and International Olympic Committee's match-fixing expert groups.

Appendix 2

Management Boards – remit and membership

Executive Group

The Executive Group, the executive decision making group, is responsible for dealing with matters that concern the Commission as a whole, its organisation, management and use of resources. It may escalate matters to the Board as appropriate. In particular, it:

- ▶ monitors progress of key workstreams (either directly or through Business Plan Programme Board (BPPB))
- ▶ decides on any matters escalated by BPPB
- ▶ makes recommendations to Board of business plan priorities
- ▶ approves the setup of significant new workstreams or other activities that impact on the resources of the Commission
- ▶ oversees the Commission’s use of financial and human resources, ensuring that all resources are used efficiently and effectively
- ▶ maintains the corporate risk register
- ▶ clears papers for the Board of Commissioners and agrees the agenda for Board meetings.

Business Plan Programme Board (BPPB)

The role of BPPB is to:

- ▶ develop and maintain the Commission’s business plan through its oversight of the main operational workstream programmes and support function workstreams
- ▶ monitor and ensure effective delivery of the business plan
- ▶ oversee/lead on biannual stocktake of implications of business plan for budgeting
- ▶ monitor risks (including prioritisation issues) and identify those for escalation to the Exec, Board of Commissioners and/or the corporate risk register
- ▶ identify unresolved problems, slippage, resource or policy conflicts or prioritisation issues and agree how best to handle them.

Management boards – membership

Name	Role	Executive Group	Business Plan Programme Board
Sarah Harrison	Chief executive	Chair	
Sarah Gardner	Executive director	✓	
James Green	Programme director		✓
Ben Haden	Programme director		✓
Sue Harley	Executive director	✓	Chair
Paul Hope	Programme director		✓
Anna Howe (wef 23/05/2016)	Programme director		✓
Simon Knee	Functional head		✓
Cyrrhian Macrae (up to 31/03/2017)	Functional head		✓
Sharon McNair	Programme director		✓
Neil McArthur	General Counsel	✓	
Tim Miller (wef 30/08/2016)	Executive director	✓	
Nick Moore (wef 23/06/2016)	Functional head		✓
Tamsin Morgan (wef 13/03/2017)	Functional head		✓
Alistair Quigley	Programme director		✓
Helen Rhodes (wef 23/05/2016)	Programme director		✓
Oliver Sweeney (wef 13/03/2017)	Functional head		✓
Nick Tofiluk	Executive director	✓	
Helen Venn	Programme director		✓
Mark Wagstaff (wef 19/09/2016)	Functional head		✓
Richard Watson	Programme director		✓
Michelle Wenham	Functional head		✓



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