
Gambling Commission annual report and accounts 2010/11

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Gambling Act 2005**

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Commissioners 2010/11

Brian Pomeroy, CBE, Chairman
Ben Gunn, CBE, QPM
Bill Knight
Rachel Lampard
Andrew McIntosh (to August 2010)
Gill Milburn
Eve Salomon
Peter Teague
Jenny Williams (Chief Executive)

Photography by Bill Knight (www.knightsight.co.uk) and Claire Cresswell-Lane.

Chairman's introduction



I join the Commission as Chairman at a very important and interesting time. Thanks to the excellent leadership of Brian Pomeroy, whom I succeed as Chairman, and of Peter Dean before him, the Commission has, since its inception under the Gambling Act 2005 licensed the whole of the industry and educated and embedded a new approach to gambling regulation, underpinned by Hampton principles¹.

I believe that a regulator has to be guided by its duties, but must deliver regulation in a cost efficient, targeted and proportionate way. This means developing a good evidence base through research and understanding of the industry, focusing on areas of greatest risk, communicating well with industry and stakeholders, seeking to understand and help industry to adhere to regulations but taking appropriate action against those who transgress. We also need to ensure that we manage our limited resources efficiently at all times.

One of my priorities is to develop a clear understanding of the issues which may affect those involved in gambling, both in the short-term and over the coming years. Changing technology, changing social habits and the pressures of a tough retail economy - all will have an impact on those who gamble and those we regulate. It is vital that we are aware of what such changes mean for all concerned, as well as for the way we regulate and advise government.

Another major task for me in the coming 12 months will be working with the Department for Culture, Media and Sport (DCMS) and the Board of the National Lottery Commission (NLC) to ensure that the forthcoming co-location and merger² between our two bodies goes smoothly, not only to save costs but to build on our combined strengths to sustain Great Britain's reputation for effective gambling regulation.

I have been impressed and encouraged by the enthusiasm and professionalism of Commission employees since taking up my role in April this year and by the openness and warmth of my welcome from those I have met in the gambling world. I look forward to meeting more of our stakeholders and to working with my colleagues to deliver ever more effective regulation in this changing and demanding world.

A handwritten signature in black ink, appearing to read 'Philip Graf', written over a horizontal line.

Philip Graf
Chairman

¹ Hampton principles of better regulation indicate that regulation should be transparent, accountable, proportionate, consistent and targeted.

² Merger dependent on secondary legislation following enactment of the Public Bodies Bill currently before Parliament.

Chief Executive's review



Introduction

Over the past year the Commission has made steady progress with its licence holders and other regulators in establishing the most appropriate means of meeting the licensing objectives. We have seen improvements in the way operators prevent under-age gambling; firm enforcement action against illegal machine suppliers and users of inside information; and significant advances in the way we, the sports governing bodies and the betting industry work together to combat sports betting corruption. Our efforts to encourage compliance while disrupting and ultimately punishing non-compliant or illegal activity are starting to tell.

Increased understanding of the Act amongst gambling operators as well as within the Commission has enabled the focus of our regulatory activity to shift towards higher impact operators and issues. This, combined with streamlining and improving our working practices, reduces our costs and increases our capacity to advise DCMS and the government on issues such as the implications of changes to regulating remote gambling, and changes to stakes and prizes (we saved £0.6 million during the course of this year, mainly the result of the public sector recruitment freeze). Such savings will not be sustainable in the longer term if we are to continue to deliver the licensing objectives in the face of continuing legal and technological challenges.

Making the regulatory regime more effective

Since September 2007 the Commission has been operating a regulatory regime in line with better regulation principles with a clear focus on outcomes and the avoidance of fine prescriptive detail. We have kept our approach under review as our knowledge and expertise increases to improve our effectiveness and reduce wherever possible the regulatory burden on the industry. Our regulatory powers are wide-ranging and used selectively to stop, disrupt and deter non-compliant or illegal behaviour covering a wide range of issues.

Financial penalties are used, for example, to discourage late submission of regulatory returns. Operators that fail to comply with licence requirements have been fined and operating and personal licences have been suspended where we have serious concerns about suitability. Our first confiscation order under the Proceeds of Crime Act (POCA) for £30,000 on top of the £27,000 fine and costs imposed on an illegal machine supplier gave a clear signal to those seeking to undercut the licensed industry. Changes to licence fees are planned for 2012/13 to reflect streamlined working practices and increased concentration of compliance and enforcement effort on those areas presenting greatest risk to the licensing objectives.

Working with partners

We continue to work closely with licensing authorities to provide technical support and expertise at a local level while concentrating our own efforts on matters of regional or national concern. Effective collaboration is supported by a range of protocols detailing how we will cooperate on activities such as test purchase exercises. Our work with other bodies such as the police and HM Revenue and Customs (HMRC) is also proving increasingly productive; a notable example being our work with HMRC to clarify what is and is not a skill with prizes machine.

Remote gambling

We provided considerable assistance to DCMS in developing their proposals (published in March 2010) for requiring all operators targeting British consumers to be licensed by the Commission. We have also been working with regulators in other jurisdictions to promote common standards and greater collaboration and exchange of information and intelligence.

Research, education and treatment

The third British Gambling Prevalence Survey was published in February 2011, showing that more people are gambling and that there is a small, but probably growing, increase in the number of problem gamblers. We asked the Responsible Gambling Strategy Board (RGSB) to consider how to build on the results of the prevalence study to investigate the causes of problem gambling.

We are now exploring with academics, the industry and other interested organisations options for collecting participation and problem gambling prevalence data in different and potentially more cost-effective ways. As a result of the government spending review we no longer receive any grant-in-aid (GIA) for research so we need to look at how such work can be funded in future.

The voluntary system for funding research education and treatment (put in place when the previous government agreed not to impose a levy) is not yet working as effectively as promised. Despite that, the RGSB strategy has resulted in the Responsible Gambling Fund (RGF) deploying funds raised by the industry into a number of initiatives to benefit those at risk of gambling related harm (see page 24) while continuing to finance problem gambling charities such as GamCare.

Betting integrity

Our sports betting intelligence unit (SBIU) is fully established with the capability of real time monitoring of sports betting activity - we now provide a hub for intelligence on sports betting integrity matters within Great Britain. We have also played an active part with the industry and sports bodies in implementing the other Parry report recommendations³ and are increasingly in demand to work with others such as the police and international organisations such as FIFA⁴ and the International Olympic Committee (IOC) on sports betting integrity issues.

We worked with Ofcom to stop the misuse of inside information in betting on the television programme, the X Factor, and to prevent any repetition; we used our powers to void bets for the first time to ensure those concerned did not profit from their abuse of position.

Our people

It has been another challenging year for our employees who have remained determined and focused on keeping gambling fair and safe for all in a cost-effective, efficient way against a background of severe financial pressures across both the public and private sector.

The death of Andrew McIntosh in August 2010 deprived us of a Commissioner with considerable breadth and depth of knowledge. As the DCMS minister he had taken the Act through Parliament and had a deep personal and professional commitment to research and tackling problem gambling which he brought to his role as Commissioner with gusto and humour despite increasing ill health.

Brian Pomeroy stepped down as Chairman at the end of March 2011 after extending his term to see his successor in place. Brian's wise counsel, strategic grasp and ability to grapple with the complexities of gambling regulation have been invaluable as we moved from start-up activity to embedding our risk-based approach to regulation and securing improved research, education and treatment provision for problem gamblers.

The future

Philip Graf, our new Chairman, brings not only a wealth of regulatory and industry expertise but also highly relevant experience of many of the new media issues that the Commission is facing as the gambling industry embraces new ways of providing gambling. Philip's designation as Chair of the merged Commission and the NLC will help secure the maximum benefits from the co-location and subsequent proposed merger of the two bodies. We are working closely with the NLC to ensure continued effective regulation and achievement of our respective objectives as the proposed merger plans progress – the co-location of the NLC in our Birmingham offices is expected by the end of 2011 with formal merger of the two organisations, dependent on secondary legislation, sometime in 2012.

The coming year promises to be as interesting and demanding as the last 12 months – with, for example, continuing economic pressures on the industry, licensing authorities, the police and ourselves; decisions on the review of remote gambling; the forthcoming Commission/NLC merger and a rapidly evolving technological and international regulatory landscape. We will continue to use our resources and powers proportionately to ensure that the ever-changing gambling industry remains well regulated and the licensing objectives are met.



Jenny Williams
Chief Executive

³ A sports betting integrity panel established by DCMS in 2009 and chaired by Rick Parry made recommendations as to the design and implementation of an integrated strategy to uphold integrity in sport and associated betting.

⁴ Fédération Internationale de Football Association.





operating review

The Commission's remit

The Commission regulates commercial gambling in Great Britain, working closely with our partners, licensing authorities and other organisations such as the police and HMRC. The Commission regulates casinos, bingo, gaming machines and lotteries as well as betting, arcades and remote gambling but not the National Lottery or spread betting which are the responsibility of the National Lottery Commission⁵ and the Financial Services Authority respectively. We estimate that the industries regulated by the Commission generated around £5.7 billion in gross gambling yield (stakes less winnings paid out) in 2009/10.

We are a non-departmental public body (NDPB) sponsored by DCMS and have a remit to permit gambling as long as it is reasonably consistent with the three statutory licensing objectives to:

- keep crime out of gambling
- ensure gambling is conducted fairly and openly
- protect children and vulnerable people from being harmed or exploited by gambling.

“Operators must comply with the statutory framework and are subject to licence codes and conditions issued by the Commission...”

We have a duty to advise national and local government on the incidence of gambling, the way it is carried out, its effects and its regulation.

Under the Act operators offering gambling in Great Britain must be licensed by the Commission with licensing authorities (LAs) licensing premises and providing permits. Operators must comply with the statutory framework and are subject to licence codes and conditions issued by the Commission which further the three licensing objectives.

The Commission has:

- discretion to apply licence conditions to individual operators
- wide-ranging sanctions including the imposition of fines and the revocation of licences
- the power to prosecute offences under the Act.

Commission funding

The Commission is an independent body funded in the main by licence fees paid by the gambling industry but set by the Secretary of State and approved by Parliament. Fees have remained unchanged since August 2009 (see appendix 6).

A funding agreement with DCMS which sets out a series of targets against which the Commission is monitored (see table 1), as well as detailing GIA funding from DCMS for research activity (see page 24) was in place until the end of this financial year (2010/11). GIA was used to support the Commission's research and prevalence study responsibilities, although this funding has now ceased.

⁵ The government announced the merger of the Gambling Commission and the National Lottery Commission in July 2010. Work is underway and co-location in Birmingham is expected by the end of 2011 with the formal merger taking longer due to the need for secondary legislation following enactment of the Public Bodies Bill currently before Parliament.

Table 1: Funding agreement targets and performance indicators

Target	Progress
<p>Develop a comprehensive compliance programme based on an intelligence led assessment of the risks posed by licensed operators and individuals to the regulatory framework.</p>	<p>The Commission's developed risk assessment framework was finalised and communicated to stakeholders in 2009/10. Our compliance programme planning is now based on this risk assessment framework and on growing intelligence and regulatory returns data.</p> <p>Our sports betting intelligence unit is now fully established with investigations being conducted by the Commission in successful collaborations with relevant police forces or sports governing bodies.</p>
<p>Provide advice to ministers and others on the incidence, effects and regulation of gambling as well as the manner in which gambling is carried on.</p>	<p>We have consulted, and supported DCMS consultations, on a number of changes aimed at reducing the regulatory burden on operators and our regulatory partners, for example, the requirement for casino operators to gain Commission approval to trial new games and variations has been removed with effect from June 2011.</p> <p>We continue to provide advice to DCMS on such topics as changes to machine stakes and prizes and reducing regulation on smaller lotteries.</p>
<p>Complete and advise about/assist with the implementation of the review of research, education and treatment (RET).</p>	<p>The RGSB produced its first full annual strategy in October 2010 and established expert panels providing additional sources of expertise on which the Strategy Board can draw to advise the Commission. We are now discussing with the RGSB the possible options for the future collection of gambling prevalence data.</p> <p>The voluntary system for funding research education and treatment is not yet working as effectively as promised.</p> <p>The RGF is making progress in implementing the priorities recommended by RGSB using funds received from the GREaT Foundation (the organisation that raises funds from the gambling industry and others to support research, education and treatment).</p>
<p>Collect comprehensive information on business, individual and social aspects of the gambling industry to provide advice to the Secretary of State on the incidence, effects and regulation of gambling and to measure the effectiveness of the Commission in meeting its licensing objectives.</p>	<p>We commissioned the 2010 British Gambling Prevalence Survey (BGPS 2010) and published in February 2011.</p> <p>We continue to publish participation data on remote and other forms of gambling quarterly and data on perceptions of gambling annually. The statistics we collect on the industry are now published bi-annually.</p> <p>We also collect information on a range of topics including betting integrity, RET and gaming machines via: regulatory returns, compliance visits, LA returns, intelligence (including from betting operators under licence condition 15.1 and by suspicious activity reports on money laundering) and from trade bodies, other regulators and law enforcement bodies.</p>
<p>Review the impact of the licensing process on the industry, with special reference to small and medium sized operators.</p>	<p>A series of open meetings with smaller operators plus various consultation exercises provided useful feedback on the licensing process and its impact on smaller operators. Nearly 600 operators attended the 15 events which were supported by Commission employees including Commissioners, directors and topic experts. Our advice to DCMS on topics such as skill with prizes machines reflects our discussions.</p>
<p>Drive the development of an organisational culture which ensure that the principles of diversity and the Commission's values are embedded.</p>	<p>Cross-functional team working has been strongly promoted this year to improve the way the Commission delivers the business plan and to improve communications throughout the organisation. Development of our senior management team and active engagement with all our employees are important to support this approach and promote working together. Basic online equality and diversity training has now been undertaken by all Commission employees, with much of the work this year involving implementation of the Equalities Act 2010. Short training sessions have been delivered to managers to ensure they are aware of their new responsibilities under the Act.</p>
<p>Deliver 3% value for money efficiency savings (cash and non-cash) for example, reduction in employees to steady state, productivity improvements and maintenance savings, through effective delivery of the corporate plan.</p>	<p>We delivered 4.2% efficiency savings this year, through a reduction in employee costs and streamlining our activity.</p>



key achievements

<p><i>Completing the first phase of the Commission’s role</i></p>	<p>We have invested considerable effort to ensure an understanding of and compliance with the new Act. We have, for example, provided advice and guidance, visited and talked with operators, built strong relationships with trade associations and liaised with other regulators and law enforcement bodies. This investment is paying off with the majority of licensed operators compliant and understanding the requirements of the Act so that we can focus on illegal activity and issues of high regional and national impact.</p>
<p><i>Reducing the regulatory burden</i></p>	<p>We have consulted, and provided support for DCMS consultations, on a number of changes aimed at reducing the regulatory burden on operators and our regulatory partners. As a result, the requirement for casino operators to gain Commission approval to trial new games and variations has been removed (effective from June 2011) and we plan to consult on the removal of the casino gaming reserve later in the year. Possible changes to the category C gaming machine technical standards, if implemented, will allow for greater flexibility in terms of game design. We provided regulatory advice to DCMS for their consultation on an increase to the maximum stake for category B3 gaming machines and to change the way in which the number of machines permitted per premises is calculated.</p> <p>We also announced changes to the regulatory returns that operators must complete to rationalise the data requested and to allow more time for completion of the returns. In addition we reduced the frequency for submission of LA returns to the Commission from quarterly to annually.</p>
<p><i>Improving our efficiency</i></p>	<p>Despite employee numbers reducing by 10% this year we have continued to deliver cost-effective regulation, partly through significant revisions to our procedures and developing better information management systems, plus improved monitoring of our progress against goals set.</p>
<p><i>Ensuring high quality enforcement</i></p>	<p>Our improved case management system led to the successful conclusion of 141 regulatory enforcement cases this year without compromising the safeguards afforded to those subject to review or investigation. While the complexity of enforcement cases undertaken has increased, the cases completed resulted in, for example, the revocation of 33 operating licences and 23 personal licences. A criminal case we successfully prosecuted resulted in the courts imposing substantial costs against a convicted illegal supplier of gaming machines - plus an asset confiscation order under POCA.</p>
<p><i>Promoting integrity in betting</i></p>	<p>The majority of the recommendations from the sports betting integrity report have been implemented and our sports betting intelligence unit (SBIU) is now fully established. 197 betting integrity issues have been referred to the Commission since September 2007 with investigations being conducted by the Commission resulting in successful collaborations with relevant police forces or sports governing bodies. As a result of one investigation this year we decided for the first time to void bets totalling £16,000.</p>

<p><i>More effective communication</i></p>	<p>Our contact centre handled nearly 25,000 enquiries with 98% dealt with within three days. Our website now receives an average of 20,800 visitors each month with over two-thirds of users who completed our online survey saying they found the information clear and easy to understand. We also produced 42 documents including four quick guides which provided operators with clarity on, for example, skill with prizes gaming machines and primary gambling activity.</p>
<p><i>Improved provision for research, education and treatment</i></p>	<p>We published the third British Gambling Prevalence Survey (BGPS) in February 2011 which showed that nearly three quarters of adults gambled in the previous year, taking part in a range of different activities. The new structure for funding research, education and treatment is making steady progress although not yet operating as effectively as expected. In addition to continued support to problem gambling charities such as GamCare, examples of innovative work funded include a GP training package to help identify problem gamblers and three pilot schemes to raise awareness and the capability of third sector organisations to identify and support people experiencing gambling-related harm.</p>
<p><i>Developing strong international relations</i></p>	<p>We have developed effective international relations and cooperation through playing active roles in the International Association of Gambling Regulators (IAGR) and the Gaming Regulators European Forum (GREF) - particularly in relation to remote gambling and gambling addiction. This keeps the Commission abreast of developments internationally and helps promote common understanding and collaboration between jurisdictions.</p>





approach

Our business plan for 2010/11 and beyond details our planned activity for the year and underpins the corporate plan that was established in October 2007. Both reflect the statutory framework within which we operate and our strategic objectives.

The Commission's strategic objectives

- **Regulating gambling in the public interest: delivering a proportionate regulatory regime which delivers best practice licensing and enforcement and ensures compliance by licence holders.**
- **Providing authoritative advice on gambling and its regulation: building the Commission's knowledge base through knowledge management, intelligence and research.**
- **Engaging with stakeholders: ensuring that the Commission is accountable, properly balanced and informed in its work.**
- **Developing our employees and organisation: delivering professional, responsive, accountable and fair regulation.**

Since the Commission was set up we have spent time and effort on ensuring that gambling operators understand the requirements placed upon them by the Act and that we understand the impact of these requirements. Our regulatory approach puts the onus on operators to satisfy themselves of their compliance with these statutory requirements as well as with licence conditions. They must then be able to demonstrate how they know they are compliant, for example by sharing with us the results of any independent third party test purchasing to check for under-age access. This approach is supported by risk based interventions from us, focused on the effectiveness of the operator's internal controls, and targeted enforcement activity where needed.

We have concentrated this year on developing the internal processes that support our regulatory activity to further enhance the quality of results, while continuing to deliver our remit against a reducing cost base. As set out on page 16, the Commission's efforts to encourage compliance, and to enforce it where both encouragement and warning fail to achieve our objectives, is having tangible results which reinforce the incentives for operators to comply.

We have continued to build our relationship with partners, particularly with LAs, with whom we share responsibility for compliance and enforcement of gambling regulation. Following the Concordat developed with LG Regulation (formally LACORS) in 2010, protocols have been established covering communication, information exchange and compliance and enforcement. We provide technical support and expertise to LAs, local police and others at a local level, while concentrating our own regulatory effort at a regional and national level.

We are prioritising our sports betting integrity work in line with our published approach⁶ and are involving Sports Governing Bodies where appropriate for them to take the lead. We are also working with the International Olympic Committee (IOC) to establish processes and protocols that may be used to identify and manage any risks to sports betting integrity during the London 2012 Olympic Games. This is to ensure that the UK is well placed to deter sports betting corruption and well prepared to handle incidents should they occur.

In terms of developing our evidence base, we published the third nationally representative survey of participation in gambling and the prevalence of problem gambling in Great Britain⁷. We also consulted on a range of options for future collection of gambling and problem gambling prevalence data, exploring the possibility of obtaining that data in a more cost-effective and timely way.

We have worked with LAs to publish LA premises statistics for the first time and with the industry to improve the quality of regulatory returns data - we now publish six monthly updates on gambling industry statistics.

⁶ The Commission's betting integrity decision making framework.

⁷ The British Gambling Prevalence Survey 2010.

Principal risks and uncertainties facing the Commission and their mitigation

Managing resources and meeting expectations

■ The make up of the British gambling industry continues to change significantly, with consolidation, moves offshore and other factors influencing the number, type and size of licensed operators and, as a result, licence fee income. While this level of change persists, uncertainty about income each year will remain until the bulk of our annual fee income is collected by the end of September. To help counter this:

- we maintain prudent income assumptions although we predict a more stable economic situation than has been the case in recent years
- we are streamlining our activity to ensure we can continue to deliver effective regulation and manage reasonable expectations
- we are working with government to reduce the burden of regulation where possible and to focus effort on higher risk areas
- we expect to consult on associated fee changes during 2011 to come into effect in 2012.

■ The departure of Brian Pomeroy in April, the death of Andrew McIntosh last summer and the completion of second terms of office by four Commissioners in December 2011 represent a considerable loss of experience and continuity within the Commission Board. Their successors will be recruited in time to provide continuity over the period of change expected during the next few years.

■ Because of the public sector recruitment freeze policy we did not replace 22 employees who left last year - 10% of our complement. A continuing loss of employees carries a risk to our ability to deliver proportionate and effective regulation and some limited recruitment is now needed.

Potential legislative developments

■ The timing of the proposed merger with the NLC is uncertain as the merger is subject to enactment of the Public Bodies Bill and approval of the necessary secondary legislation. Our policy of relocating the NLC to share our offices and common services, in preparation for the merger, carries the risk of disruption and lack of continuity if NLC employees leave. We are addressing this risk by working closely with the NLC to understand their employee intentions and to redeploy or recruit employees to provide common services and support.

■ The uncertainty about timing and outcome of a government decision on whether to require all offshore operators⁸ to obtain a licence from the Commission, makes contingent preparations challenging and potentially abortive. We have focused on ensuring that any implementation is effective whilst minimising the regulatory burden on operators and potential duplication of effort with other regulators.

Localism

■ The shared nature of gambling regulation is still not well understood – that is, with the Commission focusing on issues and operators of high impact nationally and regionally and LAs on those of high impact locally.

■ Expectations continue to exceed what the Commission can and should deliver. We continue to invest much effort in making the system work effectively in the face of increasing pressures on local expenditure and the structural changes within LG Regulation, the body with which we have worked closely in support of LAs.

Legal challenges

■ Expenditure on legal and other expert advice remains unpredictable with complex cases likely to occur, not least from challenges to the interpretation of the Act as innovation and technological development within the industry continues.

Evidence base

■ An inadequate or insufficient evidence base has been identified as one of the Commission's key risk as our risk-based approach to licensing, compliance and enforcement depends on assessing the likelihood and impact of risks to the licensing objectives, as does our ability to give advice to the Secretary of State on gambling and its regulation. To mitigate this, the Commission has devoted considerable effort to capturing information on its licence holders and the environment within which they operate.

■ The loss of GIA results in uncertainty about the funding of the collection of data on gambling and problem gambling prevalence which we need to underpin our risk-based approach and to enable us to advise government. We have been consulting academics, the industry and other interested parties on how best to obtain such information and, more recently, on how to fund such work. The development of an omnibus survey approach is one option.

■ The tripartite voluntary funding arrangements have come under pressure - these arrangements involve the industry body, GREaT, raising targeted funds which are distributed by RGF in line with the strategy recommended by RGSB and endorsed by the Commission. The industry has not met the agreed funding targets for this year and some criticise the move to a commissioning base for support for research, education and treatment. Discussions are underway with all the parties involved to ensure that the research and evaluation needed, to improve understanding of how to prevent and tackle problem gambling, as well as cost-effective prevention and treatment services, are commissioned and funded cost-effectively.

Sports betting integrity

■ The SBIU is under pressure from an increased workload, partly due to the success of the confidential intelligence line in gathering information on this as on other illegal activity and partly due to additional work in connection with the Olympics. We continue to prioritise rigorously and to work with the other bodies involved, for example, sports governing bodies and the police, both here and overseas to ensure clarity about each of our responsibilities and, with regard to the Olympics, have obtained the support of an extra member of staff through collaboration with other government departments.

8 if they transact with or advertise to UK consumers rather than just those with key equipment here as at present.



effective regulation

Licensing

We continue to focus on assessing applications for personal and operating licences efficiently. Each applicant has their own licencing account manager to take them through the application process and to support the licence holder throughout the time that they hold a licence with the Commission (the licencing lifecycle). They provide support to assist with changes and variations to the licence and to help with understanding of the operator's obligations, as set out in the licence conditions and codes of practice. All newly licensed operators are contacted within three months of the issue of their licence to ensure they are clear about their responsibilities and that they understand the requirements the Commission has of its licence holders.

The table below provides information on the numbers of operators that are licensed to carry out the range of activities licensed by the Commission. Changes in the number of licences in issue occur for a variety of reasons, for example, revocation, surrender, company restructuring.

The start of the competitions for the eight large and eight small casino premises licences specified in the Act saw five new applications for operating licences submitted to the Commission. All five operating licences were granted bringing the total number of operators who have authority to operate one or more of the 16 new casinos to seven (see page 21 for further details about new casinos).

This year saw the end of the transitional arrangements relating to holders of lottery permissions issued under the Lotteries Act 1976 (converted lottery licences) hence there are now no such licences in existence.

All those wishing to continue providing facilities for lotteries were required to convert to a society lottery licence and this accounts for the majority of the increase in the number of society lottery licences now held.

Converted machine licences were issued for a five-year period and some remain in force until 2012. These licence holders are required to apply for one of the gaming machine technical licences (dependant on the facilities they provide) on expiry of permissions issued prior to the Act coming into force.

“All newly licensed operators are contacted within three months of the issue of their licence to ensure they are clear about their responsibilities ...”

Therefore, the number of converted machine licences in issue has reduced and will continue to do so over the next 18 months. Conversely, the number of gaming machine technical licences will increase.

The Act requires all personal licence holders to pay a maintenance fee to the Commission five years after the licence is granted. The first maintenance fees will fall due in September 2012. At that time the Commission will also take the opportunity to refresh the information held on personal licence holders. We are considering how to collect the fees and information required most efficiently and will be working with the industry to develop plans during 2011/12.

Table 2: Licensing activity

1 April 2010 to 31 March 2011									
Activities	Licences issued		Licences surrendered		Changes to licences		Total licensed activities as at 31 March 2011 ⁹		
	non-remote	remote	non-remote	remote	non-remote	remote	non-remote	remote	total
New casino	4	5	0	3	0	0	7	20	27
Existing casino	3	NA	3	NA	2	NA	48	0	48
Bingo	33	1	13	4	3	1	245	8	253
General betting (standard)	39	9	66	7	32	5	531	70	601
General betting (limited)	28	NA	28	NA	11	NA	670	0	670
General betting (telephone only)	NA	9	NA	9	NA	4	0	37	37
Pool betting	2	15	0	14	2	6	23	48	71
Betting intermediary	0	7	0	3	1	4	1	24	25
Gaming machine general: AGC	27	NA	43	NA	26	NA	570	0	570
Gaming machine general: FEC	5	NA	19	NA	25	NA	235	0	235
Gaming machine technical: Full	5	0	6	0	3	0	57	12	69
Gaming machine technical: supplier	135	0	12	0	16	0	423	1	424
Gaming machine technical: software	1	0	0	0	1	0	12	5	17
Gambling software	3	11	8	0	1	11	44	55	99
External lottery manager	5	6	2	0	2	1	25	15	40
Society lottery	123	85	35	3	2	0	443	178	621
Converted lottery	0	NA	10	NA	52	NA	0	0	0
Converted machine	0	NA	21	NA	112	NA	119	0	119
Totals	413	148	266	43	291	32	3453	473	3926

⁹ Operators may carry out more than one licensed activity and therefore the total number of licences does not denote the total number of operators.

Enquiries and complaints

The contact centre plays a vital role as the first port of call for those who phone or email the Commission. A small dedicated team handles an average of almost 500 calls a week with 98% being dealt with within three days – a total of nearly 25,000 calls this year on a wide range of topics from lotteries and prize draws to operator's complaints and dispute procedures. One of the largest categories of enquiries was from customers about operators who were not licensed in Great Britain. Queries from operators were mostly about regulatory returns and fees. This team works across the Commission to deal with queries and complaints in a speedy and professional manner. They also liaise with our communications team to ensure that the answers to frequently asked questions (FAQs) are easily available via our website.

A total of 51 complaints were made against operators this year with 96% dealt with within ten days. We also received 127 reports of alleged illegal operations. Of these, 109 were passed to the relevant LA for action (see page 19 for more information on complaints dealt with by LAs).

A total of eight complaints were received about the Commission during the year covering a range of issues from licensing activity (about time taken to issue a licence) to test purchase operations (about the information released and methodology). One investigation is ongoing; of the finalised complaints, two were resolved informally, two were not upheld, two were partially upheld and one, relating to the loss of a passport in the post, was upheld.

Table 3: Enquiries and complaints

	1 April 2009 to 31 March 2010	1 April 2010 to 31 March 2011
Enquiries	25,657	24,587
Complaints against an operator	73	51
Complaints against the Commission	17	8
Reports on suspected illegal operations*	146	127

*includes 109 reports passed to LAs for further action, excludes reports to the confidential intelligence line.

Compliance activity

Our compliance activity aims to ensure that licensed operators have the necessary policies and procedures in place to manage any risk to the licensing objectives, and that personal licence holders remain suitable to hold their licences.

Activity is carried out mainly by our regionally-based teams and this year we made 2,657 visits to operators' premises and 274 telephone calls to appraise operators' compliance and to deal with issues identified through regulatory assessments or complaints.

The number of planned compliance visits to smaller operators fell compared to the previous year as we

focussed our attention on higher impact operators and issues such as under age gambling and money laundering.

In addition, our licensing account managers undertake compliance activity through telephone contact, removing the need for a premises visit.

The Commission remains focused on identifying and dealing with higher risk regulatory matters at regional and national level. At the same time, the information we gain and our expertise supports LAs and police in dealing with matters of local concern and we continue to work in partnership with such bodies where appropriate (see page 19).

During the year we have concentrated our efforts on becoming more effective through, for example, improving the way we collect and analyse data and restructuring our regional teams. We also continue to engage with trade associations representing the industry to highlight issues of regulatory concern such as under-age gambling so that operators are aware and can deal with our concerns, thus reducing the necessity for any formal intervention.

Table 4: Compliance visits to licence holders

Visits by sector	1 April 2009 to 31 March 2010	1 April 2010 to 31 March 2011
Arcades	683	526
Casino – non-remote	254	349
Casino – remote	5	3
Bingo – non-remote	326	328
Bingo – remote	4	0
Betting – non-remote	1,153	1,193
Betting – remote	29	56
B2B – non-remote	-	118
B2B – remote	-	2
Lottery – non-remote	55	79
Lottery – remote	-	3
Total	2,519	2,657

We conducted test purchase operations on some key adult gaming centres (AGCs) to test the effectiveness of their controls to prevent under-age gambling, similar to those conducted on betting shops last year. The results were encouraging with 77 of the 109 premises tested successfully preventing the under-age person from gambling. The Commission has continued to work with the operators that failed to demonstrate they had effective controls in place and with the industry more widely, to secure further improvements. As a result most of the operators that were involved in our test purchase operations now either conduct test purchases themselves on their own premises (using 'young looking' over-18s) or employ third party providers to conduct such tests. This will substantially reduce but not remove the need for the Commission to conduct its own test purchasing from time-to-time.



Enforcement activity

There has been an increase in the complexity of regulatory and criminal cases undertaken this year, both directly by the Commission and in collaboration with LAs and police forces. We received 143 referrals which were added to the 98 active criminal and regulatory cases active at 1 April 2010.

Of the 241 cases, 163 were concluded with 78 remaining active on 1 April 2011. Of those concluded:

- 21 were dealt with by alternative means of disposal, for example, absorbed into ongoing investigations
- one case resulted in licence revocation following a court order for forfeiture
- 35 were dealt with as criminal investigations
- 22 were dealt with through a desktop review
- 84 were regulatory cases.

See table 5 for details.

Our work has focused on our intelligence development and information sharing capabilities, enhancing the amount and quality of information gained from the industry, the public and our partners and improving prioritisation of cases being investigated.

The selection of cases to be adopted, and progress of those investigated, is the subject of continual management scrutiny as is the examination of alternative approaches to resolving matters; for example, using voluntary settlements or collaboration with and referral to other governing bodies. To ensure that we use the most efficient approaches without compromising the safeguards afforded to those subject to review or investigation, we have improved our investigative processes and introduced an improved case management system.

Table 5: Enforcement cases concluded

	Criminal total cases 35					Desktop review total cases 22				Regulatory total cases 84							1 April 2009 to 31 March 2010	1 April 2010 to 31 March 2011
	Advice to conduct	Criminal caution	No further action	Prosecution + asset recovery	Warning	No further action	Revocation	Surrendered	Advice to conduct	Attach condition	Lapsed	No further action	Revocation	Surrendered	Warning + penalty	Warning		
Arcades	1								1				1	2			17	5
B2B supply	2	1	12	2					2			3				1	28	23
Betting		3	8		1	19	2	1	6	1		6			2	3	32	52
Bingo												2	1	1			6	4
Casino			5						13		1	6	21	5		6	60	57
Lottery																	9	0
Remote																	1	0
Total	3	4	25	2	1	19	2	1	22	1	1	17	23	8	2	10	153	141

Table 6: Licence revocations

Reasons for revocations	Operating licences (2005 Act)	Personal licences (2005 Act)	1 April 2009 to 31 March 2010 Total	1 April 2010 to 31 March 2011 Total
Breach of licence conditions	1	0	1	1
Embezzlement			1	-
Theft	0	14	6	14
Integrity/dishonesty	0	6	17	6
Violent offences	0	2	1	2
Non-payment of annual fees	30	0	27	30
Court ordered forfeiture		1	-	1
Drugs			1	-
Non-payment of levy*	2	0		2
Total	33	23	54	56

*Under section 119 of the Act following written confirmation by the Horserace Betting Levy Board the Commission will revoke the operating licence of any operator who has been in default of the levy for a defined period of time.

We revoked 56 licences this year, one as a result of a court forfeiture order (see table 6) with 23 being personal licences and 33 being operating licences. One operating licence was revoked for a breach of licence conditions, two for non-payment of the levy and the remaining 30 were for non-payment of annual fees. We had six personal licence and three operating licence suspensions in place at the end of the year.

The Commission imposed fines totalling £7,000 on one chain of bookmakers for breach of their licence conditions and, for the first time, we voided bets (totalling over £16,000) following an investigation into suspicious betting patterns on the television programme, the X Factor, involving employees at Virgin Media. The Commission consulted with Ofcom, who worked with Virgin Media and other relevant stakeholders, to ensure that firm steps were taken to prevent a repeat of such activity. In addition, a criminal case we successfully prosecuted resulted in the courts imposing substantial costs against a convicted illegal supplier of gaming machines (see under 'Working together to combat illegal activity' for further details).

Working with partners and other regulators

The regulatory relationship between the Commission and LAs has continued to develop. Following the high level local authority Concordat produced in 2010 we produced protocols on communication, information exchange and compliance and enforcement, jointly with LG Regulation in November 2010. These provide more detail on the principles which the Commission and LAs will follow in relation to joint working to help streamline the process of collaboration.

We undertook a drive to promote understanding of our joint approach to gambling regulation, with LAs handling issues of high impact locally while the Commission concentrates on issues of high impact regionally or nationally. As well as publicising the protocols, we worked with two LAs on particular issues to help develop understanding of this joint approach. The first pilot concerned LAs' assessment of whether poker on offer in clubs under LA-issued permits is legal; the second concerned whether small licensed operators are offering the primary gambling activity for which they are licensed.

A change from quarterly to annual LA returns was completed, reducing the burden on LAs and leading to an improvement in the quality and quantity of submissions received. At the same time we introduced a new LA submissions website both to ease the submission of data and to reduce the work required by the Commission to process it. A report, using the first year's data, was made available to the LAs.

We improved the information we provide to support LAs through a dedicated area on the Commission's website, through answers to LA specific FAQs and the introduction of an LA targeted information bulletin.

Additionally we introduced a simple and effective mechanism for exchanging information with LAs on alleged illegal activity occurring locally. This is in line with the Concordat and provides a timely notification to support the LA in fulfilling their remit. To date, since August 2010, 109 reports have been passed to LAs for further action - of these half concerned issues relating to illegal siting of gaming machines, 30% concerned alleged illegal poker activity, 10% alleged illegal betting and most of the remaining 10% concerned alleged illegal lotteries.

We maintain memoranda of understanding (MoU) or information sharing agreements with a range of stakeholders including law enforcement agencies and other regulators to support efficient and secure information exchange and day-to-day communications. This year we added to these a MoU with UK Anti-Doping (UKAD).

Working together to combat illegal activity

The Commission receives information from a wide variety of sources including licensed operators, members of the public, compliance activity or by referrals from other agencies or bodies. We are empowered under the Act to conduct a criminal investigation and where necessary institute criminal proceedings and, under the Proceeds of Crime Act 2002 (POCA), we can also conduct financial investigations and carry out cash seizures and investigations into money laundering and asset confiscation.

Information on alleged illegal activity is initially evaluated to determine the most effective means of response, that is, should any investigation sit with the Commission or with another body such as an LA (if the issues are of a local nature or of relevance to their licensing responsibilities). Evaluation may result in full referral to another body for further action, a request for support in a Commission led investigation or development of a joint working relationship. Where joint working is agreed, each body takes responsibility for its own remit but a collaborative approach achieves common goals. For example, we worked in collaboration with the West Midlands Police Regional Asset Recovery Team on the unlicensed supply of gambling machines to public houses in the Midlands. A substantial number of illegal gaming machines were recovered and following a protracted prosecution the supplier was fined £16,000 and ordered to pay £30,000 as part of an asset confiscation order under POCA.

Developing the regulatory framework

Betting integrity

The Commission has undertaken a significant programme of work on betting integrity this year, in part as a follow-up to the Sports Betting Integrity Report published in February 2010. A key theme of the report was the need for all partners (the Commission, sports governing bodies, betting operators and, where appropriate, the police) to work together, echoing earlier Commission statements. The report also made a number of recommendations which were specifically for the Commission, the majority of which have now been implemented.

Firstly, the Commission was to establish the SBIU to be the hub of relevant intelligence for all partners. We moved quickly to do this, enhancing our capability and capacity in respect of betting integrity by creating a specialised unit within our existing intelligence unit. The terms of reference for the SBIU were published in June 2010. In December, once the new SBIU arrangements had bedded down, we also published our decision-making framework to better explain how we take decisions, and the circumstances in which each partner might take the lead in any action.

Secondly, the report recommended a review of licence condition 15.1 which requires betting operators to report suspicious activity to the Commission. Following informal consultation we have worked with operators to clarify the information needed and the circumstances in which we require information. The information flow has improved accordingly, although we may still consider a further review in the future.

The Sports Betting Group (established as recommended by the report and representing sports governing bodies) is making progress on its recommendations and the Commission is contributing where appropriate. We are, for example, supporting the betting trade associations in their development of terms and conditions to make an individual placing a bet in contravention of their employment or professional rules a breach of the betting operators' terms and conditions.

“Partnership working continues to be key and we have received strong support and cooperation from the industry...”

When accepting the recommendations of the report in 2010 we noted that there may be a point at which sports betting integrity work increases to levels that require additional resources. The greater public profile of sports betting integrity matters plus the development of information collection mechanisms with the betting industry and sports governing bodies has produced increased workloads – 197 referrals were received between 1 September 2007 and 31 March 2011. To ensure our continued efficiency we are therefore rigorous in prioritisation of our work and selective about the criminal cases that we pursue to prosecution. Criminal investigations can be complex, costly and take a long time to come to fruition whereas passing an assessed referral to a sports governing body for investigation can lead to much more timely, cost-effective and appropriate deterrents or sanctions.

Partnership working continues to be key and we have received strong support and co-operation from the industry, particularly as understanding of issues around sports betting integrity improves. We know that much of the corrupt betting takes place in the illegal markets overseas so the importance of overseas co-operation at all levels cannot be overestimated.

In the coming year we will further develop our information exchange arrangements both in the UK and abroad. We will also be working with partners to develop a capability to identify and mitigate potential threats posed to the 2012 Olympic Games by sports betting integrity issues.

Remote gambling

During the year Betfair joined other operators in relocating their betting operations offshore. This means they no longer fall under the scope of the Act and increases the proportion of gambling operators targeting British consumers from abroad. At the same time the European market continues to follow the trend of introducing national licensing regimes for remote gambling with many jurisdictions favouring a controlled opening of markets to include limited types of gambling.

The government is expected to announce shortly whether, as proposed, it will introduce licensing of overseas operators who transact with or advertise to British consumers. We are already looking at the impact of any proposed legislation to minimise any further regulatory burden on the industry and to ensure understanding of any proposals. We have no wish to unnecessarily duplicate the efforts of other regulators and will seek to work with them to develop information exchange protocols.

Finally, we are monitoring the growth in the use of handheld devices such as smartphones to understand trends in consumer usage and to ensure developments are compliant.

“...the European market continues to follow the trend of introducing national licensing regimes for remote gambling.”

Technology and innovation – gaming machines

Early in 2011 two consultations were published on proposals to reduce the burden of regulation for machine operators, manufacturers and suppliers whilst retaining the protection afforded to players by the Act. Firstly DCMS, assisted by the Commission, has consulted on proposals to increase the maximum stake for category B3 gaming machines from £1 to £2 and the manner in which the permissible number is calculated for AGCs and bingo clubs. Whereas currently the permissible number is fixed, at four and eight per premises respectively, it is proposed to link this to the number of machines on site. Such a change is likely to result in a modest increase in the number of category B3 machines sited in larger venues.

Secondly the Commission has consulted on possible changes to the category C technical standards which, if implemented, would allow for greater flexibility in terms of game design to help stimulate market growth and also to help displace legacy machines (those manufactured pre-September 2007).

The re-issue of our guidance on whether a prize machine is a gaming machine (in conjunction with characteristics issued by HMRC), was well received by the industry.

Operators have taken steps to ensure that skill machines comply and avoid any presentation as a *game of chance* machine, for example by not using roulette imagery. We continue to take an interest in HMRC's consultation regarding machine gaming duty as its introduction may influence the total number of gaming machines sited and category type.

Betting

The issue of operators seeking to run betting premises where betting appears not to be the primary gambling activity has been of particular concern to the Commission this year and we have reminded operators that they can expect to face difficulties in being granted a premises licence in such cases. We made five separate representations to local authorities relating to premises where we were not satisfied the proposed business model would ensure betting as the primary gambling activity. We are currently reviewing a further two operating licences with a view to applying any findings across the betting industry.

A second issue, the configuration of a corporate hospitality box and whether it constitutes the offering of facilities for gambling, has also caused some debate. The Commission takes the view that this remains a matter of fact and degree and we liaised with racecourses and the Racecourse Association as well as publishing advice on our website. This advice sets out when a trading room operating licence is required following our own enquiries regarding racecourse hospitality areas, hotel rooms and high street internet cafes.

Bingo innovation

The traditional bingo game is easily recognisable; however, while still popular, bingo operators are keen to reinvigorate the market by seeking ways to not only retain existing players but also attract new ones through, for example, development of video bingo terminals (VBTs) and electronic bingo terminals (EBTs). This has involved the Commission in legal and operational analysis to determine whether developments are compliant.

The number of bingo premises on the high street continues to grow as AGC operators seek to vary their existing licence, either to convert to bingo entirely or to provide both AGC and bingo facilities on the same premises, in some cases raising concerns over primary gambling activity.

Casinos

We regularly attend meetings of the LA casino network forum that incorporates all 16 local authorities that have been awarded the opportunity to grant premises licences in respect of new casinos under the Act. By the beginning of April 2011 eight had progressed to the point of inviting applications from interested parties. These applications are at various stages of development but in particular the London Borough of Newham has completed its processes and granted a 'large' licence to the Aspers Group (currently subject to a judicial review). Kingston-upon-Hull local authority received a single application for their large casino and consequently issued a provisional statement to the applicant, the Apollo Group.

The Commission ran a consultation towards the end of 2010 on revisions to licence condition 9 – types and rules of casino and other games. As a result an amended licence condition removing the requirement for casino operators to gain Commission approval to trial new games and variations, will take effect from June 2011. A further consultation will take place later this year on the casino gaming reserve with a view to discontinuing the reserve and finding alternative means to maintain customer confidence in casinos.

Lotteries

Some lottery operators are moving away from traditional paper based weekly draw subscription lotteries to more diverse and innovative ways of selling lottery tickets including instant win scratchcards, online electronic lottery scratchcards and lottery ticket vending machines in pubs and other venues. These new innovations may increase the risk to the licensing objectives from society lotteries and this is something the Commission will keep under review, particularly in view of the growth in lottery participation rates shown in the recent prevalence study.

The Commission has provided advice and suggestions to DCMS about possible deregulation of lotteries legislation in line with the Hodgson review of red tape (June 2011) affecting the voluntary sector which recommended simplifying the regulations around small lotteries and raffles. Ministers are currently considering the Commission's suggestions which include abolishing the specific ticket requirements and the prohibition on fundraising in some of those lotteries¹⁰.

“Ensuring the accurate and timely provision of information by licence holders through regulatory returns has remained a focus of our attention...”

Poker

The Commission continues to receive allegations of illegal poker games being played in pubs and clubs (sometimes under the auspices of a club gaming permit which is issued by the LA). While these are primarily matters of local significance, because of their potentially complex nature we have provided support to LAs to ensure that they can be dealt effectively. In addition, to establish both principle and precedent we made a representation on a club gaming permit application on the basis that we did not consider the applicant to be a genuine private members club - the application was subsequently rejected by the LA.

We have further supported LAs and those seeking information by producing a second edition of the 'Advice to licensing authorities on club gaming permits and club machine permits', revising the poker related FAQs on the website and produced a 'Poker in Clubs' leaflet.

Money laundering/proceeds of crime

The first edition of the Commission's guidance for remote and non-remote casinos on the prevention of money laundering and combating the financing of terrorism was officially approved by HM Treasury on 27 July 2010. We consulted on a second edition during the year to:

- take account of amendments to the Proceeds of Crime Act 2002
- reflect changes to the way suspicious activity is reported to the Serious Organised Crime Agency (SOCA)
- provide some additional guidance for both land-based and remote casinos, which will be published during the summer 2011.

Regulatory returns

Ensuring the accurate and timely provision of information by licence holders through regulatory returns has remained a focus of our attention, as has our drive to keep regulatory burdens to a minimum.

Following feedback received from smaller operators at the open events (see below) we have extended the time within which returns must be submitted for the majority of operators that provide annual returns, improved online access to the regulatory returns forms and automated the way we analyse the responses to ensure information accuracy.

In autumn 2010 we consulted on proposed changes to the regulatory returns and associated guidance notes. The consultation followed a review that considered each data item within regulatory returns to ensure that the Commission's requirements are clear and that we are not imposing unnecessary burdens on operators.

Following the consultation, we announced in early 2011 our intention to make certain changes to regulatory returns from 1 October 2011. As well as ensuring that we only request data required to fulfil our role, the changes will improve the guidance associated with regulatory returns to clarify the reasons for particular requests and the nature of response required.

Communication

Professional engagement with the trade bodies representing the industry sectors, with third sector bodies and others with an interest in gambling is key to providing clear and timely information as well as advice and guidance for licensed operators. We meet face-to-face regularly to discuss specific issues, use teleconferencing and now also have a webinar facility. Regular annual or bi-annual meetings are held with each of the seven gambling sectors we regulate as well as with

¹⁰ Some lotteries do not require an operating licence from the Commission these include, for example, prize competitions and free draws and small society lotteries. Further details are available on the Commission's website.

faith groups, charities and with trade unions representing gambling industry employees. We undertook eight consultations, some jointly with DCMS, covering a range of topics from regulatory returns to a review of the casino games trial approval process.

For the casino sector, anti-money laundering forums were re-established to provide a vehicle for sharing experience and good practice and providing updates on policy changes. The forums are attended by nominated anti-money laundering officers from all the licensed casino operators as well as officials from HM Treasury and SOCA as required.

We completed the series of open events held throughout the country to provide smaller operators with an opportunity to ask questions and discuss issues relating to the Act. Nearly 600 operators attended the 15 events which were supported by Commission employees including Commissioners, directors and topic experts. The majority of attendees indicated that the events were worthwhile despite some frustration voiced by operators, often over issues outside the Commission's remit.

As in previous years we had a stand at the International Gaming Expo (incorporating the International Casino Exhibition and the Betting Show) and the European Amusement and Gaming Expo in London. Commission representatives undertook 21 external speaking engagements to a variety of audiences including trade associations, LAs and academic institutions as well as eight engagements to promote a better European and international understanding of gambling regulation in Great Britain.

We continue to develop our website taking on board feedback obtained through a user survey and will shortly

introduce a tool that allows users to rate individual pages. To date over two-thirds of users who completed the survey say they found the information clear and easy to understand.

We published 42 documents on the website including consultations, information and research findings and guidance and advice to the industry.

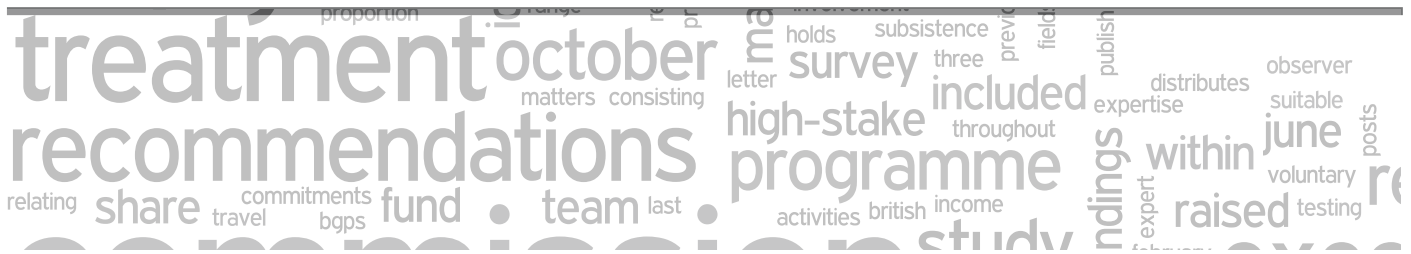
A number of these documents were aimed specifically at an LA audience including quick guides on poker in clubs, society lotteries, external lottery managers and service providers, members club or commercial club and our updated advice to LAs on club gaming permits and club machine permits. Our frequently asked questions on the website are reviewed monthly to ensure users have easy access to the most relevant information.

Working with international regulators

Commission representatives attended a number of events with overseas regulators including the annual conferences of GREF and IAGR. The Commission's Chief Executive is on the IAGR steering committee and chairs the IAGR eGambling working group. The Commission co-chairs the recently formed GREF eGambling working group as well as the gambling addiction working group. The focus of this group has been on regulatory developments in Europe and their implications plus exploring the scope for regulators to share information.

We received visits by gambling administrators from Denmark, South Korea, South Africa, Mauritius, Nevada and France and our intelligence team liaised with a wide range of international bodies and regulators.





research, education and treatment (RET)

Research

Throughout 2010 we have focused on completing and disseminating the 2010 British Gambling Prevalence Survey (BGPS 2010). The full report can be accessed via the Commission's website. The BGPS 2010 data set has been submitted to the UK Data archive, which means there will be three sets of prevalence data, spanning more than ten years, available to the academic community, providing a rich source of data on which to conduct secondary analysis.

We continue to collect the participation data on remote gambling, and all forms of gambling, and publish these as a combined report on a quarterly basis. We also continue to collect data on perceptions of gambling, publishing these figures annually.

Future direction

In September 2010, we consulted on a range of options for future collection of gambling prevalence data, exploring whether it was possible to obtain that data in a more regular and flexible way. During the consultation period, we learned that, as part of the outcome of the Comprehensive Spending Review, the GIA money the Commission has previously received from government will not be available in future years. This funding has primarily been used to undertake the prevalence survey and consequently the outcome of that consultation has been to explore other options for managing and collecting this data. It is important that the Commission continues to gather and disseminate this information, as it is crucial to our ability to be able to fulfil our statutory role to advise government on gambling.

We are now exploring a range of possibilities including development of the omnibus survey approach while considering other large surveys for future collection of problem gambling data.

Responsible gambling

The Commission welcomed the first full annual strategy produced by the Responsible Gambling Strategy Board (RGSB) in October 2010, in particular, the establishment of expert panels providing additional sources of expertise on which the Strategy Board can draw to advise the Commission. We are now discussing with the RGSB the possible options for the future collection of gambling prevalence data.

The Responsible Gambling Fund (RGF) is making progress in implementing the priorities recommended by RGSB using funds received from the GREaT Foundation (the organisation that raises funds from the gambling industry and others to support research, education and treatment). GREaT met its fundraising target of £5 million for the financial year 2009/10 but not its target of just over £6 million for 2010/11.

RGF has faced a number of challenges since its establishment in 2010. Employee recruitment has taken time and there have been inevitable problems in getting the improved approach to funding and delivery of research, education and treatment accepted and endorsed by those they fund. Despite these issues, to date RGF has commissioned a range of research, education and treatment programmes including, for example, work to assess the current research gaps, a project to assess the feasibility of a longitudinal survey and an initial project on gaming machine research. On education and prevention three gambling research and harm minimisation pilots (in the West Midlands, south Wales and Scotland) have been implemented as well as a new programme of training for GPs through the Royal College of General Practitioners to help with the identification of problem gamblers. RGF has also managed to maintain the level of support to longstanding treatment providers such as GamCare.

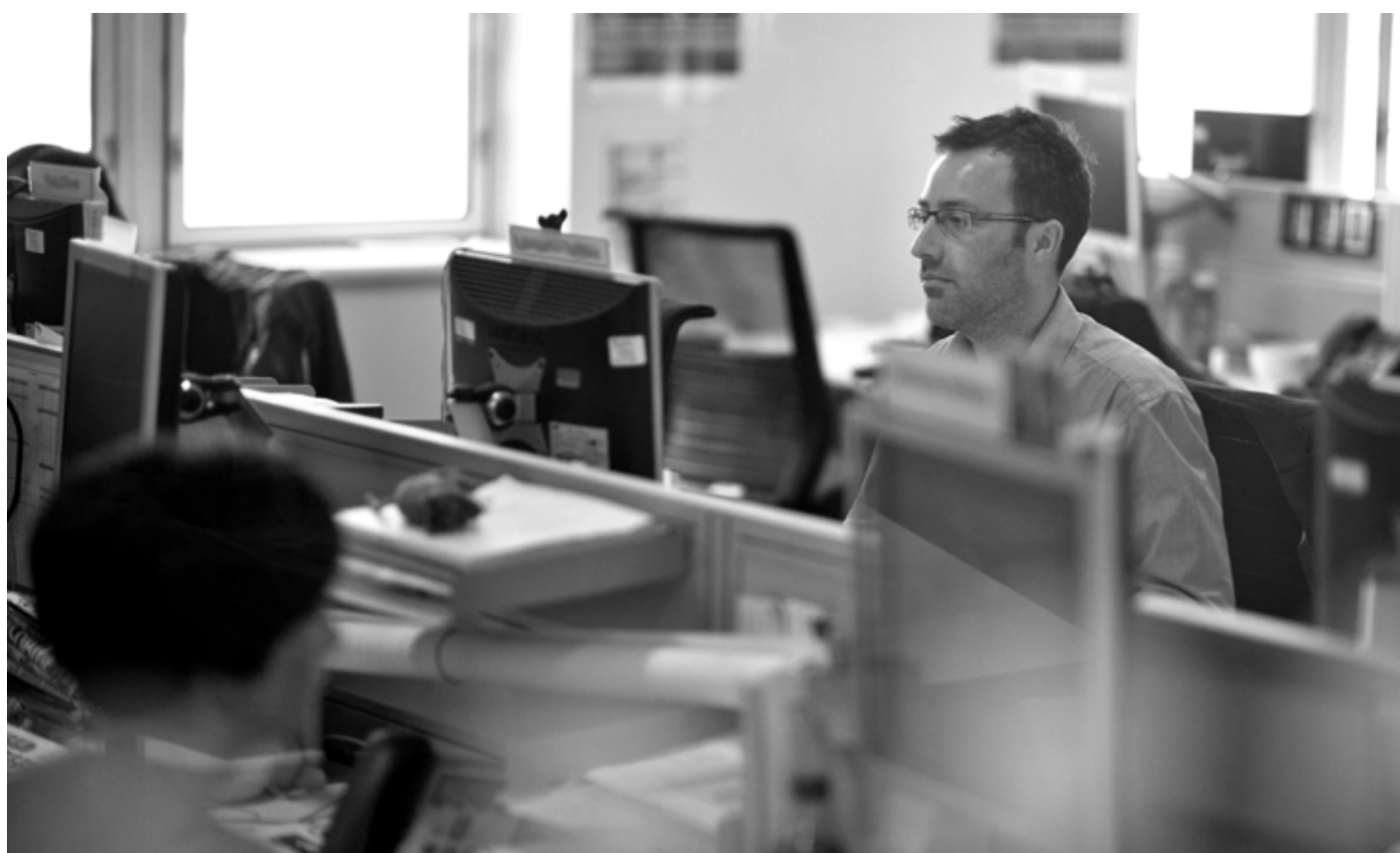
Research activity 2010/11

Table 7: Research activity

Research	Published	Purpose
Prevalence Survey and problem gambling		
British Gambling Prevalence Survey 2010	February 2011	Large-scale population survey of gambling participation, involvement, problem gambling and attitudes.
Participation and attitudes		
Omnibus data on remote gambling and participation in all forms of gambling	April 2010 July 2010 October 2010 January 2011	Trend data on participation in all forms of gambling and participation in remote gambling.
Omnibus data on public perceptions of gambling	January 2011	Trend data on public perceptions of whether gambling can be trusted and the association between gambling and crime to indicate the level of confidence in the effectiveness of the Commission's licensing objectives.

Table 8: Research ongoing in 2011/12

Research	Published	Purpose
Omnibus data on remote gambling and participation in all forms of gambling	April 2011 July 2011 October 2011 January 2012	Trend data on participation in all forms of gambling and participation in remote gambling.
Omnibus data on public perceptions of gambling	January 2012	Trend data on public perceptions of whether gambling can be trusted and the association between gambling and crime to indicate the level of confidence in the effectiveness of the Commission's licensing objectives.





how we manage our business

The Board of Commissioners, led by the Chairman, oversees the business of the Commission. The day-to-day activity of the Commission is managed by the senior management team, led by the Chief Executive, Jenny Williams.

During the year we took steps to streamline the way we manage the Commission's work and reduced three executive boards down to two, the Management Board and the Delivery Board. Management Board is responsible for dealing with matters that concern the Commission as a whole, its organisation, management and use of resources. This includes oversight of the workstreams in the Commission's business plan that relate to strategic objective 4 (developing our people and organisation). The Delivery Board deals with the individual workstreams that deliver strategic objectives 1 (regulating in the public interest), 2 (providing authoritative advice on gambling and its regulation) and 3 (engaging with stakeholders). In addition our Risk Management Committee sits quarterly (see appendix 4 for information on their remit and membership).

The Commissioners

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

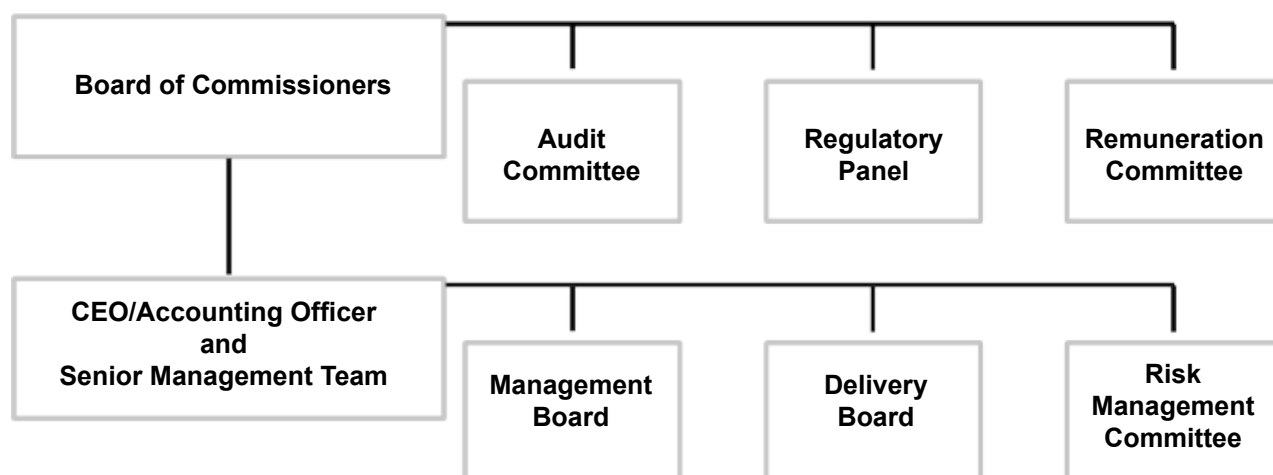
Commissioners are responsible for the strategic direction of the Commission and for the performance of the senior management team. They also determine some more complex licence applications and retain

responsibility for the more serious regulatory decisions in, for example, cases of licence revocations. In November 2010 the Board approved revisions to the Regulatory Panel processes which were designed to improve the effectiveness of the Panel's work.

In line with our Corporate Governance framework and the Code of Practice for Commissioners, the Commission carried out a full external evaluation of the way in which the Board functions and its overall effectiveness in order to identify areas for improvement and development. Overall the results were very positive, indicating a Board that is both capable and committed, taking financial stewardship very seriously. Following the recommendations, we have revised the Board appraisal system, improved the focus of Board scrutiny sessions and are developing a more strategic and focused approach to stakeholder engagement. In September the Board carried out the annual review of the corporate governance framework and approved greater delegation of decision making to officials.

The Board met nine times during the year and its terms of reference, minutes and attendance details are published on the Commission's website. Senior managers also attend Board meetings regularly. In addition the Board monitors and receives regular reports from its Audit and Remuneration Committees.

Board meeting attendance is detailed at appendix 2 along with details of the remit and structure of the Audit Committee and Remuneration Committee, and the remit of the Commission's Regulatory Panel.





our people

Employees

Cross-functional team working has been strongly promoted this year to improve the way the Commission delivers our business plan and to improve communications throughout the organisation. Development of our senior management team and active engagement with all our employees are important to support this approach and promote working together.

Many employees have developed their key skills by the achievement of national vocational and information technology qualifications (NVQs and ITQs) and several employees have successfully piloted an Aspiring Managers NVQ. Other learning and development has been focused around meeting IT development needs.

As an employer committed to continuous improvement and high standards we monitor our progress in nationally recognised ways. This year's in-house Investors in People assessment noted progress in a number of areas, particularly in embedding our performance management approach. We also took part in an independently run employee survey that provided comparison with similar organisations nationally. We again performed well in the areas of 'employee wellbeing' and 'my manager' but not so well in 'personal growth' and 'leadership'. Specific actions are already in train to improve those areas highlighted by the survey.

The Commission has followed Cabinet Office guidance for the public sector regarding a freeze on both recruitment and pay. We did not replace the 22 employees who left the Commission during the year and the majority of our employees have received no pay uplift, although those on the lowest salaries did receive an increase in accordance with HM Treasury guidance. Employees performing at exceptional standards or those subject to a contractual performance-related bonus scheme received an appropriate non-consolidated bonus.

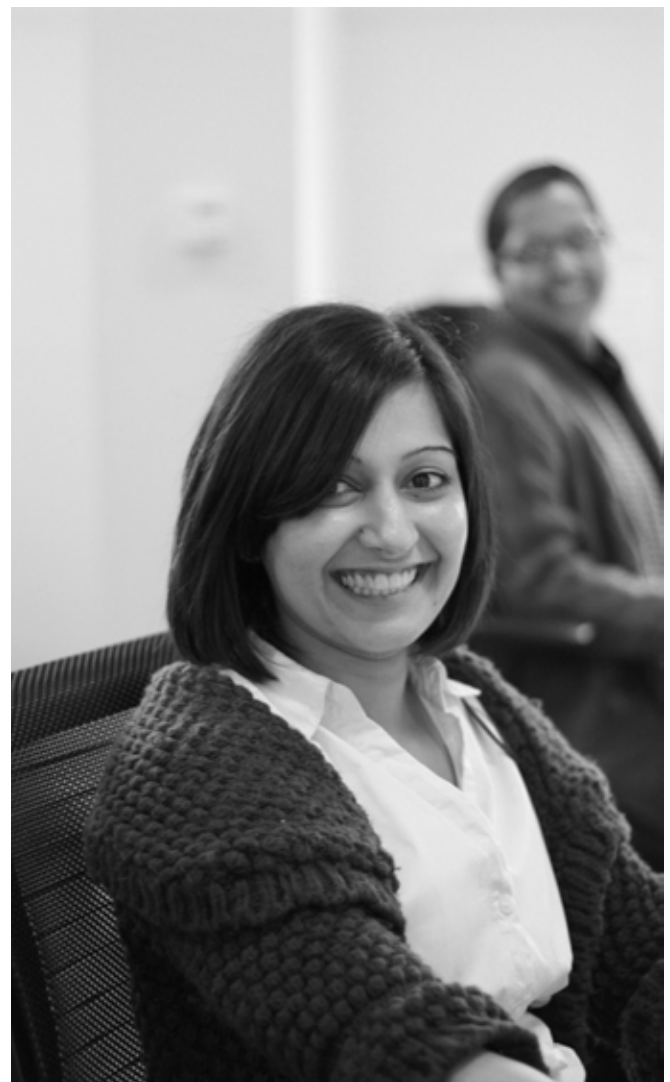
This year we formally recognised the Public and Commercial Services (PCS) Union. The local Branch Executive Committee has been appointed and the partnership approach is working well.

At the 31 March 2011 we had 203 employees, with 57 being home based and 146 based in Birmingham. A full breakdown of the make-up of our employees is included in appendix 5.

Sickness absence

During the year the average proportion of working days lost to sickness absence was 1.9%. This compares favourably with the public sector average of 3.8% (IRS Employment Review).

We have comprehensive policies in place for the management of sickness absence and for supporting employee health and wellbeing, including an employee assistance programme through our occupational health provider.



Equality and diversity

The Equality and Diversity group was established during 2009 and basic online equality and diversity training has now been undertaken by all Commission employees, with much of the work this year involving implementation of the Equalities Act 2010. Short training sessions have been delivered to managers to ensure they are aware of their new responsibilities under the Act. The Commission's Real Experience volunteering programme continues to be available to employees.

Commission employees now support two charities: nationally, MacMillan Cancer Support and locally, Promise Dreams (a Wolverhampton charity that helps seriously and terminally ill children). Employees organise a range of fundraising events in their own time to support the chosen charities.

The Commission and the environment

The Commission is committed to minimising its environmental impact within reasonable financial and other resource limits.

Our environmental group meets regularly and works on raising awareness amongst employees on environmental issues and initiatives. The group recently developed an online learning 'green quiz' that is used in our induction programme for new employees and available on our intranet for existing employees. The Commission's carbon footprint is showing a downward trend and is currently at 1.3 tonnes per employee (as at 31 March 2011). We also continue to increase the level of products that we recycle.

Merger with the National Lottery Commission (NLC)

The proposed merger with the NLC was confirmed in July 2010 and work is underway to ensure a smooth transition. We expect to complete co-location in Birmingham by the end of this year and we are already starting to share some resources – but the proposed full merger will take longer due to the need for secondary legislation following enactment of the Public Bodies Bill currently before Parliament.





finances

Income

Our total income from fees and other sources was £13.3 million for the year (2009-10: £12.4m) a 7.4% increase on the prior financial year. The first annual fees have been received in relation to 2005 Act Casino applications.

Operator application fee income for the year amounted to £0.8 million, a 29% increase on the previous year (2009/10). Chart A provides a breakdown of our total income from fees. In accordance with our accounting policies, fees for the current year have been recognised amounting to £0.6 million for personal licences and £11.9 million for operator annual licence fees (see table 2b page 47). Appendix 6 sets out the various licence fees and other charges.

We also received GIA financing from DCMS of £481,000 to support our research work.

Expenditure

During the year, expenditure on operational costs was £13.37 million (2009-10: £13.95m), a 4.2% reduction on the prior financial year. Expenditure has been reduced in line with the decreasing income profile. As we continue to streamline our operational activity we have managed to reduce operating costs by £0.58 million since 2009-10. Areas of significant variation compared to the previous year are as follows:

- Employee costs for 2010-11 were £8.67 million (2009-10 £8.98m). £0.31 million (3.5%) lower than the prior year.
- Other operating costs for 2010-11 were £3.68 million (2009-10 £3.89 million). £0.21 million (5.5%) lower than the prior year.
- All spend is continually reviewed to ensure we achieve best value for money. General savings have been made across travel and subsistence and other incidental expenditure compared with previous years.

Our expenditure is broken down by strategic objective in Chart B. The analysis, including calculations of the notional element of costs, conforms with HM Treasury's fees and charges guide as far as practicable, and is intended to comply with IFRS 8 as the Commission operates a single segment (see paragraph n on page 46).

Chart A: Total income from fees

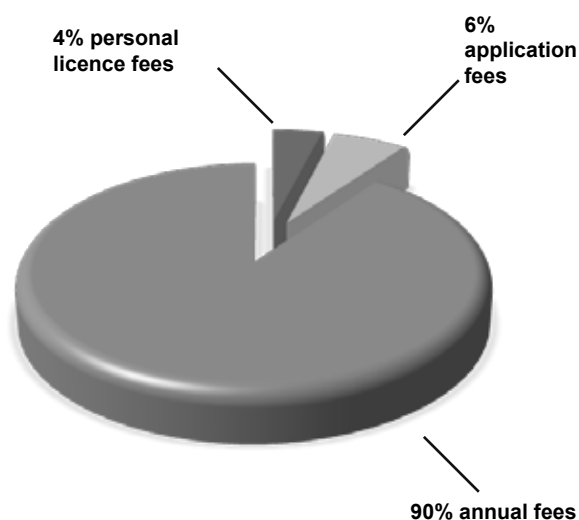
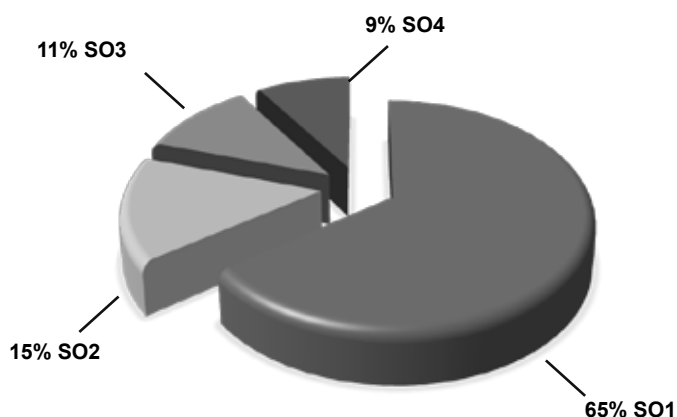


Chart B: Expenditure by strategic objective (SO)



- SO 1. Regulating gambling in the public interest
- SO 2. Providing authoritative advice on gambling and its regulation
- SO 3. Engaging with stakeholders
- SO 4. Developing the Commission's employees and organisation

Net expenditure for the year

The surplus for the year was £0.6 million (2009-10 deficit: £0.8m). The resulting end of year cumulative income and expenditure deficit at 31 March 2011 is £0.7 million, some £1.2 million better than budget (although £0.4 million of this movement is due to the change in accounting treatment related to revaluation reserves).

The five-year plan agreed with DCMS when the Commission began operations was for both application and annual fees to recover costs over a five-year period, so that fees could be held broadly constant in real terms. The Commission incurred start-up costs in relation to the recruitment and training of employees and the development of policies and processes. The IT capital costs were met by a grant from DCMS and reflected in the depreciation charge, which smoothes the impact of IT expenditure on fees. However other start-up costs went directly to the Statement of Comprehensive Net Expenditure and created a planned deficit for the first four years. If these costs had been recovered from fees in the year incurred, fees in the first two years would have been significantly higher and then fallen markedly in subsequent years.

When the fees were reviewed in 2009 they were set on the basis that we would break even in 2009/10 and 2010/11. Despite the plan to break even, we ended the year with a surplus of £0.6 million from a combination of an increase in fee income, continued tight management of expenditure and cost savings in light of the government spending review. In particular:

- the public sector recruitment freeze resulted in much lower employee costs than forecast
- slightly higher forecast income than expected as, for example, some operators moved offshore later and we received more income than expected from notified changes to corporate control.

We plan to break even, as required by the Treasury, in 2012/13 and 2013/14.

Statement of financial position

At 31 March 2011 the book value of non-current assets was £3.98 million. Assets less liabilities at 31 March 2011 amounted to £1.29 million.

The year-end closing cash balance at 31 March 2011 was £4.67 million (2009-10: £3.70m). The cash balance reaches its peak between August and October each year, after the largest tranche of annual fees are paid.

Compliance with public sector payment policy

The Commission's policy is to pay all invoices within 30 days of receipt unless a longer payment period has been agreed or the amount billed is in dispute. In the year to 31 March 2011 96% (target 95%) of invoices totalling £4.4 million were paid within 30 days of receipt.

Our approach to risk

The Chief Executive, as Accounting Officer, is responsible for identification and agreement of the key business risks. These risks are managed through our risk and control framework that comprises:

- the Board and Audit Committee – to oversee the risk management function
- the Risk Management Committee – to oversee and monitor our risk management policies and procedures including the maintenance of a corporate risk register
- directors – who own and manage risks and review monthly to ensure mitigating actions, risk ownership and processes are coordinated and fit for purpose
- the risk management strategy – which outlines the objectives and policies for managing risk including our tolerance for risk
- the internal audit programme – which focuses on the requirement to provide assurance that the risks faced by the Commission are properly managed and controlled.

financial statements and accounts

Remuneration report

This report covers the 12 months ending 31 March 2011 and sets out the policy and disclosures in relation to the remuneration of the senior managers of the Commission. Pages 32 to 34 of this report have been subject to audit review.

Remuneration of senior management

Commissioners

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

Brian Pomeroy was appointed as Chairman on January 2008. He joined the Commission as a Commissioner on 1 October 2007 for a three year term, and agreed to extend his appointment by six months to 31 March 2011. His contract provided for the Chairman to work an average of two and a half days per week.

The new Chairman, Philip Graf, was appointed for a five-year term commencing 1 April 2011. He is Chairman Designate of the future body created by the proposed merger of the Gambling Commission and the National Lottery Commission. 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. Commissioner appointments are not pensionable under the Civil Service pension scheme and no contributions have been paid by the Commission to any other scheme.

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, Jenny Williams, whose contract may be terminated by either party giving six months' written notice.

Existing civil servants on loan to the Commission remain in the employment of their home department. The costs associated with their employment are re-charged to the Commission. Except where stated otherwise, these employees are on Civil Service contracts that are open-ended.

Details of all directors serving during the year, are provided at Appendix 3 and 4, 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 most senior managers of the Commission and are covered by the external audit opinion.

(i) Remuneration
(salary and payments in kind)

	2010/11			2009/10		
	Salary £'000	Bonus payments £'000	Benefits in kind (to nearest £100)	Salary £'000s	Bonus payments £'000	Benefits in kind (to nearest £100)
Bill Butler Director of Corporate Services (left 26 July 2009)	-	-	-	35-40 (105-110 fye**)	-	900
Julie Grant Director of Finance	75-80	0-5	-	70-75	0-5	-
Matthew Hill Director of Strategy Research and Analysis	90-95	0-5	11,100	90-95	0-5	-
Tom Kavanagh Deputy Chief Executive (left 1 March 2010)	-	-	-	45-50	0-5	11,300
Justine Kenny Director of People and Organisational Development	90-95	0-5	-	90-95	0-5	-
Neil McArthur Director of Legal	80-85	0-5	-	80-85	0-5	-
Julia Mackisack Director of Corporate Affairs	70-75	0-5	-	70-75	0-5	-
Nick Tofiluk Director of Regulation	100-105	0-5	-	100-105	0-5	-
Jenny Williams Chief Executive *	145-150	20-25	18,600	145-150	25-30	21,400

* The Chief Executive's salary and bonus arrangements are comparable with other non-departmental public bodies' Chief Executives, although her appointment is not pensionable. Her contract provides for retirement at age 65 and continues under the Commission pursuant to Schedule 4 of the 2005 Act.

** full year equivalent.

(i) *Remuneration*
(salary and payments in kind continued)

	2010/11			2009/10		
	Salary £'000s	Bonus payments £'000	Benefits in kind*** (to nearest £100)	Salary £'000s	Bonus payments £'000	Benefits in kind (to nearest £100)
Ben Gunn Commissioner	10-15	-	2,000	15-20	-	1,200
Bill Knight Commissioner	10-15	-	2,600	10-15	-	3,600
Rachel Lampard Commissioner	10-15	-	4,400	10-15	-	4,800
Andrew McIntosh Commissioner (deceased 29 August 2010)	0-5 (10-15 fye**)	-	2,100	10-15	-	3,000
Gill Milburn Commissioner	10-15	-	-	15-20	-	2,800
Roy Penrose Commissioner (retired 31 July 2009)	-	-	-	5-10 (10-15 fye**)	-	3,000
Brian Pomeroy* Chairman (left 31 March 2011)	50-55	-	2,000	50-55	-	5,500
Eve Salomon Commissioner	10-15	-	4,300	10-15	-	3,100
Peter Teague Commissioner	10-15	-	2,500	10-15	-	2,400

* The Chairman worked two days per week from 1 April 2009.

** Full year equivalent.

*** Differences largely attributable to railcard availability.

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 Chief Executive, all Commissioners work on average one day per week with a standard daily fee rate.

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.

- Jenny Williams and Matthew Hill were reimbursed for costs associated with their detached duties on which the Commission also paid the tax due.
- The Chairman and the Commissioners were reimbursed for travel, subsistence and accommodation costs incurred whilst attending meetings at Victoria Square House on which the Commission also paid the tax due.

Bonuses: Bonuses are based on performance levels attained and are made as part of the appraisal process.

Pension benefits 2010/11

2011 (12 months to 31 March 2011)	Accrued pension at age 60 as at 31/03/11 and related lump sum (£'000s)	Real increase in pension and related lump sum at pension age (£'000s)	* CETV at 31 Mar 2011 (£'000s)	* CETV at 31 Mar 2010** (£'000s)	Real increase in CETV to nearest (£'000s)	Employee contributions and transfers in (£'000s)
Julie Grant Director of Finance	5 - 7.5 lump sum N/A	0 - 2.5 lump sum N/A	39	26	10	-
Matthew Hill Director of Strategy, Research, Analysis	22.5 - 25 lump sum 32.5 - 35	0 - 2.5 lump sum -	252	223	7	-
Justine Kenny Director of People and Organisational Development	32.5 - 35 lump sum N/A	0 - 2.5 lump sum N/A	308	278	3	-
Neil McArthur Director of Legal	17.5 - 20 lump sum 55 - 57.5	0 - 2.5 lump sum 0 - 2.5	233	206	8	-
Julia Mackisack Director of Corporate Affairs	5 - 7.5 lump sum N/A	0 - 2.5 lump sum N/A	99	72	19	-
Nick Tofiluk Director of Operations	7.5 - 10 lump sum N/A	0 - 2.5 lump sum N/A	109	74	28	-

* Cash Equivalent Transfer Value

** The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31/03/10 and 31/03/11 have both been calculated using the new factors for consistency. The CETV at 31/03/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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

There have been no compulsory or flexible early retirements, or any compulsory early severances during the year.

Remuneration Committee

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



Jenny Williams
Chief Executive and Accounting Officer

The Gambling Commission

23 June 2011

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 set at the rate of 1.5% of pensionable earnings for classic and 3.5% 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 his 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 three 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.civilservice.gov.uk/my-civil-service/pensions

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

Under the Gambling Act 2005, the Secretary of State for Culture, Olympics, Media and Sport has directed the Gambling 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, Olympics, 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 the Chief Executive as Accounting Officer of the Gambling Commission. 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.



Jenny Williams
Chief Executive and Accounting Officer
The Gambling Commission 23 June 2011

Statement on Internal Control for the year ended 31 March 2011

Period of coverage

This Statement on Internal Control covers 2010/11. The Commission was established in accordance with Part 2 of the Gambling Act 2005 on 1 October 2005 and became fully operational on 1 September 2007. During 2010/11, the Commission has continued to develop the systems, processes, structures and investment to facilitate the delivery of its functions and responsibilities under the Gambling Act 2005. The systems of internal control that support this statement have therefore continued to evolve during the period covered by this statement.

Scope of responsibility

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

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

The purpose of the system of internal control

The Commission's system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a process designed to identify and prioritise the risks to the achievement of the Commission's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage those risks efficiently, effectively and economically. The system of internal control has been in place in the Commission for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

Capacity to handle risk

As an integral element of its system of internal control, 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.

As the Commission's Accounting Officer I am responsible for ensuring that an appropriate corporate governance framework is in place. To that end, I am supported by a Risk Management Committee, formed to support the responsibilities of the Chief Executive as Accounting Officer for the management of risk within the Commission (see appendix 4, page 66 for further details).

The Commission's Audit Committee, which is a committee of the Board, is responsible for reviewing the risk management approach. The Audit Committee also review internal control strategies and advise 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

The Commission's risk management framework has continued to develop over the year as we embed our regulatory approach. The Commission regulates an industry that poses inherent risk to the public and is not risk averse, but seeks actively to manage material risk to the business. 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 have been reviewed regularly by the Risk Management Committee, which has also overseen the development of the framework.

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

The Board and Audit Committee - oversee the arrangements in place for the risk management function which operates within the Commission (see appendix 2, page 62 for further details).

Risk Management Committee - oversees and monitors the operation of the risk management policies and procedures throughout the Commission, including the maintenance of the corporate risk register (see appendix 4, page 66 for further details).

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

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

A development in the Commission's risk management strategy has been the creation of workstream risk registers that are closely aligned with the corporate business plan ensuring clear linkages with the corporate risk register. This is embedding well as part of our method of reporting our progress or otherwise to the Board.

The Commission's risk appetite is expressed through the level of residual risk judged acceptable for each risk identified. Risk owners are required to identify and implement mitigating actions to reduce the residual risk value down to an acceptable level.

Towards the latter part of the fiscal year the Risk Management Committee was asked by the Audit Committee to consider the Commission's risk appetite with a view to developing a more formal appetite framework. This is in progress and will be presented in the autumn. Our risk management maturity will be subject to specific review by internal audit during the 2011/12 year.

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 and published at least annually.

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

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

- regulatory review
- risk management
- business continuity, planning and IT resilience
- data quality
- quality assurance: licensing review
- purchasing and procurement.

Significant internal control issues

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

Throughout the year we have strengthened our governance arrangements by requiring bi-annual assurance statements from senior managers. These statements are reviewed by the Risk Management Committee and provide a useful tool to identify any areas where further control improvements should be applied going forward.

This year we have had concerns over the various uncertainties (for example, consolidations, closures) affecting our fee income. Whilst we forecast prudently, in the event of losing a further significant proportion of our income, we may not be able to reduce our expenditure (which is largely employee based) as swiftly as necessary due to the need to cover redundancy costs. The recruitment freeze and difficulties in obtaining specialist skills needed in some areas are also starting to raise concerns about our capacity to pursue the licensing objectives effectively if not addressed.

Our expenditure has been continually modified in response to our changing income profile. That profile could change significantly in future years depending on developments here and overseas, which in itself poses risks and challenges. To ensure we maintain tight control over our expenditure we have reviewed our procurement arrangements and improved our contracts database to ensure that all renewed contracts are brought in line with central frameworks where applicable.

In order to deliver our strategic objectives our business plan comprises programmes made up of workstreams which reflect our approach to cross functional working. We are still working on ways to improve our effectiveness including developing a better common understanding of key issues.

There have been no reported actual or attempted frauds at the Commission during 2010/11. 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.

The Commission has continued to review and enhance the Commission's anti fraud and corruption arrangements in light of the Bribery Act 2011. We will identify and adopt any additional measures needed to strengthen our control frameworks.

Information assurance

The Commission maintained ISO27001 (Information security management systems) accreditation from the British Standards Institute this year and continued to be compliant with Cabinet Office and other relevant guidelines and statutory requirements.

We continued to strengthen our approach to information security and invested in new technology, equipment and employee development.

Seven breaches of the Commission's Information Security Management System (ISMS) were reported to senior management during the year. These were minor in nature and none related to the loss of personal data.

As part of our work around information assurance the Commission maintains robust and proportionate business continuity plans to ensure we continue to remain operational during any period of severe business disruption. These plans are tested every month.

Access to information

As a public body the Commission is committed to meeting the statutory requirements laid down by the Freedom of Information Act 2000 and the Data Protection Act 1998.

We received 91 requests for information under the Freedom of Information Act during the year. In one case we were asked to conduct an internal appeal and this was led by someone other than the original decision maker and was satisfactorily concluded. We also received one subject access request under the Data Protection Act.

We proactively publish information on our website as part of our statutory publication scheme. This includes responses to requests for information where we consider there is a wider public interest.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the systems of internal control. My review of the effectiveness of the system of internal control is informed by the executive managers within the Commission who have responsibility for the development and maintenance of the internal control framework, the work of the internal auditors and comments made by the external auditors in their management letter and other reports.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board of Commissioners, the Audit Committee, and the Commission's Risk Management Committee and a plan to address any weaknesses and ensure continuous improvement of the system is in place.

Their opinion for 2010/11 is that the Commission's risk management activities and controls are suitably designed to ensure that the Commission achieves the objectives required by management. The controls which were identified are operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review.



Jenny Williams
Chief Executive and Accounting Officer

Gambling Commission

23 June 2011

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 2011 under the Gambling Act 2005. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' 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 Report that is described in that report as having been audited.

Respective responsibilities of the Gambling Commission, Chief Executive and auditor

As explained more fully in the Statement of the Commission's and the Chief Executive's Responsibilities, the Chief Executive is 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 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. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on Regularity

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

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 2011 and of its net income 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.

Emphasis of matter

Without qualifying my opinion, I draw attention to the disclosures made in note 1 to the financial statements concerning the application of the going concern principle in light of the announcement to merge the Gambling Commission with the National Lottery Commission. This is subject to legislation and there is therefore uncertainty over whether the Gambling Commission will continue to operate in its current legal form.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Secretary of State directions issued under the Gambling Act 2005; and
- the information given in Our People; Finances; Board of Commissioners; and Senior Management Team 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
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria, London
SW1W 9SP

5 July 2011

Statement of Comprehensive Net Expenditure for the 12 months ended 31 March 2011

	notes	31 March 2011 £'000s	31 March 2010 £'000s (restated)
Expenditure			
Employee costs	4	(8,668)	(8,980)
Depreciation and amortisation	6 & 7	(1,023)	(1,080)
Other expenditure	5	(3,676)	(3,889)
		(13,367)	(13,949)
Income			
Licence fee income	2	13,231	12,348
Other income	3	37	5
		13,268	12,353
Net expenditure		(99)	(1,596)
Release of deferred government grant reserve		648	766
Interest receivable		15	13
Interest cost on pensions	4	(1)	(3)
Tax incurred on interest received		2	(3)
Net income (expenditure) after interest		565	(823)
Other Comprehensive Expenditure	notes	31 March 2011 £'000s	31 March 2010 £'000s
Net gain on revaluation of Property Plant and Equipment		-	49
Net gain on Pension Liability	11	17	11
Total Comprehensive Income (Expenditure) for the year ended 31 March 2011		582	(763)

The 12 months ending 31 March 2010 has been restated to reflect the removal of notional capital charges from net expenditure on ordinary activities. In accordance with HM Treasury's 'Clear Line of Sight Project' the Commission's accounting policy has been changed, and the cost of capital charge will no longer be recognised. This prior period adjustment does not impact upon the total comprehensive expenditure position, nor upon reserves.

Tax incurred on interest received in the year amounted to £3,000. However, the tax liability accounted for in a previous period was found to have been overprovided by £5,000. This has been corrected during 2010/11, resulting in a credit on tax incurred of £2,000 in the year.

The notes on pages 44 to 59 form part of these accounts.

**Statement of Financial Position
as at 31 March 2011**

	notes	31 March 2011 £'000s	31 March 2010 £'000s
Non-current assets			
Property, plant and equipment	6	1,183	1,488
Intangible assets	7	2,793	3,294
Total non-current assets		3,976	4,782
Current assets			
Trade and other receivables	8	692	624
Cash and cash equivalents	15	4,672	3,692
Total current assets		5,364	4,316
Total assets		9,340	9,098
Current liabilities			
Trade and other payables	9	(7,578)	(7,621)
Total current liabilities		(7,578)	(7,621)
Non-current assets less net current liabilities		1,762	1,477
Non-current liabilities			
Other payables	10	(460)	(572)
Pension liability	11	(14)	(32)
Assets less liabilities		1,288	873
Taxpayers equity			
Income and expenditure reserve		(686)	(2,156)
Deferred government grant reserve		1,974	3,029
Total		1,288	873

The notes on pages 44 to 59 form part of these accounts.

These accounts were authorised for issue on the date shown on the audit certificate.



Jenny Williams
Chief Executive and Accounting Officer

The Gambling Commission

23 June 2011

Statement of cash flows
for the 12 months ended 31 March 2011

	notes	31 March 2011 £'000s	31 March 2010 £'000s
Cash flows from operating activities			
Net expenditure for the year		(99)	(1,596)
Adjustments for non-cash transactions			
Depreciation and amortisation charge	6 & 7	1,023	1,080
Increase in trade and other receivables	8	(68)	(14)
Increase (decrease) in trade and other payables	9 & 10	(155)	396
Net cash inflow (outflow) from operating activities		701	(134)
Cash flows from investing activities			
Interest received		15	16
Payments to acquire property, plant and equipment and intangible assets	6 & 7	(217)	(599)
Net cash outflow from investing activities		(202)	(583)
Cash flows from financing activities			
Grant-in-aid for revenue expenditure	13	481	545
Less fees appropriated to DCMS		-	(4)
Net cash inflow from financing activities		481	541
Net increase/(decrease) in cash and cash equivalents in the period	15	980	(176)
Cash and cash equivalents at 1 April 2010			3,692
Cash and cash equivalents at 31 March 2011			4,672

The notes on pages 44 to 59 form part of these accounts.

**Statement of Changes in Taxpayers' Equity
for the 12 months ended 31 March 2011**

	Income and expenditure reserve £'000s	Deferred government grant reserve £'000s	Total reserves £'000s
Balance at 1 April 2009	(1,938)	3,795	1,857
Changes in reserves			
Release of reserves to the Statement of Comprehensive Net Expenditure	-	(766)	(766)
Retained deficit	(763)	-	(763)
Total recognised comprehensive net expenditure for 2009-10	(763)	(766)	(1,529)
Grant-in-aid for revenue expenditure	545	-	545
Balance at 31 March 2010	(2,156)	3,029	873
Balance at 1 April 2010	(2,156)	3,029	873
Changes in reserves			
Release of reserves to the Statement of Comprehensive Net Expenditure	-	(648)	(648)
Restatement of revaluation reserve	407	(407)	-
Retained surplus	582	-	582
Total recognised comprehensive net expenditure for 2010-11	989	(1,055)	(66)
Grant-in-aid for revenue expenditure	481	-	481
Balance at 31 March 2011	(686)	1,974	1,288

The notes on pages 44 to 59 form part of these accounts.

notes to the accounts

1: 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 2010/11 Financial Reporting Manual (FRM) issued by HM Treasury.

a) Accounting conventions

These are the accounts for the Commission covering the 12 months from 1 April 2010 to 31 March 2011. They have been prepared in a form directed by the Secretary of State for Culture, Olympics, 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 9.

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 and 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 considered a suitable measure of 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 IAS36. 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'.

All capital costs associated with the Commission's move to Birmingham and its fitting out are defined as property, plant and equipment and capitalised accordingly.

Table 9: 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 and fittings	10 years
Furniture	10 years
Equipment	7 years
Telecoms	7 years
Motor vehicles	4 years

Intangible assets

The Commission's intangible assets are recorded in accordance with IFRS and compliance 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 eg 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 employee 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 IAS38. 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.

Revaluation

Under IAS 16, non-current asset valuation has moved from historic depreciated cost to fair value, with assets valued every five years at their realisable costs. Any negative revaluation reserve movements are not permissible under IFRS.

In prior years, and in line with IFRS, the Commission absorbed the negative revaluation reserve into the Income & Expenditure Reserve, and released the associated depreciation charge incurred on the revalued element into the Statement of Comprehensive Net Expenditure. This ensured that the Net Book Value of non-current assets, depreciation charge to the Statement of Comprehensive Net Expenditure, and release of Deferred Government Grant from Reserves were appropriate.

During 2010/11 the Commission, in order to increase consistency with other Government bodies, recognised the negative revaluation reserve within the Deferred Government Grant Reserve, rather than the Income and Expenditure Reserve. This has had no impact upon the Statement of Comprehensive Net Expenditure position, or overall on Taxpayers' Equity.

Non-current assets were revalued in 2008/09 through the application of an appropriate index to each asset (Source: Office of National Statistics (ON) Price Index Numbers for Current Cost Accounting).

The Commission carried out a desk top review of assets for 2010/11. This review concluded that no revaluation was necessary.

Permanent diminution in the value of non-current assets is charged to the net expenditure account, and assets have not been re-valued in their year of acquisition as their current and historical cost would not be materially different.

c) Deferred government grant reserve

Capital grants received in previous years from Department of Culture, Media and Sport (DCMS) relate specifically to the capital costs associated with the set up and establishment of the Commission. In accordance with IFRS and the FReM, these grants have been credited to the deferred government grant reserve.

The amount deferred is released back to the Statement of Comprehensive Net Expenditure account in line with the depreciation and amortisation charged against these specific assets. Where assets have been disposed of, the release associated with the remaining grant for these specific assets has been credited directly to reserves.

d) Notional capital charges

In previous years, a charge reflecting the cost of capital utilised by the Commission, has been included in the Statement of Comprehensive Net Expenditure. In line with the 'Clear Line of Sight Project' by HM Treasury, there has been a change to accounting policy and the cost of capital will no longer be recognised.

e) Pension costs

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

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

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

A former Chairman of the Gaming Board is covered by a pension scheme which is analogous with the PCSPS. The Commission makes payments to the former Chairman as they are due. However the expected cost of providing the pension 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.

f) 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.

g) Employee costs

Under IAS 19 Employee Benefits, 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).

h) Value added tax (VAT)

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

i) Licence fee receipts and fee income recognition

The Commission collects fee income in relation to the Gambling Act 2005. 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 (ie five years).

j) Revenue grant-in-aid

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

k) Financial instruments

The 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 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.

l) 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.

m) Corporation Tax

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

n) Segmental reporting

The Commission's Board as 'Chief Operating Decision Maker' has determined that the Commission operates in one material segment, which is to regulate commercial gambling (but not the National Lottery or spread betting) in Great Britain. The Commission therefore regulates commercial gambling within one main geographical segment, Great Britain. The Commission has a single source of income from licence fees, and the segmental reporting format reflects the Commission's management and internal reporting structure.

o) Cash and cash equivalents

All of the Commission's cash deposits are held with a single commercial bank.

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.

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

The following standards and interpretations have been adopted by the European Union but are not required to be followed until 2011/12 or 2012/13. Neither of them are expected to impact upon the Commission's financial statements.

- IFRS 7 (Revised) Financial instruments: Disclosure (2011/12)
- IFRS 9 Financial instruments (2012/13)

q) Going concern

The Commission's financial statements have been prepared on a going concern basis. In October 2010, the Government announced a proposal to merge the Commission with the National Lottery Commission, subject to the passage of the Public Bodies Bill and subsequent secondary legislation. Although current proposals and expectations are that the operations of the Commission will continue in all respects, this will not be confirmed until the formal merger arrangements are in place. IAS 1 requires management to disclose that the potential merger with the NLC creates material uncertainty over whether the Commission will continue to operate in its current legal form.

2: Fee receipts

2(a): Gambling Act 2005 fee receipts

The 2005 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 2005 Act. Fees payable under the 2005 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 2005 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:

	2011 £'000s	2010 £'000s
Operator licence applications		
Application fees	839	716
Annual fees	11,687	11,655
Personal licence applications	411	922
Total fee income received	12,937	13,293
Interest on fee income	15	13
Total	12,952	13,306

2(b): Gambling Act 2005 income recognised

Fees payable under the Gambling Act 2005 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:

	2011 £'000s	2010 £'000s
Operator licence applications		
Application fees	786	610
Annual fees	11,894	10,989
Personal licence applications	551	749
Total fee income	13,231	12,348
Interest on fee income	15	13
Total	13,246	12,361

3: Other income

Other income of £37,100 (£5,100 in 2010) collected during the year related to penalties issued for breach of licence conditions.

4: Employee costs

a) Analysis of Commissioner and employee costs

	2011 £'000s Total	2011 £'000s Permanent	2011 £'000s Short-term	2010 £'000s Total
Salaries and wages	6,898	6,544	354	7,125
Social security costs	556	523	33	576
Pension costs				
included within operating deficit	1,214	1,185	29	1,279
included as other finance costs	1	1	-	3
Recognised in other comprehensive expenditure	(17)	(17)	-	(11)
Total pension costs	1,198	1,169	29	1,271
Total Commissioners' and employee costs	8,652	8,236	416	8,972

The above analysis comprises the following figures from the Statement of Comprehensive Net Expenditure.

	2011 £'000s	2010 £'000s
Employee costs	8,668	8,980
Interest costs on pension scheme liability	1	3
Actuarial adjustments to pension scheme liability	(17)	(11)
Total	8,652	8,972

Footnote to analysis of employee costs

In addition to the employee costs detailed above, costs in relation to two permanent employees have been capitalised during the year.

	2011 £'000s Total	2011 £'000s Permanent	2011 £'000s Short-term	2010 £'000s Total
Salaries and wages	18	18	-	35
Social security costs	1	1	-	2
Total capitalised employee costs	19	19	-	37

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 2010.

For 2010/11, employers' contributions of £1,180,070 were payable to the PCSPS (2009-10 £1,238,059) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands.

In addition to this an amount of £22,373 was invoiced directly from DCMS for an employee on secondment at the Commission. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2010/11, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2010/11 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £12,568 were paid to one or more of a panel of three appointed stakeholder pension providers.

Employers' contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £1,101 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees.

Contributions due to the partnership pension providers at the Statement of Financial Performance date were £0. No contributions were prepaid.

ii) Past Chairmen

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

A full actuarial valuation of the scheme was carried out by the Government Actuary at 31 March 2011. The main financial assumptions and life expectancy assumptions used by the actuary in calculation of the liability for the scheme are as follows:

Financial assumptions	31 March 2011	31 March 2010
Inflation assumption	2.65%	2.00%*
Rate on increase in salaries	4.90%	4.29%
Rate of increase for pensions in payment, in line with inflation	2.65%	2.75%
Discount rate for scheme liabilities	5.60%	4.60%

* There has been a move during the year from RPI to CPI as the preferred measure for inflation. This has been reflected in the financial assumptions above.

Life expectancy at retirement

Current pensioners	As at 31 March 2011		As at 31 March 2010	
	men (years)	women (years)	men (years)	women (years)
Exact age				
60	29.2	32.5	29.1	32.3
65	24.1	27.3	23.9	27.1

The present value of the scheme liability at 31 March 2011 is £14,000.

The cumulative amount of actuarial gains since the formation of the Commission in September 2005 is £216,000. However this includes £192,000 in relation to a former Chairman's pension no longer being a liability of the scheme. The cumulative amount of actuarial gains during the period in relation to former Chairmen is therefore £24,000.

	2011 £'000s	2010 £'000s
Analysis of amount charged to operating surplus:		
Current service cost (net of employee contribution)	-	-
Analysis of amount charged to other finance costs:		
Interest on pension scheme liabilities	1	3
Analysis of amount recognised in other comprehensive expenditure:		
Actuarial gain	17	11
Overnight increase in liability (change on return)	-	-
Total gain recognised in other comprehensive expenditure	17	11

c) Average number of persons employed by the Commission:

	2011	2010
Permanent employees	210	219
Other employees (short-term contract/secondments)	10	11
	220	230

5: Other operating costs

	2011 £'000s	2010 £'000s
Accommodation	1,168	1,124
Professional and accountancy fees	695	427
Travel and subsistence	361	442
Agency and other staff costs	65	107
Recruitment, training and development	61	184
Hospitality	35	22
Office services	805	931
External audit fee*	40	39
Internal audit costs	32	32
Amount payable to CRB	33	135
Other	381	446
Total operating costs	3,676	3,889

* 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.

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

	2011 £'000s	2010 £'000s
Land and buildings	816	809
Other	12	14
	828	823

6: Property, plant and equipment

	IT Hardware £'000s	Furniture and fittings £'000s	Plant and machinery £'000s	Transport equipment £'000s	Total £'000s
Cost/valuation					
At 1 April 2009	825	1,911	179	10	2,925
Revaluations	(4)	-	-	-	(4)
Additions	49	-	-	-	49
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 March 2010	870	1,911	179	10	2,970
Accumulated depreciation					
At 1 April 2009	477	532	62	3	1,074
Provided in year	184	197	25	2	408
Disposals	-	-	-	-	-
At 31 March 2010	661	729	87	5	1,482
Net book value at 31 March 2010	209	1,182	92	5	1,488
Net book value at 31 March 2009	348	1,379	117	7	1,851

	IT Hardware £'000s	Furniture and fittings £'000s	Plant and machinery £'000s	Transport equipment £'000s	Total £'000s
Cost/valuation					
At 1 April 2010	870	1,911	179	10	2,970
Revaluations	-	-	-	-	-
Additions	35	-	-	-	35
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 March 2011	905	1,911	179	10	3,005
Accumulated depreciation					
At 1 April 2010	661	729	87	5	1,482
Provided in year	128	185	25	2	340
Disposals	-	-	-	-	-
At 31 March 2011	789	914	112	7	1,822
Net book value at 31 March 2011	116	997	67	3	1,183
Net book value at 31 March 2010	209	1,182	92	5	1,488

7: Intangible assets

	Development expenditure £'000s	Software £'000s	Software licences £'000s	Websites delivering services £'000s	Total £'000s
Cost/valuation					
At 1 April 2009	138	3,698	399	68	4,303
Revaluations	-	-	-	-	-
Additions	110	440	-	-	550
Transfers	(248)	81	-	167	-
Disposals	-	-	-	-	-
At 31 March 2010	-	4,219	399	235	4,853
Accumulated amortisation					
At 1 April 2009	-	701	228	12	941
Provided in year	-	571	31	16	618
Disposals	-	-	-	-	-
At 31 March 2010	-	1,272	259	28	1,559
Net book value at 31 March 2010	-	2,947	140	207	3,294
Net book value at 31 March 2009	138	2,997	171	56	3,362

	Development expenditure £'000s	Software £'000s	Software licences £'000s	Websites delivering services £'000s	Total £'000s
Cost/valuation					
At 1 April 2010	-	4,219	399	235	4,853
Revaluations	-	-	-	-	-
Additions	-	182	-	-	182
Transfers	-	-	-	-	-
Disposals	-	-	(144)	-	(144)
At 31 March 2011	-	4,401	255	235	4,891
Accumulated amortisation					
At 1 April 2010	-	1,272	259	28	1,559
Provided in year	-	614	36	33	683
Disposals	-	-	(144)	-	(144)
At 31 March 2011	-	1,886	151	61	2,098
Net book value at 31 March 2011	-	2,515	104	174	2,793
Net book value at 31 March 2010	-	2,947	140	207	3,294

Disposals during the year relate to software licences that have now expired. This does not affect the net book value of Software Licences at 31 March 2011, as expired licences have been fully amortised, with the appropriate amortisation being charged to the Statement of Comprehensive Net Expenditure during the life of the asset.

8: Trade receivables and other current assets

	2011 £'000s	2010 £'000s
Trade receivables	54	24
Deposits and advances	65	51
Prepayments and accrued income	573	549
	692	624

All of the Commission's receivables are due from bodies external to government.

9: Trade payables and other current liabilities

	2011 £'000s	2010 £'000s
Trade payables	72	242
Employee cost payables	418	408
Other payables	3	3
Accruals and deferred income	7,085	6,968
	7,578	7,621

The Commission held the following balances with other Government bodies as at 31 March 2011

Trade Payables

- DWP - £1,207 in respect of pension scheme administration
- Home Office - £1,513 in respect of information checks performed
- Office for National Statistics - £9,036 in respect of statistical data collection

Employee Cost Payables

- DCMS - £30,988 in respect of seconded staff
- HMRC - £176,519 in respect of employee tax & NI contributions due
- DWP - £109,958 in respect of PCSPS pension contributions due

Other Payables

- HMRC - £2,918 in respect of corporation tax due

The remaining balances are held with bodies external to Government

The Commission holds deferred income balances of £6,138,656. This relates to:

- Licence fees paid that are due to be released to income in 2011/12 - £6,064,104
- Licence fees paid in advance of the anniversary of the licence - £74,552

10: Amounts falling due after more than one year

	2011 £'000s	2010 £'000s
Deferred income	460	572
	460	572

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 2012/13 onwards.

11: Pension liability

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

	2010 £'000s
At 31 March 2009	43
Current service cost	-
Employee contribution	-
Interest cost	3
Actuarial gain in the period	(11)
Pensions paid in the year	(3)
At 31 March 2010	32

	2011 £'000s
At 31 March 2010	32
Current service cost	-
Employee contribution	-
Interest cost	1
Actuarial gain in the period	(17)
Pensions paid in the year	(2)
At 31 March 2011	14

12: Third party assets

The Commission held the following assets on behalf of third parties at 31 March 2011.

	2011 £'000s
At 31 March 2010	4
Arising in the year	190
Settled in the year	(2)
At 31 March 2011	192

The only third 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 2002, or returned.

13: Financing

	2011 £'000s	2010 £'000s
Grant-in-aid and capital grant drawn from DCMS for operational purposes		
Resource	481	545
Capital	-	-
Total grant-in-aid financing	481	545

14: Impact of pension liability on income and expenditure reserve

	notes	2011 £'000s	2010 £'000s
Net expenditure reserve excluding pension liability		(672)	(2,124)
Pension liability	11	(14)	(32)
Income and expenditure reserve		(686)	(2,156)

15: Cash and cash equivalents

	2011 £'000s	2010 £'000s
Balance at 1 April	3,692	3,868
Net change in cash and cash equivalent balances	980	(176)
Balance at 31 March	4,672	3,692

All of the Commission's cash and cash equivalent balances were held at Commercial banks and cash in hand.

As a result of the re-classification of seized funds from suspected non-compliant activity as an asset held on behalf of a third party, the funds held have been removed from the Commission's own cash and cash equivalent balances. This has had no impact upon the Statement of comprehensive net expenditure position, or on the Commission's net asset position.

16: Capital commitments

There were no contracted capital commitments at 31 March 2011 for which no provision had been made (£0 in 2010).

17: Commitments under operating leases

At 31 March 2011 the Commission was committed to making the following payments in respect of operating leases.

	2011/12		2010/11	
	Land and buildings £'000s	Other £'000s	Land and buildings £'000s	Other £'000s
Operating leases which expire:				
Within one year	832	12	813	10
In the second year to fifth years inclusive	3,218	8	3,240	24
Over five years	-	-	702	-
	4,050	20	4,755	34

18: Related party transactions

The Commission is a non-departmental public body (NDPB) funded through the collection of licence fees from the industry, and grant-in-aid for revenue purposes from DCMS.

DCMS is regarded as a related party. During the 12 months to 31 March 2011, the Commission has had a small number of material transactions with DCMS, comprising of:

- £481,000 revenue grant-in-aid received in relation to prevalence survey and research undertaken (£0 as debtors at the 31 March 2011)
- £72,735 paid in relation to DCMS employees on secondment (£30,988 as creditors at the 31 March 2011)

These transactions are shown in the Statement of Comprehensive Net Expenditure and notes to the accounts.

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

19: Financial instruments

IAS 32 [Financial Instruments: Classification], IAS 39 [Financial Instruments: Measurement, Recognition and Derecognition] and IFRS 7 [Financial Instruments: Disclosures] establish 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, it is not exposed to the degree of financial risk faced by business entities.

Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which these standards mainly apply. The Commission has obtained consent from its sponsoring department to place surplus funds on bank deposit. It would also require consent from its sponsoring department prior to acquiring financial instruments or borrowings.

Currency risk

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

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 its cash requirements, 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 and financial liabilities

Financial assets					Fixed rate		Non-interest bearing
	Total	Floating rate	Fixed rate	Non-interest bearing	Weighted average interest rate	Weighted average period for which fixed	Weighted average term
Currency	£'000s	£'000s	£'000s	£'000s	%	Years	Years
At 31 March 2011							
Sterling	4,791	4,672	-	119	0.00	-	-
Gross financial assets	4,791	4,672	-	119		-	-
At 31 March 2010							
Sterling	3,767	3,692	-	75	0.00	-	-
Gross financial assets	3,767	3,692	-	75		-	-

Financial liabilities					Fixed rate		Non-interest bearing
	Total	Floating rate	Fixed rate	Non-interest bearing	Weighted average interest rate	Weighted average period for which fixed	Weighted average term
Currency	£'000s	£'000s	£'000s	£'000s	%	Years	Years
At 31 March 2011							
Sterling	6,885	-	-	6,885	0.00	-	-
Gross financial liabilities	6,885	-	-	6,885		-	-
At 31 March 2010							
Sterling	6,892	-	-	6,892	0.00	-	-
Gross financial liabilities	6,892	-	-	6,892		-	-

(ii) Financial assets and financial liabilities

Financial assets				
	At 'fair value' through profit and loss	Loans and receivables	Available for sale	Total
	£'000s	£'000s	£'000s	£'000s
Debtors	-	119	-	119
Cash at bank and in hand	-	4,672	-	4,672
Total at 31 March 2011		4,791		4,791
Debtors	-	75	-	75
Cash at bank and in hand	-	3,692	-	3,692
Total at 31 March 2010	-	3,767	-	3,767

Financial liabilities			
	At 'fair value' through profit and loss	Other	Total
	£'000s	£'000s	£'000s
Creditors	6,425	-	6,425
Creditors over 1 year	460	-	460
Total at 31 March 2011	6,885	-	6,885
Creditors	6,320	-	6,320
Creditors over 1 year	572	-	572
Total at 31 March 2010	6,892	-	6,892

20: Contingent liabilities

There are no contingent liabilities to report in the 12 months to 31 March 2011 (£0 2009/10).

21: Post balance sheet events

These accounts were authorised for issue on the date shown on the audit certificate.

There are no other post balance sheet events to report since 31 March 2011.

Board of Commissioners



**Philip Graf CBE
(Chairman from 1 April 2011)**

Philip Graf is currently Deputy Chairman of Ofcom and an associate of Praesta Partners LLP. A Cambridge law graduate, Philip joined the Liverpool Daily Post and Echo in 1983, which became Trinity International Holdings in 1985. He subsequently became Chief Executive in 1993.

He became Chief Executive of Trinity Mirror Group when the company merged with the Mirror Group in 1999 – a position he held until February 2003. In 2003 he was asked by the Secretary of State for Culture, Media and Sport to carry out a review of the BBC’s online activities.

He is a former Chairman of the Press Standards Board of Finance – the body which funds the Press Complaints Commission – and of the Broadband Stakeholder Group – the advisory group to the Government on the promotion of broadband services. He is also a trustee of Crisis.



**Brian Pomeroy CBE
(Chairman to 31 March 2011)**

Brian Pomeroy CBE was the Senior Partner of Deloitte Consulting until 1999 when he took up a number of public, private and voluntary sector appointments. He is currently Chairman of the Treasury’s Financial Inclusion Taskforce and a non-executive director of the Financial Services Authority. He is a member of the Financial Reporting Review Panel and is a director and Deputy Chairman of QBE Insurance Europe Ltd.

He is a board member of the Social Market Foundation and Chairman of the Photographers Gallery. He was formerly Chairman of the Payments Council, the National Lottery Commission, Centrepoint and Homeless Link, a board member of the Audit Commission and a member of the Disability Rights Task Force and a Trustee of Money Advice Trust. He was awarded a CBE in 2006 for services to homeless people.



Ben Gunn CBE QPM

Ben Gunn was Chief Constable of Cambridgeshire from 1993 to 2002. On his retirement he was appointed Chairman of the Joint Jockey Club/British Horseracing Board Security Review which reported on the Integrity of Horseracing in Great Britain in 2003.

In 2008 he jointly undertook a Review of the Integrity of Professional Tennis worldwide and was a member of the Parry Expert Panel which was set up by the Department of Culture Media and Sport in 2009 to examine integrity in sports betting. He is a Non-Executive Director of the British Horseracing Authority as well as being the senior partner in Campbell Gunn Associates, Consultants in sports’ integrity; he is also a Trustee of the Child Victims of Crime Charity.



Bill Knight

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



Rachel Lampard

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



Andrew McIntosh (to August 2010)

Andrew McIntosh (Lord McIntosh of Haringey) was a Member of the House of Lords and President of GamCare, the national association for gambling care educational resources and training. Despite ill health, he continued to attend Commission Board meetings until shortly before his death in August 2010.



Gill Milburn

Gill Milburn had a career in taxation and marketing prior to a long career break during which she undertook non-executive roles for voluntary organisations. She served as a Magistrate for 12 years, sitting on Chester Magistrates Court’s Youth, Licensing and Enforcement Panels and was active in offender resettlement programs. More recently she acted as consultant to a youth leadership programme in Washington DC. In 2009 she moved to the West Midlands and works for Building Community Advocacy, a third sector mental health organisation. Gill is a board member of Dimensions UK, a leading learning disability charity.



Eve Salomon

Eve Salomon is Chair of the Regulatory Board of RICS and Chair of the Internet Watch Foundation. She is also a director of Salomon Whittle Ltd, a consultancy which specialises in international media regulation.



Peter Teague

Peter Teague is Chairman of the Audit Committee. He is currently Chief Executive of New Technology CAD/CAM Ltd and non-executive Director and Chairman of the Audit Committee at both Immedia Broadcasting plc and Elexon Limited. He holds one other public appointment as a member of Ofcom's Audit Committee and its Spectrum Clearance Finance Committee.



Jenny Williams (Chief Executive)

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

Please see the Commission website for a register of interests detailing company directorships and other significant interests held by Board members.



From left to right Bill Knight, Jenny Williams, Eve Salomon, Ben Gunn, Philip Graf, Peter Teague, Gill Milburn and Rachel Lampard

The Commission Board and associated committees - remit and structure

The Board

The Board comprised nine Commissioners including the Chief Executive, eight following Andrew McIntosh's death in August 2010. It sat nine times and is responsible for the strategic direction of the Commission and for the performance of the Management Board (see Appendix 4). Members of the Board also sit as the Commission's Regulatory Panel (see below).

Audit Committee

The Audit Committee supports the Board and the Accounting Officer in their respective responsibilities for control and governance, risk management and associated assurance. Details of the committee members and their attendance are included at Table 10.

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

- reports it has received on the strategic framework and the adequacy and effectiveness of systems for ensuring internal control, governance, legality and the management of risk
- the accounts, the accounting policies and other accounting information, the Statement on Internal Control, and the assurances relating to corporate governance and legality contained in the Annual Report, including the process for review of:
 - the accounts prior to submission for external audit
 - the levels of error identified by external audit
 - management's letter of representation to the external auditors
- the planned activity and results of both internal and external audit, including the quality of service
- the adequacy of management response to issues identified by audit activity, including the external auditor's management letter and reports prepared by Internal Audit
- any proposal(s) for the tendering of Internal Audit services, or for the purchase of non-audit services from organisations who provide audit services, where appropriate
- the arrangements by which the Commission's employees may, in confidence, raise concerns about possible improprieties
- any other matters at the request of the Board.

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

Table 10: Board and associated committees – membership and attendance

Commissioner	Board	Audit Committee	Remuneration Committee
Brian Pomeroy	9	-	-
Ben Gunn	8	-	3
Bill Knight (Chair of Remuneration Committee)	7	2	3
Rachel Lampard	9	4	3
Andrew McIntosh (to August 2010)	2	1	-
Gill Milburn	8	4	-
Eve Salomon	7	4	3
Peter Teague (Chair of Audit Committee)	8	4	-
Jenny Williams	9	-	-
Number of meetings in 2010/11	9	4	3

Remuneration Committee

The Remuneration Committee supports the Board and the Accounting Officer in their 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
- recruitment (as required) of the Chief Executive.

Details of the committee members and their attendance are detailed at Table 10.

In exercising its responsibilities the Committee advises the Board and the Chief Executive as Accounting Officer (as appropriate) on:

- an organisation-wide appraisal and remuneration policy, including the terms and conditions of employment, which both supports the Commission's corporate and business planning objectives and is aimed at achieving value for money
- the setting of performance objectives, the appraisal of performance and the determination of performance related remuneration for the Chief Executive, in consultation with the Chair of the Board
- the setting of performance objectives and the determination of performance related remuneration for the senior management team, in consultation with the Chief Executive
- the recruitment of a Chief Executive when a vacancy arises, in accordance with guidance provided by DCMS at the time
- the acquisition of independent professional advice to assist with the recruitment of a Chief Executive, the consideration of remuneration strategies and policies or other employment-related incentives, and the related trends in strategies and policies in comparable sectors, as required
- the contractual terms agreed upon termination of the contract of any of the Chief Executive and members of the senior management team and the payments made, ensuring they are fair to the individual and to the Commission; that they comply with wider public sector practice and approval processes; and that any payments defined as novel or contentious are referred to DCMS
- any matters concerning remuneration referred to in the Management Statement and Financial Memorandum agreed between the Commission and the sponsor department, DCMS
- any other matters at the request of the Board.

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

Regulatory Panel

The Regulatory Panel determines some licence applications and deals with serious regulatory decisions including the revocation of licences, under section 116 of the 2005 Act.

The Panel normally comprises three Commissioners. In exceptional circumstances the Panel may comprise two Commissioners, provided that the applicant or licence holder is agreeable to proceed on that basis. Decisions are normally made by consensus but where that cannot be achieved panel members are required to vote, in which case the Chairman has a casting vote.

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

The Chief Executive may designate appropriate employees to attend meetings of the Panel - to assist or advise, but not to take part in the decision making process of the Panel. A legal adviser and a secretary normally attend.

Senior management team

Management Board



Jenny Williams: Commissioner and Chief Executive

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

Role

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



Julie Grant: Director of Finance

Julie joined the Commission in January 2008. Prior to this, she served as the Ministry Controller for the Cabinet Secretary of Bermuda focusing on Tourism and Transport. Julie worked in the private sector in a variety of senior financial roles including Claire's Accessories and Signet Group plc. She is also a non-executive Director of John Taylor Hospice; and is a member of the Audit Committee for Coventry University and she is also a member of the Chartered Institute of Management Accountants.

Role

Julie is responsible for the finances, including income and expenditure, budgeting, systems of financial control and management. She liaises with internal and external auditors and prepares the annual accounts. She also provides support, in particular through the Risk Management Committee and the Audit Committee, and to the Chief Executive in her role as Accounting Officer.



Matthew Hill: Director of Strategy, Research and Analysis

Matthew joined the Commission in November 2008. He has spent most of his career as a civil servant covering a wide range of topics, including gambling, broadcasting, alcohol reform, animal health, e-government and civil contingencies.

Role

Matthew is responsible for the business plan programmes on innovation, better regulation and simplification, evidence and analysis, business intelligence and business development. He manages the resources in corporate and technical compliance, intelligence, policy, research, business strategy and information management and ICT functions, covering 55 employees. He leads our working relationship with industry and community groups, and with government departments.



Justine Kenny: Director of People and Organisational Development

Justine joined the Commission in February 2006. She was previously Director of Human Resources at a health-related national NDPB and before that had spent her career in HR in various NHS organisations, most recently as Deputy Director of HR at Gloucestershire Hospitals NHS Trust. She is also a board member of Mercian Housing Association Ltd, holds an MA and is a Fellow of the Chartered Institute of Personnel and Development.

Role

Justine is responsible for people and organisational development. This includes providing HR leadership and strategic advice, ensuring that HR management is strong, adds value to the business and remains compliant with all employment, organisational development and health and safety legislation and best practice requirements. Justine works closely with the Chief Executive on strategic development needs and improving organisational effectiveness.



Neil McArthur: Director of Legal

Neil joined the Commission in October 2006. He qualified as a solicitor in 1997 and is a graduate of Leicester Polytechnic and Leicester University. He also holds a post-graduate diploma in local government law from the College of Law and is a member of the Association of Regulatory and Disciplinary Lawyers. Neil has worked as in-house lawyer for a number of public bodies, most recently as the head of the General Teaching Council for England's legal team.

Role

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



Julia Mackisack: Director of Corporate Affairs

Julia joined the Commission in April 2007. Before that, she worked in a range of change-communications senior management roles within the financial services sector, most recently with the Aviva Group and Resolution plc, and in the not-for profit sector with organisations such as the Princess Anne Trust for Carers and the Royal Air Forces Association. Previously Julia was a non-executive director at St George's, a charity for women with a learning disability, as well as a school governor at the Chase Technology College in Malvern.

Role

Julia is responsible for corporate affairs, managing the delivery of our communications, both internally and externally, including the media and public affairs strategy, the initial enquiry management function, events, publications and e-communications, including the website and intranet. She works closely with the Chairman and Chief Executive in managing relationships with stakeholders.



Nick Tofiluk: Director of Regulation

Nick joined the Commission in November 2007. Prior to this he spent six years as Assistant Chief Constable with West Midlands Police, latterly based in London as a national police programme director. In the course of his career, he worked extensively with government and other agencies in tackling crime and public safety issues at local, regional and national levels and has experience of leading major organisational change projects. Prior to joining the police, he taught mathematics and economics and has qualifications from the Universities of Birmingham, Manchester and Cambridge.

Role

Nick is responsible for the delivery of licensing, compliance and enforcement activity to ensure that we license suitable individuals and operators and that we focus on higher risk compliance and enforcement issues including sports betting integrity matters. The work requires establishment of effective information exchange and operational collaborations at national and international levels, which currently includes working with the International Olympic Committee in preparation for the 2012 Games.

Management boards - remit and membership

During the year the Commission altered its governance structure to streamline our decision making processes through two boards. The Management Board, Operations Board and the Regulatory Policy Board were replaced on 1 January 2011 with a Management Board and a Delivery Board each with an updated remit:

Management Board (from 1 January 2011)

The Management Board meets at least monthly and is responsible for dealing with matters that concern the Commission as a whole, its organisation, management and use of resources. In particular, Management Board deals with the pan-Commission workstreams that support strategic objective 4 (developing the Commission's people and organisation). This includes the following matters:

- corporate and business planning
- key financial and performance data
- major risks and opportunities for the organisation (oversight of the Risk Management Committee)
- development of organisational structure, culture and ways of working
- performance management arrangements, learning and development and pay arrangements
- consideration of the agenda and papers for meetings of the Commission Board (see page 62)

Delivery Board (from 1 January 2011)

Delivery Board meets at least monthly and deals with the individual workstreams that deliver the Commission's strategic objectives 1, 2, and 3 (regulating in the public interest; providing authoritative advice on gambling and its regulation and, engaging with stakeholders).

Risk Management Committee (RMC)

The Risk Management Committee meets quarterly and risk is also managed at departmental, programme and corporate levels. Risks identified at a departmental level are monitored by the RMC and coordinated with our key corporate risks. It also has the authority to take action and manage such risks as appropriate.

The Chief Executive, as Accounting Officer, is responsible for identification and agreement of the key corporate risks. The Risk Management Committee supports this activity and provides regular updates to the Board.

Table 11: Management boards - membership

Name	Role	MB*	DB*	RMC*	OB*	RPB*
Jenny Williams	Chief Executive	Chair	✓	✓	✓	✓
Julie Grant	Director of Finance	✓	✓	✓	✓	✓
Matthew Hill	Director of Strategy, Research and Analysis	✓	✓	✓	✓	Chair
Justine Kenny	Director of People and Organisational Development	✓	✓	✓	✓	✓
Neil McArthur	Director of Legal	✓	Chair	✓	✓	✓
Julia Mackisack	Director of Corporate Affairs	✓	✓	✓	✓	✓
Nick Tofiluk	Director of Regulation	✓	✓	✓	Chair	✓
Sarah Gardner	Head of Business Strategy and Information Management	✓	✓			
Sean Hendy	Head of Corporate and Technical Compliance	✓	✓			
Neill Ireland	Head of Intelligence	✓	✓			
Sharon McNair	Head of Licensing	✓	✓			
Alistair Quigley	Head of ICT	✓	✓			
Mike Williams	Head of Enforcement and Regional Compliance	✓	✓			

* MB - Management Board, DB - Delivery Board (from 1 January 2011), RMC - Risk Management Committee, RPB - Regulatory Policy Board (to 31 December 2010), OB - Operations Board (to 31 December 2010)

Employment statistics for 2010/11 (as at 31 March 2011)

Total employees by contract type	
Secondees	1
Short-term employees	1
Permanent employees	201
Total	203

Departmental split	
Corporate Affairs	4
Directors	7
Executive/Admin	6
Finance	7
Legal	5
People, Organisation and Development	5
Regulation including	114
Compliance	45
Enforcement	12
Licensing	47
Regulatory Co-ordination	7
Regulation	3
Strategy, Research and Analysis including	55
Facilities	2
ICT	8
Information	8
Intelligence	11
Policy and research	14
Corporate and technical compliance	12
Total	203

Diversity – gender	
Female	89
Male	114
Total	203

Diversity – disability	
Employees with a disability as defined under the Disability Discrimination Act 2005	2
Employees without a disability as defined under the Disability Discrimination Act 2005	201
Total	203

Diversity – age	
Under 20	0
21 to 30	39
31 to 40	66
41 to 50	48
51 to 60	38
60+	12
Total	203

Diversity – ethnic origin	
Asian or Asian British - Bangladeshi	0
Asian or Asian British - Indian	13
Asian or Asian British - Other	1
Asian or Asian British - Pakistani	2
Black or Black British - Caribbean	4
Chinese	1
Mixed race - Other	1
Mixed race - White / Asian	1
Mixed - White and Black Caribbean	1
White British	166
White Irish	3
White Other	3
Not disclosed	7
Total	203

Sickness absence rates	
1 April 2010 to 31 March 2011	% of working days lost
Quarter 1	2.5
Quarter 2	2.3
Quarter 3	1.9
Quarter 4	1.9

Licence application fees from 1 August 2010

Operating licence type	Non-remote £					Remote £						
	A	B	C	D	E	F	G	H	I	J	K	L
Casino 2005 Act	28,641	37,591				2,933	7,169	11,274	16,551	26,641	37,591	63,671
Casino 1968 Act	6,509	9,763	19,528	19,528	19,528							
Bingo	977	1,627	3,255	17,087	20,504	2,933	7,169	11,274	16,551	26,641	37,591	63,671
General betting standard	977	977	3,417	17,087	40,032							
General betting standard (no gaming machines)	977	977	3,417									
General betting standard (virtual events)						2,933	7,169	11,274	16,551	26,641	37,591	63,671
General betting standard (real events)						3,259	7,169	16,274	19,551	28,641		
General betting limited	178	355	979			593						
Pool betting	651	1,627	4,882			651	1,627	4,882	4,882	4,882		
Betting intermediary	198	198	198			6,346	13,018	16,274	19,551	28,641		
Betting intermediary trading room only						593	977	1,627				
Gaming machine general AGC	977	977	1,627	4,882	16,274							
Gaming machine general FEC	977	977	1,627	4,882	16,274							
Gaming machine technical full	977	1,627	16,274			977	1,627	16,274				
Gaming machine technical supplier	977	1,627	4,882			977	1,627	4,882				
Gaming machine technical software	977	4,882	16,274			977	4,882	16,274				
Gambling software	977	4,882	16,274			6,346	13,018	16,274				
External lottery manager	977	1,627	2,278			977	1,627	2,278				
Society lottery	163	244	325			163	244	325				

Supplementary operating licences

	Licence application fee	Annual fee
Gaming machine technical	£165	£375
Gambling software	£165	£375

Annual fees from 1 August 2010

Operating licence type	Non-remote £					Remote £						
	A	B	C	D	E	F	G	H	I	J	K	L
Casino 2005 Act	51,877	108,132				3,188	9,563	13,529	38,128	74,012	117,746	155,425
Casino 1968 Act	17,378	23,112	74,112	329,711	443,526							
Bingo	1,646	7,413	17,914	39,928	87,127	3,188	9,563	13,529	38,128	74,012	117,746	155,425
General betting standard	1,646	7,413	17,914	41,124	236,927							
General betting standard (no gaming machines)	1,571	7,077	16,860									
General betting standard (virtual events)						3,188	9,563	13,529	38,128	74,012	117,746	155,425
General betting standard (real events)						13,529	38,128	74,012	117,746	155,425		
General betting limited	200	467	1,346			1,594						
Pool betting	2,222	4,277	4,338			1,594	38,128	74,012	117,746	155,425		
Betting intermediary	280	4,277	4,338			13,529	38,128	74,012	117,746	155,425		
Betting intermediary trading room only						1,594	6,765	19,063				
Gaming machine general AGC	1,638	6,771	13,736	29,550	41,124							
Gaming machine general FEC	1,097	4,905	9,950	23,749	39,928							
Gaming machine technical full	3,102	6,625	15,813			6,765	19,063	37,006				
Gaming machine technical supplier	1,258	3,397	4,338			6,765	19,063	37,006				
Gaming machine technical software	1,608	4,044	6,575			6,765	19,063	37,006				
Gambling software	1,608	4,044	6,575			6,765	19,063	37,006				
External lottery manager	2,075	2,368	2,700			6,765	19,063	37,006				
Society lottery	348	692	1,458			348	692	1,458				

Personal licence application and maintenance fees

	Licence application fee	Maintenance fee
Management licence	£370	£370
Functional licence	£185	£185

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