

# GAMBLING COMMISSION

Annual Report and Accounts

# 2011/12

Keeping gambling fair and safe for all

**Gambling Commission  
Annual Report and Accounts 2011/12**

Presented to Parliament  
pursuant to Paragraphs 14 and 16  
of Schedule 4 of the Gambling Act 2005

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# Chairman's and Chief Executive's statement

This year has been one both of consolidation and change. We are targeting our resources more effectively to meet the regulatory challenges of a dynamic and innovative industry and a changing international environment, while at the same time holding the industry to account for the responsible conduct of gambling. The initial period of learning about the Act, and those gambling industry sectors brought within the national licensing system, is well behind us and operators can now be expected to understand the licensing objectives and the requirements placed upon them.

This means we can now devote more attention to technological and social developments so we are well placed to address the opportunities and any emerging risks to the public. For example, the impact of mobile gambling and the convergence between social and commercial gambling are advances that may significantly change the way people gamble and provide better, potentially less onerous ways to regulate. At the same time we have a responsibility to players and to compliant operators to make sure the current regulatory framework is upheld and a responsibility to all stakeholders to ensure our approach is properly understood.

One prevalent misunderstanding underlies the recurrent call for us to promote the industry. We certainly see ourselves working with the industry, as an important sector of the leisure industry, playing its part in the national growth and innovation agenda, but we are not an economic regulator. We are charged with permitting gambling so far as reasonably consistent with the licensing objectives and, as a Hampton principles based regulator, we keep the economic impact of our regulatory requirements and actions very much in mind – both when taking policy or casework decisions

and when advising the government on the impact of gambling and its regulation. We also help operators stay compliant by providing advice to them. But our role in providing assurance to the wider public that commercial gambling in Great Britain is properly regulated and provided responsibly – critical to the industry's public acceptability and freedom to trade – would be compromised if we were thought to promote the industry as well as regulate it. Promotion of gambling as part of the leisure industry is for the DCMS and Parliament.

## **Working with statutory partners and with the industry**

Over the past year we have concentrated increasingly on higher risk issues and operators with a regional or national impact, leaving day to day compliance and enforcement to licensing authorities (LAs). They are on the spot and better placed to assess local priorities. This reflects the dual regulatory structure of the Act and was enshrined in the concordat agreed with LAs in 2009 but is still not fully understood. Many still expect the Commission to police the high street – a role for which we are not resourced, nor should be.

We now have a LA liaison unit specifically to provide support and expertise to LAs and streamlined arrangements for passing intelligence to LAs for them to deal with. We are also working with our home based compliance and investigatory staff to determine the best way to support both our local partners and the work with a regional and national impact.

Certainly, the priority we have given to working with local authorities and with the police and other partners is starting to bear fruit with successes in tackling illegal poker clubs, betting in pubs, and the siting of illegal gaming machines.

## **Compliance and enforcement activity**

The Act was deliberately broad brush, comprehensive and flexible to counter attempts to navigate around the regulatory constraints – and while this can have unforeseen consequences the Commission aims to secure compliance by working with operators whenever possible. For example, we are in discussion with Ofcom and the television companies and producers involved over family TV games shows which may technically be gambling but which would only be an



enforcement priority for the Commission where they promote commercial on-line gambling to family audiences – something responsible broadcasters and producers are keen to avoid.

The proportion of Commission time and external professional costs that have to be devoted to dealing with operators that test the boundaries of the Act in the light of technological and other developments is increasing markedly. For example, the Health Lottery multiple lottery scheme where we had to make a finely balanced judgement as to whether it was capable of being run compliantly. Considerable Commission resources have been used in dealing with the launch of this legally unprecedented multiple lottery scheme, the resultant controversy and more recently the judicial review proceedings.

Our efforts to police the perimeter have highlighted the perennial regulatory dilemma – how to provide constructive advice on the Commission's approach to innovative products while not becoming the operators' de facto research and development arm. We address this by producing short guides, for example, poker and betting in pubs, on the simple way to stay compliant and by advising operators in general terms about our concerns around innovations. We remain under continuing pressure to approve developments in advance.

### **Sports betting integrity**

With the 2012 London Olympic Games approaching our priority has been to ensure that sports authorities, law enforcement agencies and the legal betting industry here and abroad are all working together to counter any threat to sports betting integrity during the Games. The risk is low, but it is real and difficult to counter, given the extent of the illegal betting markets overseas, and the impact of any attempt to corrupt could be significant.

For the duration of the Games, our Sports Betting Intelligence Unit (SBIU), the International Olympic Committee and the Metropolitan Police will be operating a Joint Assessment Unit (JAU) to assess any allegations or suspicions of wrongdoing, and determine what further steps should be taken by the police or by the IOC.

### **The Commission's advisory role**

While the government sets the overall policy framework within which we work, it is for the Commission, as its statutory advisor on the effects of gambling and its regulation to provide soundly based advice. With the reduction in staffing at DCMS and its focus on the Olympics the Commission's advisory role has grown, for example, providing advice on the proposed move to licensing all remote gambling operators

supplying or targeting consumers in Great Britain; work with the European Commission on the follow up of their Green paper; consideration of gaming machine stakes and prizes and how to tackle sports betting corruption in a global market.

The Responsible Gambling Strategy Board (RGSB) continued to play a key role in providing us with objective advice on what was known about how to prevent and minimise gambling related harm and advice on how best to use the limited funds available from the industry voluntary scheme to improve our understanding of what works. Baroness Neuberger, to whom we owe considerable thanks for her contribution to tackling gambling related harm, stepped down at the end of her term of office and has been succeeded by Sir Brian Pomeroy.

Sir Brian has been working closely with GREaT, RGF and the Commission to ensure that the replacement voluntary funding and commissioning scheme will provide the Commission and government with the evidence needed on what works. This is critical as the current approach to machine regulation is neither sustainable nor necessarily desirable/optimal in the longer term with the convergence of land based and remote gambling and technological developments bringing both public protection threats and opportunities.



## Efficiency and value for money

We have been able to introduce changes to fees which reduce or hold constant in cash terms fees for the vast majority of operators and to recover the costs of regulation more equitably across operators in each sector and between sectors. These changes reflect the continuing shift in focus of our compliance and enforcement activity and the benefit of sustained efficiency savings despite the various upward pressures on the Commission's costs, for example, the costs of investigating sports betting integrity have grown from under £100k to around £500k over the past year, support for a range of structural reviews, legal costs of test cases and the increasing costs of investigating and prosecuting illegal machines supply.

As indicated in last year's report, the virtual freeze on recruitment and gaps in our expertise were not sustainable if we are to maintain and enhance our ability to regulate effectively. We have reviewed our senior structure and capacity to deal

with the challenges that lie ahead. We now have fewer corporate directors with a more outcome focussed business plan and some enhanced expertise and experience through limited, targeted recruitment.

## Our people

We have continued to invest in the training and development of our staff with the new targeted development programme for staff at all levels. Our hardworking staff remain deeply committed to the Commission's aims and objectives and to continuous improvement in the way we secure those objectives; this despite the continued pay freeze and often being the butt of criticism that should properly be aimed at the statutory framework within which we work.

We have said goodbye with sadness and gratitude to the remaining founding Commissioners who have overseen the creation of the Commission – Ben Gunn, Bill Knight, Gill Milburn and Eve Salomon – and have welcomed four new Commissioners with equally wide regulatory experience in both

the public and private sector covering consumer protection, financial accountability, the digital economy, technology, and local better regulation.

## The future

In July the government announced its decision to change the basis of remote gambling regulation. We are already looking at the most effective way of implementing the proposals while minimising any regulatory burden, where possible working closely with overseas regulators.

In January the National Lottery Commission (NLC) moved to join us in Birmingham and we now share common services such as finance and human resources pending the proposed merger by the end of 2012/13.

These developments have major implications for the future shape and remit of the Commission. We know our staff will continue to rise to these challenges and look forward to working with our stakeholders including the licensed industry and other regulators to keep gambling fair and safe for all.



**Philip Graf**  
Chairman



**Jenny Williams**  
Chief Executive





# Operating review

## The Commission's remit

The Commission regulates most commercial gambling in Great Britain, working closely with our partners, LAs 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 Commission (NLC)<sup>1</sup> and the Financial Services Authority respectively. We estimated that the industries regulated by the Commission generated around £5.5 billion in gross gambling yield<sup>2</sup> in 2010/11.

We are a non-departmental public body (NDPB) sponsored by DCMS and have a remit to permit gambling "in so far as the Commission thinks"<sup>3</sup> it is reasonably consistent with the three statutory licensing objectives:

- keeping crime out of gambling
- ensuring gambling is conducted fairly and openly
- protecting children and vulnerable people from being harmed or exploited by gambling.

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<sup>3</sup> the Commission licenses individuals and operators offering gambling in Great Britain while LAs license premises and issue permits<sup>4</sup>. 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 holders of operating and personal licences
- wide-ranging regulatory powers 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 now funded solely by licence fees paid by the gambling industry but set by the Secretary of State and approved by Parliament. With the experience of over four years of regulation under the Act and in the light of the government's policies on deregulation and on arm's length bodies, a joint consultation was held with DCMS resulting in a number of fee changes that came into effect on 6 April 2012. These changes are designed to reflect the reduced cost of regulation and to realign those costs more equitably.

## Costs of regulation

The following charts show how the focus of the Commission's work has changed and is expected to continue to change. We are focusing increasingly on higher impact operators and issues following completion of the initial, primarily educational, phase during which we and the industry learnt about the implications of the Act. The bulk of that work is now complete, enabling us to reduce significantly our effort and cost in this area.

However, the Commission will need to continue to assist and support LAs with their work for at least the next two years as they develop their understanding and capability in relation to gambling regulation. We also have upward pressure on our costs from, for example:

- the costs of investigating sports betting integrity which have grown from under £100k to around £500k over the past year
- support for structural reviews and policy implementation (including the remote review)
- legal costs of test cases
- the costs of investigating and prosecuting illegal machines supply.

<sup>1</sup> The government announced the merger of the Gambling Commission and the National Lottery Commission in July 2010. Re-location in Birmingham was completed in January 2012 with the formal merger expected early in 2013 subject to approval of the necessary statutory instrument.

<sup>2</sup> The amount retained by operators after the payment of winnings but before the deduction of the costs of the operation.

<sup>3</sup> The Gambling Act 2005.

<sup>4</sup> Gaming machine permits to alcohol-licensed premises and unlicensed family entertainment centres; club gaming permits and club machine permits to clubs and permits for prize gaming.

**Table 1: Costs 2009/10 – 2012/13**

	2009/10 £'000	2010/11 £'000	<b>2011/12 £'000</b>	2012/13 plan £'000
Strategy Board and Prevalence Studies	767	736	<b>450</b>	445
Other thematic programmes	675	1,395	<b>1,495</b>	1,740
Compliance and Enforcement	6,642	6,015	<b>6,057</b>	5,976
Legal	818	710	<b>650</b>	667
Intelligence (excl betting integrity)	695	455	<b>388</b>	382
Licensing	1,694	1,482	<b>1,529</b>	1,544
HR, Finance and Comms	456	417	<b>442</b>	446
Infrastructure and IT	1,123	1,134	<b>1,238</b>	1,131
<b>Total</b>	<b>12,869</b>	<b>12,344</b>	<b>12,249</b>	<b>12,331</b>

**Table 2: Other thematic programme costs**

	2009/10 £'000	2010/11 £'000	<b>2011/12 £'000</b>	2012/13 plan £'000
Test cases	45	100	<b>250</b>	200
Major enforcement activity	0	200	<b>200</b>	250
Betting integrity	100	500	<b>600</b>	750
Innovation etc	300	300	<b>350</b>	325
Reviews (eg Parry)	230	295	<b>95</b>	215
Prevalence studies etc	545	485	<b>200</b>	200
Strategy Board	222	251	<b>250</b>	245

# Key achievements

<p><b>Developing our risk based approach to regulation</b></p>	<p>Our increasing focus on higher impact operators and issues has enabled us to reduce visits to operators by almost 20% this year with many of those directed at specific concerns or thematic enquiries. The build up of data from visits and other enquiries is contributing to more effective and risk based planning of our assessment of operator compliance with the licensing objectives.</p>
<p><b>Keeping gambling fair and safe</b></p>	<p>We took action to stop the trend to site category B2 machines (FOBTs) in premises which were not genuine bookmakers, with the majority of those approached closing down or adapting their offering to become compliant. Enforcement action is continuing in a small number of remaining cases.</p> <p>We put up a clear warning to those who may be tempted to associate family TV shows with the promotion of commercial gambling that they risk enforcement action.</p> <p>We have stopped major newspaper chains promoting illegal lotteries and have actively policed the boundary between skill with prizes machines and gaming machines with one prosecution before the courts.</p> <p>Following our investigation, three men were found guilty of a total of 42 offences under the Act relating to the operation of unlicensed adult gaming centres and a betting shop. These convictions are now the subject of appeal.</p>
<p><b>Reducing the regulatory burden</b></p>	<p><i>Following consultation we:</i></p> <ul style="list-style-type: none"> <li>• removed the requirement to obtain prior approval from the Commission for all new casino games or game variants</li> <li>• discontinued the requirement for non-remote casinos to hold a casino gaming reserve</li> <li>• modified category C gaming machine technical standards to allow for a variable speed of play and game links to be offered on 100% basis</li> <li>• improved the regulatory returns process, particularly the online system, now used by the majority of operators, making it clearer and simpler to use.</li> </ul> <p><i>We also provided government:</i></p> <ul style="list-style-type: none"> <li>• with support for their review of B3 machines</li> <li>• with deregulatory proposals relating to small lotteries that may be suitable for a deregulation order.</li> </ul>

<p><b>Working with LAs to tackle illegal activity</b></p>	<p>The LA compliance and enforcement arrangements set up in 2010 for passing intelligence to LAs on non-compliant or illegal activity at the local level are working well. There were over 200 referrals to LAs during the year, mostly to do with the illegal supply or siting of gaming machines and most of those relating to pubs.</p> <p>We have also established a LA Liaison Unit to further advance the provision of support and expertise to LAs and the police across Great Britain. This closer working relationship is paying off as evidenced by progress in closing down illegal poker clubs and removing illegally sited machines.</p>
<p><b>Promoting integrity in sports betting</b></p>	<p>We have established and trialled arrangements with the International Olympic Committee (IOC), the London Organising Committee (LOCOG), the British Olympic Authority (BOA) and other bodies such as the Olympic Intelligence Centre (OIC), International Sports Monitoring (ISM) and the European Sports Security Association (ESSA) to work together with the betting operators and sports bodies to manage the perceived threat to the Olympics from sports betting integrity.</p>
<p><b>Securing the future provision of research, education and treatment</b></p>	<p>We, with RGSB, have worked closely with RGF and GREaT to help them develop and implement successor voluntary arrangements for the funding and delivery of research, education and treatment of problem gamblers following the breakdown of the previous arrangements.</p> <p>We also produced a more cost effective strategy for obtaining data previously provided by the gambling prevalence surveys, using a combination of input into health surveys in England and Scotland plus development of both our quarterly surveys and a mini screen for monitoring the levels of problem gambling on a more regular basis.</p>
<p><b>International collaboration</b></p>	<p>We have played a very active part in encouraging and stimulating international cooperation on good practice in gambling regulation with tangible progress on player protection, recognition of test results and regulation of networks.</p>
<p><b>An efficient regulator</b></p>	<p>We have slightly reduced the costs we need to recover in fees in cash terms despite the increased demands on the Commission and loss of grant in aid funding. This enabled us to cut licence fees for over 1,700 operators this year, and not increase them for over 2,000 operators.</p>
<p><b>Working with the National Lottery Commission (NLC)</b></p>	<p>We helped the NLC make a smooth transition from its London offices to Birmingham and now provide all its support services including finance and corporate affairs.</p>



# Approach

Our business plan for 2011/12 and beyond details our planned activity for the year and underpins the Commission's corporate plan. Both reflect the statutory framework within which we operate and our strategic objectives.

## The Commission's strategic objectives

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

The Commission's regulatory approach puts the onus on operators to satisfy themselves of their compliance with the Act and with licence conditions. In doing so operators must be able to demonstrate their compliance, 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.

To underpin this risk based approach and to support our role as the statutory advisor on the effects of gambling and its regulation, we have been building our evidence base through:

- improved and more rigorously analysed regulatory returns provided by all licensed operators
- the results from planned and targeted compliance visits and investigations
- the production of industry statistics

- development of improved alternative arrangements for the collection of adult gambling and problem gambling prevalence data, comparable with the data obtained from the British gambling prevalence surveys.

We share responsibility for compliance and enforcement with LAs - the Commission concentrating on matters of regional and national significance and LAs working at a local level, along with local police and others. A Local Authority Liaison Unit (LALU) was established during the year in support of this shared regulatory approach and we continue to deliver technical support and expertise to LAs, the police and other bodies locally (through our compliance managers).

This year, in the light of over four years experience as the regulator, the Commission recommended changes to the fees structure to reduce the cost burden of regulation so far as possible and to recover the costs of regulation more equitably. Following a consultation held jointly with DCMS, the revised

fees structure was introduced on 6 April 2012<sup>5</sup> to reflect reduced costs and better align those costs to areas where non-compliance would have the greatest impact. The changes have resulted in a reduction in annual fees for most non-remote operators, no change in annual fees for around half of all operators, and a significant increase in fees for a few operators, particularly larger organisations in the betting sector. Around two thirds of the increase for the small number of betting operators facing increases of up to 30% simply reflected a more equitable sharing of costs achieved by splitting some fee bands.

The proposals also took the opportunity to correct some anomalies which had emerged since fees were first set, for example a reduction in some operating licence fees for applications to change the legal entity of a licence holder or to continue the business of a deceased sole proprietor or dissolved partnership.

<sup>5</sup> Details of the fees structure can be found at [www.gamblingcommission.gov.uk](http://www.gamblingcommission.gov.uk)

The Commission's Hampton Implementation Review was undertaken in October 2008, relatively early in our development so that we could identify any issues regarding our achievement of full compliance with the Hampton principles of better regulation. Since then we have made steady progress in implementing the Hampton recommendations, particularly in the following three areas:

- improving the quality of data requests and the use of data (see under regulatory returns, page 24)
- provision of clear, tailored information
- working with LAs (see under working with partners, page 19).

Other recommendations covered areas reliant on the accumulation of experience and the maturity of our approach, such as the further development and embedding of our risk based approach and further progress in the way we coordinate our approach to the identification and application of proportionate, meaningful sanctions to businesses that are persistently non-compliant.

The Culture, Media and Sport Select Committee commenced an inquiry into gambling in May 2011, with the aim of assessing how effective the Act has been in its core objectives, as well as its financial impact on the UK gambling industry. A wide range of stakeholders put forward written and oral evidence.

In January 2012, the Chairman and Chief Executive gave oral evidence before the Committee,

supplementing our written evidence, delivering key messages for the Committee's consideration. These key messages included an emphasis on the Commission's risk-based regulation and our proactive approach in identifying scope for continuous improvement. The Commission explained how vital shared regulation with LAs is, to achieve cost-effective and appropriate regulation, and that there is a need for sustainable funding for authoritative research education and treatment. The Commission strongly welcomed the government's decision to introduce domestic licensing of remote operators in order to ensure that consumers can be assured that all licensed operators will be subject to common high standards of regulation. The Committee's report is expected in the latter half of 2012.



# Effective regulation

## Licensing activity

### Operating licences

The trend of consolidation within the gambling industry continues with the number of applications for new operating licences dropping from 561 (2010/11) to 429 this year (725 – 2009/10) with some licence applications being the result of a new organisation obtaining an interest in an operator that has been licensed by us previously. This accounts for some fluctuation in the number of licences in issue

across licensed activities as shown in the table below. Other reasons include, for example surrenders, lapses or revocations.

The number of operators holding one of the gaming machine technical licences (according to the facilities they provide) continues to increase as permissions issued prior to the Act coming into force expire. All such permissions will expire in the next eight months.

Competitions for the eight large and eight small casino premises

licences specified in the Act continue to progress slowly. One large casino has opened and is operating but while there remains uncertainty in respect of opening dates for other premises operators have been reviewing the need to hold a 2005 Act casino operating licence at this time with some choosing to surrender their licence with a view to reapplying at a later date. There were no new licences issued this year and the number of 2005 Act casino licences has fallen from seven to five.

**Table 3: Licensing activity**  
1 April 2011 to 31 March 2012

Licensed activity	New licensed activity		Licensed activity surrendered		Licensed activity revoked/suspended/lapsed/expired		Total licensed activities* as at 31 March 2012			Total operators as at 31 March 2012*
	non-remote	remote	non-remote	remote	non-remote	remote	non-remote	remote	total	
New casino	0	6	2	2	0	2	5	22	27	68
Existing casino	2	–	1	–	0	–	49	–	49	
Bingo	14	1	28	0	1	0	230	9	239	239
General betting (standard)	32	11	99	11	5	1	459	69	528	503
General betting (limited)	23	–	40	–	4	–	649	–	649	649
General betting (tel only)	–	9	–	10	–	0	–	36	36	36
Pool betting	2	11	1	14	0	0	24	45	69	65
Betting intermediary	1	4	1	4	0	1	1	23	24	23
Gaming machine general: AGC	27	–	44	–	12	–	543	–	543	543
Gaming machine general: FEC	6	–	24	–	5	–	212	–	212	212
Gaming machine technical: full	7	4	4	0	0	0	60	16	76	63
Gaming machine technical: supplier	102	0	32	0	9	0	486	1	487	487
Gaming machine technical: software	2	1	1	1	0	0	13	5	18	18
Gambling software	7	16	5	8	0	0	47	63	110	97
External lottery manager	10	4	3	1	0	0	32	18	50	36
Society lottery	65	62	24	7	0	0	484	233	717	485
Converted machine	–	–	3	–	70	–	46	–	46	46
<b>Totals</b>	<b>300</b>	<b>129</b>	<b>312</b>	<b>58</b>	<b>106</b>	<b>4</b>	<b>3340</b>	<b>540</b>	<b>3880</b>	<b>3570</b>

\* The difference between the number of licensed activities and the number of operators is due to the fact that many operators carry out more than one licensed activity, for example, operators holding a general betting standard licence for non-remote activity may also hold a general betting licence for remote activity.

In September we conducted our first survey into the service provided by the licensing team. This covered the application process including the ease of completion and understanding of the application form. Initial results show that, whilst over three quarters of those who responded to our survey were happy with the overall service provided and satisfied with the advice they received from their licensing account manager further work is needed to improve the application forms and guidance. This work will take place over the coming year.

### Personal licences

There are nearly 16,700 active personal licences. The Act requires all personal licence holders to pay a maintenance fee every five years after their licence is issued. The first maintenance fees will fall due in September 2012 and the Commission is taking the opportunity to refresh the information held on individual licence holders. This means that nearly 3,000 licence holders will be required to pay the fee and provide updated information between September 2012 and the end of the year. We consulted the industry on the most cost effective way to collect information and the associated fees and, for the first time, an online submission facility will be available. We will continue to work with the industry to ensure that the process runs smoothly.

## Enquiries and complaints

The contact centre continues to play a vital role as the first port of call for those applying for a licence, licence holders and general enquirers, handling on average 450 enquiries each week. The nature of queries varies depending on the time of the year with, for example, the approach of the summer fête season and Christmas bringing questions about prize draws and raffles, whilst August and September (the bulk collection period for annual fees) prompts questions on the amount of fee payable and on how to vary an operating licence. In addition we handle enquiries from local authorities seeking guidance on the Act and queries relating to operators regulated overseas.

Over the year the vast majority of enquiries were handled within three days, most being resolved directly by the contact centre team.

Our regular customer satisfaction surveys indicate that most customers are satisfied with the service they receive.

A total of 247 complaints were made against operators this year. Of these 225 complaints fell within the jurisdiction of the local authorities and were therefore passed on to them, for example the illegal siting of gaming machines or the playing of poker or taking of bets in public houses.

Of the complaints against the Commission, one was resolved informally and one, regarding a complaint about a delay in processing a licence application, was upheld. Two further complaints were not upheld and two are ongoing.

**Table 4: Enquiries and complaints**

	<b>1 April 2011 to 31 March 2012</b>	1 April 2010 to 31 March 2011	1 April 2009 to 31 March 2010
	<b>Total</b>	Total	Total
Enquiries	<b>23,562</b>	24,587	25,657
Complaints against an operator	<b>247</b>	51	73
Complaints against the Commission	<b>6</b>	8	17



## Compliance activity

We aim to be a proportionate regulator working closely with the industry and in partnership with other regulators and law enforcement agencies. As a result, we now expect licensed operators to understand the requirements placed upon them and therefore largely to manage their own compliance assisted by our advice and guidance. This means that the number of baseline visits to operators has gone down with more visits undertaken aimed at addressing specific concerns. We are also phoning operators to talk about their compliance and to conduct checks of their performance.

Our priority areas remain those operators with a regional or national presence where the impact of failure to comply would be high.

**Table 5: Visits to licence holders**

### Compliance visits – Premises

Industry sector	1 April 2011 – 31 March 2012		1 April 2010 – 31 March 2011	
	Non-remote	Remote	Non-remote	Remote
Arcades	332	–	526	–
Betting	907	18	1,193	56
Bingo	323	–	328	–
B2B	88	1	118	2
Casino	242	2	349	3
Lottery	126	–	79	3
<b>Total</b>	<b>2,108</b>	<b>21</b>	<b>2,593</b>	<b>64</b>

We work closely with LAs, as they handle local issues of concern, to provide information, expertise and technical support and have recently set up the Local Authority Liaison Unit to actively support shared regulation of local gambling issues.

Of the total visits this year, 61% were to operators considered high or medium risk. The total includes

thematic visits, for example to look at anti-money laundering procedures in the casino sector and to look at controls for under age gambling in medium sized bookmakers. The increase in visits within the lotteries sector was a result of some focused work with society lotteries.

## Enforcement activity

The Commission uses its powers proportionately to enforce the requirements of the Act. This means that we use the minimum intervention possible to help the licensed gambling industry put things right. For example, following information about illegal betting in pubs received from a range of sources including other licensed operators, we became aware of a betting operator intending to target pub landlords with a nationwide scheme to offer betting via agents in hundreds of pubs. Our early intervention meant that only a single account was actually opened and the operator was quickly issued with an advice to conduct notice.

This year our enforcement team took on 132 new referrals which were added to the 78 active cases at 1 April 2011. Of the 210 cases 132 were concluded prior to 31 March 2012 with another 78 active cases carrying over into 2012/13. See tables 6 and 7 for details of the outcome.

### The regulatory review process

The regulatory review process seeks to establish the facts before a decision is taken about what, if any, regulatory action is necessary. If it is decided to undertake a licence review under section 116 of the Act it is important to note that, in the case of operating licences,

such reviews do not automatically lead to a regulatory sanction and it is unlikely that the review would lead to criminal proceedings. For example, a review of five companies within a larger group resulted in the operator making substantial improvements to its processes and procedures across its whole domain, negating the need for a review of the other companies within the group.

This year we undertook three substantial investigations regarding licence reviews of a number of personal management licence holders. Two of those reviews have resulted in cases being referred to the First-tier Tribunal (Gambling)<sup>6</sup>.

<sup>6</sup> Organisations and individuals can appeal to the First-tier Tribunal (Gambling) against a decision of the Gambling Commission.

However, for personal functional licence holders, the majority of cases being reviewed relate to holders committing other relevant criminal offences. This means that revocation of the personal licence is the most usual outcome. In 2012 the Commission intends to take a more streamlined and cost-effective approach to minimise the administration costs of such cases.

There are eight broad potential outcomes following a licence review. An individual case may result in one or more of the following:

- take no further action
- licence lapsed or surrendered during review
- give advice to conduct/informal warning
- give a formal warning
- impose additional licence conditions or amending existing ones
- impose a financial penalty (only in the event a licence condition is breached)
- suspend a licence
- revoke a licence.

**Table 6: Actual regulatory enforcement activity**

Sector	Desktop review		Total regulatory cases						1 March 2011 to 31 April 2012 Total	1 March 2010 to 31 April 2011 Total
	No further action	Surrendered	Advice to conduct	No further action	Revocation	Surrendered	Voluntary settlement	Warning		
Arcades	–	–	7	1	2	2	–	2	14	4
B2B Supply	–	–	2	3	–	–	2	1	8	6
Betting	11	1	14	8	1	4	–	1	40	40
Bingo	–	–	1	2	1	–	–	–	4	4
Casino	–	–	7	–	23	8	–	4	42	52
Lottery	–	–	–	–	–	–	–	–	–	–
Remote	–	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>11</b>	<b>1</b>	<b>31</b>	<b>14</b>	<b>27</b>	<b>14</b>	<b>2</b>	<b>8</b>	<b>108</b>	<b>106</b>

**Table 7: Personal licence revocations**

**Personal Licences**

Reasons for revocations	1 April 2011 to 31 March 2012 Total	1 April 2010 to 31 March 2011 Total
Breach of licence conditions	2	1
Embezzlement	3	–
Theft	12	14
Integrity/dishonesty	9	6
Violent offences	1	2
Non-payment of annual fees	–	30
Non-payment of levy*	–	2
<b>Total</b>	<b>27</b>	<b>56</b>

\*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.

## The criminal investigation process

The Commission is 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. We allocate criminal enforcement resources on a risk-assessed basis, deploying effort where the threat to keeping gambling fair and safe is at its greatest.

In some cases we will work in collaboration with another law enforcement agency such as the police or refer the case fully to that agency. There are five broad potential outcomes following a criminal investigation, these are:

- no further action
- advice to conduct
- caution
- prosecution
- prosecution with potential asset recovery.

In each case we apply the Code for Crown Prosecutors when deciding whether criminal proceedings should be commenced. In cases where the Commission is collaborating with other law enforcement agencies, then the Crown Prosecution Service (CPS) or the Crown Counsel for Scotland may apply the test.

**Table 8: Actual criminal enforcement activity**

### Total criminal cases

Sector	Criminal caution	No further action	Referral to another agency	1 March 2011 to 31 April 2012 Total	1 March 2010 to 31 April 2011 Total
Arcades	–	–	–	–	1
B2B Supply	3	9	1	13	17
Betting	–	2	1	3	12
Bingo	–	–	–	–	–
Casino	–	5	–	5	5
Lottery	–	3	–	3	–
<b>Total</b>	<b>3</b>	<b>19</b>	<b>2</b>	<b>24</b>	<b>35</b>

## Money laundering/ proceeds of crime

As a supervisory authority under the Money Laundering Regulations, we are developing our approach to anti-money laundering and expect to publish a document setting out the approach in late 2012. We already consider money laundering as an integral part of our licensing, compliance and enforcement programmes and work closely with the industry through our anti-money laundering forums (for remote and non-remote) that each meet twice a year.

In December 2011 the Commission published the second edition of the guidance for remote and non-remote casinos on the prevention of money laundering and combating

the financing of terrorism. The new edition takes account of amendments to POCA, reflects changes to suspicious activity reporting and the cancellation of the 'Moneyweb' service by the Serious Organised Crime Agency. It also incorporates an agreed procedure for remote casinos in respect of the application of regulation 11 of the Money Laundering Regulations and adds guidance for operators including those persons subject to financial restrictions.

Under POCA the Commission now has powers as an accredited financial investigator. As such we can investigate the whereabouts of and recover the proceeds of crime – a useful deterrent as well as helping to offset the costs of our enforcement activity.

## Working together to combat illegal activity

The Commission receives information from a wide variety of sources including licensed operators, members of the public, through its own compliance activity or by referrals from other agencies or bodies. Information on alleged illegal activity is initially assessed to determine the most effective means of response, that is, should the Commission investigate (see above) or another body such as a LA if the issues are of a local nature or of relevance to their licensing responsibilities. Assessment 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. And while the benefits of collaboration are apparent, we are always aware of the competing priorities of our partners.

For example, we worked with Lothian and Borders Police on their 'Made From Crime?' campaign which targeted those making cash illegally through crime and on their initiative to tackle criminality in pubs and clubs. We also undertook a joint investigation with Nottinghamshire Police, following which the Chief Executive and a member of staff of a licensed external lottery manager (ELM) were found guilty of seven counts of abuse of trust under the Fraud Act 2006 and the theft of £10,000. Both received custodial sentences, one suspended for two years. In establishing the details of this case we used our powers under POCA for the first time to access account records.

## Working with partners and other regulators

We have continued to build our relationship with local authorities despite the closure of LG Regulation as a part of the Local Government Association restructuring. The loss of our main national point of liaison with the wider local authority community in England and Wales proved a challenge and we have taken a number of steps to ensure we can maintain and build an effective structure of shared regulation both locally and nationally:

- We are working more closely with the Institute of Licensing at both regional and national levels as well as delivering refresher modules on gambling on a regular basis.

- We launched an LA Bulletin in February 2011 to provide a targeted monthly update for licensing officers. It now has 1,000 regular subscribers
- We published the second Local Authority Statistics Bulletin which analyses data from the LA annual returns. With 96% of LAs supplying us with a return the Bulletin continues to develop as a rich source of information about gambling activity at a local level.
- We launched the Local Authority Liaison Unit in January 2012 and appointed an expert in shared regulation (previously a policy team leader at LG Regulation leading in gambling) to help establish the Unit.
- We continue to work with the Scottish government to overcome the difficulties of licensing officers not having the same powers and duties as in England and Wales ; pending a statutory solution this means working closely with the police.

Development of our working relationship with LAs is paying off as we liaise with them to tackle illegal activity – for example, as detailed under Poker on page 23 we worked with five LAs to close down the activities of a chain of allegedly illegal poker clubs.

In addition to the work with LAs, we liaise and cooperate with other regulators such as the NLC and the FSA (responsible for spread betting) where innovation in gambling products and ways of providing them require cooperation to determine a consistent and effective response. We continue to establish and build relationships with a range of law enforcement agencies worldwide including Interpol and a number of other international police forces. Schedule 6 of the Act has been amended to allow for information exchange between the

Commission and the International Olympic Committee and a range of international sports federations.

We hold memoranda of understanding (MOUs) which facilitate the day to day exchange of information with a wide range of stakeholders and are in the process of agreeing additional ones in the run up to the Olympics. We are also working with our opposite numbers in other jurisdictions and the EC to see whether such agreements can be standardised and so avoid the need for time consuming bilateral discussions.

## Developing the regulatory framework

### Primary gambling activity

One of the central tenets of the Budd Committee and the subsequent Act was the separation of types of gambling activity in betting, bingo, casino and arcade premises and the strictly specified associated machine and other entitlements, for example, in betting premises, four category B2 machines and in bingo premises, alcohol, eight or more B3 machines and no restrictions on stakes and prizes for bingo machines. The attractiveness of such entitlements has resulted in a number of operators opening premises in reliance on betting or bingo licences. However some such premises do not appear to the Commission to constitute genuine betting or bingo premises but are aimed primarily at providing higher stake machines on the high street. We therefore continue to work to ensure the licence condition and code of practice on primary gambling activity is understood and complied with and this year, as in the previous one, we have worked with LAs in appropriate cases to help establish and reinforce expectations of what is required by way of primary gambling activity.



For the betting industry we have published a compliance framework document entitled 'Indicators of betting as primary gambling activity' to assist operators in understanding the requirements of the Licensing Conditions and Codes of Practice (LCCP). We are also reviewing a number of betting operator licences where the provision appeared non-compliant and where the licence holder was not willing to make the necessary changes.

A number of operators that were licensed as adult gaming centres (AGCs) have become licensed as bingo operators so that they can offer the public a wider range of gaming activities, such as traditional and electronic games of bingo and, more recently, a number of bingo premises licence applications have been made demonstrating minimal bingo provision. We are working with the LAs to ensure such venues offer a genuine bingo experience so as to comply with the requirement to provide the primary gambling activity.

## Betting

The introduction of a new fee sub-category for those using remote platforms 'in the course of business' became conflated in some quarters with the long-standing arguments between some traditional bookmakers and the exchanges about the status of heavy users of exchanges. As we and DCMS made clear when proposing this fee sub-category in 2009 and again in 2011, there has been no change of policy but a technical change to avoid non-remote bookmakers who hedge via remote platforms having to pay for a remote licence as well. The Commission has always accepted that in principle an individual using exchanges or other remote platforms 'in the course of business' would need a licence but has little regulatory concerns about such individuals. To the extent that

any individuals other than licensed non-remote bookmakers exist; the main risks arising from such activity are effectively managed by the existing licensed operator (the exchange or other remote platform). The fee level for the new sub-category therefore reflects that there would be minimal regulatory cost associated with this licence.<sup>7</sup>

The configuration of a corporate hospitality box and whether it constitutes the offering of facilities for gambling continues to cause 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.

## Sports betting integrity

The work of the Commission's Sports Betting Intelligence Unit (SBIU) continues apace with 55 referrals received during the year to add to the cases already under investigation. We continue to work closely with the industry, with sports governing bodies and with the police and rigorously prioritise our work to ensure the most effective outcome.

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.

The recent focus has been on ensuring that we have the necessary protocols and procedures in place to cover the potential threat (albeit considered low) to sports betting integrity during

the 2012 London Olympic Games. We are working closely with the London Organising Committee of the Olympic Games (LOCOG) and, for the first time, a joint assessment unit (JAU) has been established for the duration of the Games with the main stakeholders involved – the Commission, the International Olympic Committee (IOC), the police and the Government Olympic Executive (GOE); and standard operating procedures and a communications policy are agreed. In addition we have been talking with the European Sports Security Association (ESSA) to ensure that the major operators are fully aware of the role of the JAU. And we have provided advice to the British Olympic Authority to feed into their education programme for athletes.

During the Games the Commission will continue to tackle sports betting integrity issues based in Great Britain through the SBIU. However, we know that much of the corrupt betting takes place in illegal markets overseas so the importance of overseas co-operation at all levels cannot be overestimated. We are already working with a range of organisations such as the EC, the Council of Europe, international sporting bodies and law enforcement bodies and have sought direct support from specific overseas regulators. This should provide a good basis for international cooperation to deter and disrupt those thinking of targeting the Games.

## Remote gambling

In July 2011 the government announced its intention to introduce licensing of overseas operators who transact with or advertise to British consumers. The Commission is now focused on the practicalities of achieving this efficiently and effectively with minimum additional regulatory burdens on those already providing gambling compliantly

<sup>7</sup> 'In the course of business' is regarded by the Commission as a tax concept and we understand that the Revenue does not expect to identify individuals falling into this category.

to British consumers. Where an operator can clearly demonstrate compliance with Commission standards by means of up-to-date test results or compliance checks carried out by another regulator or recognised third party we will not seek to duplicate such work. We are already working with other regulators on promoting common standards and approaches and have started discussions with others potential affected including industry bodies.

Remote gambling by its nature is international and we have also been working with other regulators and interested parties to tackle common issues such as protection of player funds - an issue highlighted by the regulatory issues posed by the need for international liquidity in poker.

We are also playing an active part in discussions with the European Commission (EC) on the follow up to their green paper.<sup>8</sup>

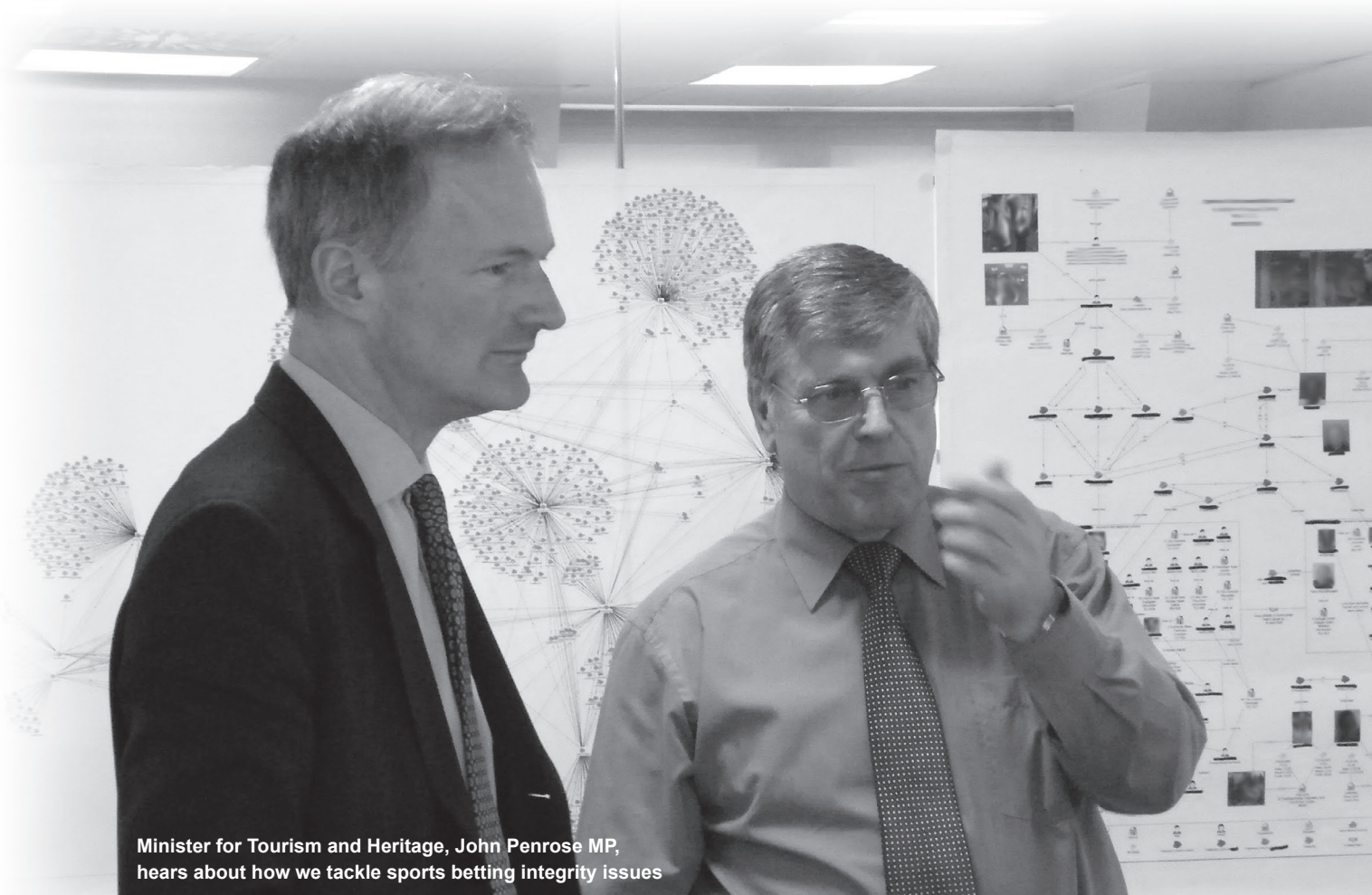
In the meantime, we continue to oversee the compliance of nearly 500<sup>9</sup> Commission licensed remote gambling operators using a risk-based approach. The rate of innovation in the remote sector poses a continuing challenge to regulators across the world with mobile gaming now growing in the way long predicted, cloud technology being utilised to improve scalability and some convergence between social and commercial gaming. We are building our expertise and devoting more resources in this area so that we can regulate effectively and provide advice to government on the implications of technological change and innovation.

## Gaming machines developments

In October 2011, the Minister for Tourism announced the intention to reintroduce regular reviews of stake and prize limits for gaming machines. The review launched in December 2011 and is expected to take around 18 months to complete. The Commission will support DCMS in providing advice on any potential impact to the licensing objectives and will seek advice and input from RGSB on potential impacts of any changes on the third licensing objective.

<sup>8</sup> EC green paper on On-line gambling in the Internal Market.

<sup>9</sup> Of the 500 remote licences held by operators, 230 are held by society lotteries and 36 by other operators for telephone only betting activity.



Minister for Tourism and Heritage, John Penrose MP, hears about how we tackle sports betting integrity issues

Following two separate consultations in 2011 changes were made to deregulate and allow for greater flexibility in gaming machine design:

- The Commission provided advice and technical support to DCMS over changes to the B3 machine category to allow for a stake increase from £1 to £2 and a numerical increase to 20% of the overall number of machines sited.
- The Commission responded to industry proposals, after consultation and advice from the RGSB, by agreeing to modify the category C gaming machine technical standards to allow for a variable speed of play (regardless of stake, the minimum duration of any game should not be less than 1.0 second and the average duration of games, taken over one hour, should not be less than 1.25 seconds) and for game links to be offered on 100% basis, subject to conditions to prevent the feature from circumventing the prize limits. It is envisaged that these changes will allow for greater innovation in and flexibility for this class of machine with the expectation that legacy machines will be removed from the market as a result.

The use of server based technologies allowing games to be downloaded directly onto a gaming machine is spreading, for example, within the bingo sector with products being developed specifically for the pub market. This has obvious benefits for the industry in terms of additional monitoring security and the ability to fix any faults that occur across an estate in a timely manner. It appears not to impose additional risks to the licensing objectives but we continue to monitor developments.

We have some concerns about the increase in marketing promotions that are linked to gaming machines because of the potential to breach statutory stake and prize limits.

Certain non-compliant arrangements have been modified and we are keeping a particular eye on such promotions to see if further intervention is needed.

Most operators have adopted the principles based advice published by the Commission and HMRC in 2010 in relation to skill with prizes (SWP) machines. As a result the majority of gambling themed games have been removed from the market and following an investigation into the provision of 'Skill Stop Roulette' machines and subsequently 'Skillette' machines, an individual has been charged with 11 offences under the Act relating to the supply and maintenance of these machines.

### Bingo

The traditional bingo game remains easily recognisable. However, while still popular, bingo operators remain keen to reinvigorate the market by seeking ways to not only retain existing players but also attract new ones. For example, through development of video bingo terminals (VBTs) and electronic bingo terminals (EBTs), through new game types and through developing the broader offering, such as food and drink services, machine areas and general refurbishment. Deciding whether such new developments are technically compliant is a continuing challenge for the Commission.

Following the trend of last year, the number of bingo premises on the high street continues to grow as AGC operators either convert to bingo entirely or move to provide both AGC and bingo facilities on the same split premises – in some cases raising concerns over primary gambling activity, as mentioned above. The development of these smaller 'high street' bingo premises has been encouraged by the innovation in the way bingo is offered, with a number of organisations designing products specifically for that market.

### Casinos

The Commission implemented two deregulatory measures for casinos during the year, removing licence conditions that applied only to casinos and not to other forms of gambling. In both cases it was considered that the regulatory burden was not justified and that the casino operators' internal controls were sufficient to manage the risk:

- we removed the requirement to obtain prior approval from the Commission for all new casino games or game variants
- we discontinued the requirement for non-remote casinos to hold a casino gaming reserve.

We also worked closely with a number of high-end casinos to help them ensure that the facilities they offer for overseas customers to manage their banking more conveniently were consistent with the very strict legal constraints on credit in casinos.

#### 2005 Act casinos:

We continue to engage with the LA casino network forum and with the individual local authorities involved in issuing larger casino premises licences as specified in the Act. By March 2012, seven of the eight authorities permitted to issue 2005 Act casino licences had begun the selection process, but only two of the eight had actually issued a small casino licence. The first of these new casinos opened in December 2011 in the London Borough of Newham with the Commission closely involved with the operator and with the local authority in the preparations for its opening and subsequently. It differs from existing casinos in its size and the range of gambling on offer – 150 gaming machines, betting, bingo, and electronic gaming, as well as over 40 live gaming tables. It is likely to be 2014 before the next 2005 Act casino opens.



## Lotteries

Society lotteries and ELMs continue to look at new ways to increase tickets sales and some are moving away from traditional weekly subscription lotteries or adding other types of lottery. In particular lotteries are:

- increasingly using the internet and email to accept payment for tickets
- promoting instant win scratch cards sold in retailers, online and through vending machines.

Additionally, some societies and ELMs are promoting multiple lotteries under a single brand scheme. In August 2011 we published advice on the promotion of such lotteries to provide operators with information on what issues we take into account when considering whether a lottery is wrongfully being promoted as a single lottery rather than lawfully as multiple and individual society lotteries. And in October 2011, the Health Lottery was launched, a controversial multiple lottery scheme that is now being challenged in the courts.

As in previous years the Commission continues to intervene in so called 'prize competition' schemes where we have concerns that it is in fact an unlicensed and unlawful lottery. In the first instance we give the operator a chance to explain how the scheme is a lawful competition but where that cannot be done we insist the promoter closes the scheme and refunds participants or makes the scheme lawful. We have also made it clear that repeat offending might attract formal sanction.

Also during the year, as part of our work on deregulation with DCMS, the Commission made a number of proposals relating to the deregulation of small 'exempt lotteries' which are now under consideration.

## Poker

We support LAs to enhance their understanding of the poker landscape through the provision of guidance and advice and through providing specialist support to assist them in dealing effectively with cases of a complex nature.

In November 2011 we published a guidance note on poker that outlines how the Commission will handle poker played outside of the licensed casino environment; and how we will support local decision making in this regard.

This approach is reaping success. For example, LAs working in five different areas achieved great success in closing down the activities of a chain of allegedly illegal poker clubs which appeared initially in one local authority area and then spread to four more. The poker organiser claimed that these were members' clubs (and therefore entitled to club gaming permits allowing unlimited stakes and prizes poker), and then later claimed that he was offering poker as private gaming and was therefore exempt from the licensing provisions of the Act. The local authorities worked together, with expert advice and support from us to deter the operation and, as a result the clubs in all five areas closed down.





## Regulatory returns

Following constructive feedback from the industry we delivered improvements to the regulatory returns process in October 2011 to make it easier for operators to comply – we removed some information requirements and made changes to our guidance to clarify the nature of the information required. We also changed the regulatory returns forms, improved the online regulatory returns system, which is now used by the majority of operators, and designed a bespoke form for the new 2005 Act casinos. However, despite these changes it is still taking us longer than we had expected to clean up the data provided before it can be used and disseminated.

We use this data to help focus our activity and provide advice to government on a wide range of issues. We also publish the collated data biannually in industry statistics – a source of increasingly useful information to operators who provide the information to us in the first place.

## Communication

Good regulation requires good two-way communication and clear advice and guidance. So communication and engagement with a wide range of bodies and individuals is a key ingredient of our regulatory activity. We meet with trade bodies and other industry representatives regularly to discuss specific issues – either face to face or via teleconferencing. We are currently piloting an exercise to bring Commissioners together with key trade bodies and industry sector representatives, providing an opportunity for the trade bodies to set out what they see as the key issues facing their sector over the next two to three years.

In addition to the annual or bi-annual meetings with each of the seven gambling sectors we

regulate, we also regularly meet faith groups, charities and with trade unions representing gambling industry employees. This year we embarked on a programme of presentations to regional police crime units throughout Great Britain to increase awareness of the Commission and the issues we handle. We also undertook seven consultations, some jointly with DCMS, covering a range of topics from fees to the maintenance of personal licences and changes to LCCP to cover the different activities permitted in new 2005 Act casinos.

As in previous years we had a modest stand at the International Casino Exhibition and at the European Amusement and Gaming Expo in London and attended a number of other seminars and briefings over the period of the exhibitions. Commission representatives attended a range of other events, including 14 speaking engagements, with a variety of audiences from trade associations and LAs to academic institutions. We also engaged with overseas audiences to promote a better European and international understanding of gambling regulation in Great Britain.

Since we developed an improved website in 2009 we have introduced a system to allow visitors to provide feedback about individual pages on the site. We use the information received to make improvements. For example, the use of more colloquial terms to provide clarity such as raffles when talking about lotteries; provision of an updated fees calculator and supporting information in advance of the fees changes and introduction of a 'Do it online' section so links to log-on screens are easier to find.

We published 24 documents on the website including consultations, information and research findings and guidance and advice to the

industry. We continued to add to our popular, accessible series of quick guides – most recently one about the illegal siting and supply of gaming machines aimed at LAs and the police. Our frequently asked questions on the website are updated monthly to ensure users have easy access to the most relevant information.

## Working with international regulators

Commission representatives continue to work closely with overseas regulators to exchange best practice, through events such as the annual conferences of the Gaming Regulators European Forum (GREF) and the International Association of Gambling Regulators (IAGR) and through a large number of visits to our offices in Birmingham. The Commission's Chief Executive is an IAGR trustee and chairs the IAGR eGambling working group. The Commission also co-chairs the GREF eGambling working group as well as the gambling addiction working group.

The Commission, partly through the GREF eGambling working group, is also a key contributor to the wider European discussions on online gambling regulation, particularly with regard to the EC initiative to look at options for cooperation between gambling regulators. The eGambling working groups of GREF and IAGR have been looking at the possibilities for cooperation between jurisdictions including understanding and overcoming the obstacles to pooling players in poker networks, considering options for sharing games testing between jurisdictions and considering the effectiveness and costs associated with different options for protecting player funds.

# Research, education and treatment (RET)

## Research

Throughout 2011 we have focused on the collection of adult gambling prevalence data. We consulted on a range of options for future prevalence data collection in late 2010, and following that consultation process, we have secured survey space in two large social surveys (the Health Survey for England and the Scottish Health Survey). The data obtained from the Health Surveys (which use the same methodology as the British Gambling Prevalence Surveys (BGPS)) is structured to ensure maximum comparability with the data from the three BGPS surveys undertaken to date. We should have the result late in 2013.

At the same time we continue to collect participation data on all forms of gambling and publish these quarterly. During 2011 we updated the omnibus questions to more accurately reflect those included in BGPS 2010 and we developed and trialled a short problem gambling screen for use in the omnibus survey. This short screen will allow us to measure problem gambling in a cost-effective way on a regular basis. While it will produce a different measure to those captured in the BGPS series it will provide more regular trend information. We have commissioned an evaluation of the trial data<sup>10</sup> and expect to include the mini screen in the survey during the coming year. We also collect data on perceptions of gambling, publishing these on an annual basis.

## Future direction

The collection and analysis of adult gambling prevalence data is necessary for us to fulfil our statutory role to advise government on gambling as well as informing the planning of our risk based

compliance and enforcement activity. The surveys outlined above are therefore funded out of fee income. However, we continue to look to the Responsible Gambling Strategy Board (RGSB) for advice on what is known or could be found out about preventing and reducing harm from gambling and the associated funding requirements. In the first instance they have recommended further research on the impact of machine gambling and the Responsible Gambling Trust is now taking this forward.

## Responsible gambling

Baroness Neuberger ended her three-year term as Chair of the RGSB in December 2011. Her strong grasp of the issues and professional commitment were invaluable in establishing the role of the Board and development of a strategy for improving our understanding of how to reduce gambling related harm. Substantial progress has been made in number of areas, notably:

- working with organisations based in the West Midlands, South Wales and Scotland on Gambling Related Harm Minimisation (GRaHM) pilots
- training of GPs to recognise gambling related problems
- investigating how to make the industry funded telephone helpline more effective
- developing a framework for evaluating the cost effectiveness of different approaches and the use made of the funds raised by industry

This progress reflects Baroness Neuberger and her colleagues' commitment, both through their contribution on RGSB and as trustees on the Responsible Gambling Fund (RGF),

notwithstanding the difficulties and diversion of effort that culminated in the breakdown of the agreement between RGF as the distributor and GREaT as the industry fundraising body.

Sir Brian Pomeroy has now taken over as the RGSB Chair and has helped develop the new arrangements for securing authoritative advice on research, education and treatment about gambling related harm. The RGSB remains the Commission's independent advisor on research, education and treatment and its secretary will now call on the Commission's resources for secretariat and communications support. Following the termination of the RGF/GREaT funding agreement, the RGSB, the Commission, RGF and GREaT have worked closely together to agree and implement successor voluntary arrangements. GREaT and RGF have merged to become the Responsible Gambling Trust. The Responsible Gambling Trust is now responsible for fundraising and commissioning in line with the strategy determined by the RGSB.

The new arrangements took effect on 1 April 2012 and under these arrangements the RGSB will work closely and transparently with the Responsible Gambling Trust to secure targeted, objective and well evidenced advice on what is known about what works in mitigating gambling related harm. An effective and accountable partnership will be achieved through information sharing, joint observer status on each other's boards and the sharing of experts. The existing panels are to be redesigned to ensure that both bodies gain maximum input from the experts already engaged and will aim to expand that pool of experts in the areas where the

<sup>10</sup> Volberg, R.A. and Williams, R.J. (2012). Developing a Short Form of the PGSI. Report to the Gambling Commission. January 2012.

delivery of the strategy needs additional input. The existing Prevalence Survey Advisory Group, a group of external stakeholders with a keen interest in development of the research, education and treatment components of the national responsible gambling strategy, will now be used as a consultation forum on the strategy and the delivery of that strategy through the Responsible Gambling Trust.

The Trust will draw on existing work including the establishment of a Data Reporting Framework and the development of National Occupational Standards for those providing gambling treatment and advice. It will continue to fund a range of treatment providers including GamCare, Gordon Moody Association and the National Problem Gambling Clinic. It is also providing funds to establish a national problem gambling helpline including the trial and evaluation of a free phone number.

In terms of prevention work it will continue to fund and evaluate three GRaHM pilots, GambleAware and continue to establish a training programme for General Practitioners through the Royal College of General Practitioners. It will soon be launching an 'Infohub' website which will give access to all relevant published quality gambling research and will continue with a programme of research including further research into gaming machines.

## Research activity 2011/12

**Table 9: Research activity**

Research	Published	Purpose
<i>Participation and attitudes</i>		
Omnibus data on remote gambling and participation in all forms of gambling	April 2011 July 2011 Oct 2011 Jan 2012	Trend data on participation in all forms of gambling and participation in remote gambling
Omnibus data on perceptions of crime and gambling	Jan 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

**Table 10: Research ongoing in 2012/13**

Research	Published	Purpose
Omnibus data on remote gambling and participation in all forms of gambling	April 2012 July 2012 Oct 2012*	Trend data on participation in all forms of gambling and participation in remote gambling * this data will no longer be published from Jan 2013
Omnibus survey data on gambling participation (new questions to replace those used previously)	This data will be published quarterly from Jan 2013	New data on participation in all forms of gambling, which will monitor the mode and regularity of respondents' gambling
Omnibus data on perceptions of crime and gambling	Jan 2013	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 Commission's effectiveness in upholding the licensing objectives
Health Survey for England Scottish Health Survey		Trend data on adult gambling prevalence with maximum comparability with the data from the three BGPS surveys undertaken to date

# How we manage our business

The Commission's work is managed by the senior executive team, led by the Chief Executive, Jenny Williams. There were two executive boards which oversaw all of the Commission's activities:

- The Delivery Board focused on 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).
- The Management Board focused on the Commission's overall organisation, management and use of resources that deliver strategic objective 4 (improving our organisation).

In addition to the executive boards, we have a Risk Management Committee that sits quarterly (see appendix 3 for information on their remit and membership).

Over the last 12 months we have taken further steps to streamline the way we manage the Commission's work. In December 2011 we began

a consultation process about proposals to streamline and speed up decision making, make better use of the diverse skills, knowledge and energy we have within the Commission and, despite our flat structure, give those who demonstrate their ability to work the Commission way more opportunities and recognition. Implementation of the proposals commenced in March to enable a smaller senior team make the best use of their and everyone else's time and promote communication and engagement throughout the Commission.

## The Commissioners

The senior team are accountable to the Board of Commissioners, led by the Chairman, Philip Graf. 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.

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 within the Governance statement (see page 42) along with details of the remit and structure of the Audit Committee and Remuneration Committee, and the remit of the Commission's Regulatory Panel.

In September the Board carried out the annual review of the corporate governance framework and approved greater delegation of decision making to officials.





# Our people

## Employees

We are an employer committed to continuous improvement and high standards and as such we monitor our progress through several nationally recognised avenues, such as Investors in People and an annual employee survey that benchmarks us against other similar organisations.

This year we have concentrated on streamlining the way we work to improve our decision making processes (see How we manage our business on page 27) and on improving understanding and communications across the organisation. A 'working better together' workstream supported by a cross-functional group of employees was established following employee feedback from

last year's annual employee survey, particularly in the areas relating to 'personal growth' and 'leadership', and through our subsequent employee conference. This supports our aim to promote cross-functional working to deliver our business plan requirements and has included, for example, work to examine our approach to pay, reward and job descriptions. As a result we have reduced our complement of job descriptions to just five generic roles from administration through to senior management, introduced a pay spine, amended some elements of the links between pay and performance and formalised the payment of allowances and non-financial rewards.

The most recent employee survey shows that our lowest ranking factors are 'leadership' and 'fair deal', which relates largely to pay. We continue to follow Cabinet Office guidance for the public sector regarding a freeze on both recruitment and pay. The majority of our employees have received no pay uplift, although those on the lowest salaries did receive uplift in accordance with HM Treasury guidance. Employees performing at exceptional standards or those subject to a contractual bonus scheme received an appropriate non-consolidated bonus. As indicated in last year's report, to reduce the risk to our ability to deliver proportionate and effective regulation, we have carried out some limited external recruitment this year to fill business critical or front line roles. While our results for 'leadership' remain low in line with many other public sector organisations, there was an improvement this year and the results indicate an upward trend, particularly with regard to the direction the organisation is taking.

Some employees have developed their key skills by the continued achievement of national vocational and information technology qualifications (NVQs and ITQs). Other learning and development has been focused around developing on-the-job competence. And, in addition, as part of our 'working better together' workstream we have introduced a Targeted Development Programme (TDP). This enables thirteen employees to further develop their skills and expertise through a range of activities supported by trained coaches.

At 31 March 2012 we had 204 employees, with 47 being home based. A full breakdown of the make-up of our employees is included at appendix 4.





### Sickness rates

During the year the average proportion of working days lost to sickness absence was 2.25%. This compares favourably with the public sector average of 3.5% (IRS Employment Review).

We have comprehensive policies in place for the management of sickness absence and for supporting employees' health and wellbeing. This includes support through our occupational health provider and access to an employee assistance programme. The Commission has also developed a health and wellbeing programme which provides support and advice through online information and workplace events and activities to help employees maintain good health and wellbeing.

### The Commission and the environment

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

Our environmental group works on raising awareness amongst employees on environmental issues and initiatives through articles in the Commission's newsletters.

The Commission strives to keep its carbon footprint to a minimum by recycling whatever it can and adopting current technology, video conferencing/teleconferencing to reduce the need for travel. The Commission's current carbon footprint is 0.8 tonnes per employee as at 31 March 2012.

### Re-location with the National Lottery Commission (NLC)

The re-location of the NLC to join the Commission in Victoria Square House was completed in January 2012. While the re-location has resulted in some recruitment in Birmingham, it has also enabled the provision of common services in the areas of corporate affairs, finance, human resources, information technology and legal services.

The merger of the two Commissions is expected early in 2013 subject to the approval of the necessary secondary legislation.



# Our finances

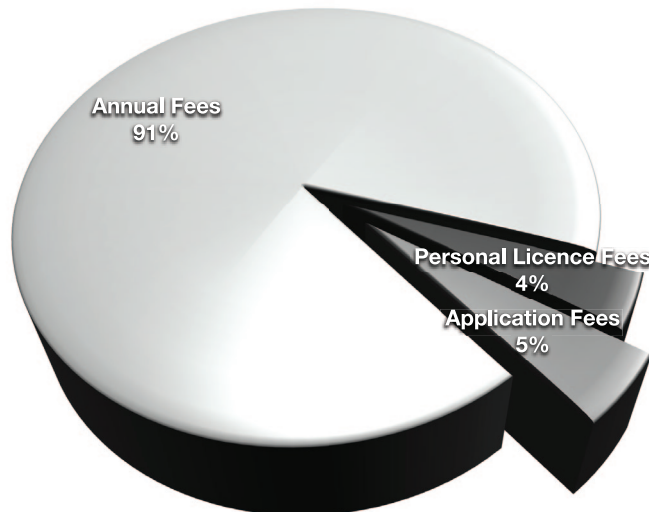
## Income

Our total income from fees and other sources was £13.54 million for the year (2010/11: £13.27m) a 2.0% increase on the prior financial year.

Operator application fee income for the year amounted to £0.6 million, a 20% decrease on the previous year (2010/11). 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 £12.1 million for operator annual licence fees (see 2a page 58). Licence fees and other charges can be found on our website at: [www.gamblingcommission.gov.uk](http://www.gamblingcommission.gov.uk)

This year the Commission received £0.15 million from the National Lottery Commission for providing shared services from January 2012.

**Chart A: Total income from fees**



## Expenditure

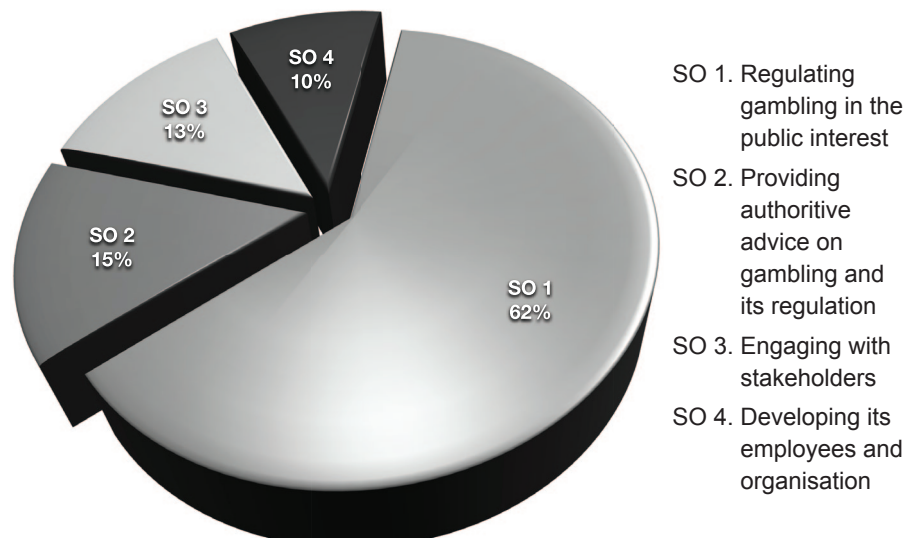
During the year, expenditure on operational costs was £13.30 million (2010/11: £13.37m), a slight reduction of £0.07 million (0.5%) on the prior financial year. Although overall expenditure has remained largely static, we have continued to streamline our operational activity and managed to reduce operating costs and increase efficiency. Areas of significant variation compared to the previous year are as follows:

- Employee costs for 2011/12 were £8.52 million (2010/11 £8.67m). £0.15 million (1.7%) lower than the prior year. The vacancy freeze has contained staff costs in the first nine months of the year.
- Other operating costs for 2011/12 were £3.73 million (2010/11 £3.68 million). £0.05 million (1.4%) higher than the prior year. This was largely a result of recruitment costs incurred in the final quarter of the financial year.

- All spend is continually reviewed to ensure we achieve best value for money. Comparing year on year, recruitment costs have risen as expected as the Commission has undertaken recruitment of business critical posts and to deliver the National Lottery Commission shared service agreement. However, these have largely been offset by savings in other incidental expenditure.

Our expenditure is broken down by strategic objective in Chart B. The analysis 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 57).

**Chart B: Expenditure by strategic objective**



## Net income after interest for the year

The surplus for the year was £0.25 million (2010/11 £0.07 million deficit). The resulting end of year cumulative income and expenditure surplus at 31 March 2012 is £1.54 million. The above figures have been restated to reflect change in accounting treatment associated with the abolition of the Deferred Government Grant Reserve. As balances are transferred to the income and expenditure reserve, this increases the cumulative surplus.

The impact of the change is shown in note 1c to the accounts. If the change in accounting treatment had not taken place, the Commission would hold an accumulated surplus position of £0.21 million at 31 March 2012, against an accumulated deficit of £0.69 million in 2010/11. The Commission would have also held a deferred government grant reserve balance of £1.33 million. Under both accounting treatments, total reserves for Taxpayer's Equity are £1.54 million, demonstrating no overall change in reserves.

## Financial plan

The financial 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 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 year on year. Despite this, we have ended the year with a surplus of £0.25 million from a combination of continued tight management of expenditure and cost savings in light of the government spending review, in particular, the public sector recruitment freeze resulting in much lower employee costs than forecast.

The Commission's business plan funds a programme of work maximising resource utilisation and prioritising allocation according to need and risk, against income levels to achieve break-even in future years.

## Statement of financial position

At 31 March 2012 the book value of non-current assets was £3.16 million. Assets less liabilities at 31 March 2012 amounted to £1.54 million.

The year-end closing cash balance at 31 March 2012 was £5.73 million (2010/11: £4.67m). The cash balance reaches its peak between August and October each year, after the largest tranche of annual fees fall due.

## 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 2012 95% (target 95%) of invoices totalling £3.8 million were paid within 30 days of receipt.





# Financial statements and accounts

## Remuneration report

This report covers the 12 months ending 31 March 2012 and sets out the policy and disclosures in relation to the remuneration of the senior managers of the Commission. Pages 32 to 36 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, for a period of between three and five years.

Commissioners may be appointed a number of times as long as the total length of appointment does not exceed ten years. Appointments may be terminated at any time by either party giving written notice. Details of the Commissioners are given in Appendix 1.

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

### 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 twelve weeks written notice, apart from the Chief Executive, Jenny Williams, whose contract may be terminated by either party giving six months' written notice.

An existing civil servant, on loan to the Commission, remains in the employment of their home department. The costs associated with their employment are recharged to the Commission. The employee is on a civil service contract that is open-ended.

Details of all directors serving during the year, are provided at Appendix 2, 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)

	2011/12			2010/11		
	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)
<b>Sarah Gardner</b> <i>Director of Planning and Performance</i> (from 1 March 2012)	5-10 (80-85 fye*)	–	–	–	–	–
<b>Julie Grant</b> <i>Director of Finance</i> (to 20 December 2011)	50-55 (75-80 fye*)	0-5	–	75-80	0-5	–
<b>Matthew Hill</b> <i>Director of Strategy, Research and Analysis</i>	90-95	0-5	8,500	90-95	0-5	11,100
<b>Justine Kenny</b> <i>Director of People and Organisational Development</i>	90-95	0-5	–	90-95	0-5	–
<b>Julia Mackisack</b> <i>Director of Corporate Affairs</i>	70-75	0-5	–	70-75	0-5	–
<b>Tracey Martin</b> <i>Director of Finance</i> (from 16 January 2011)	15-20 (85-90 fye*)	–	–	–	–	–
<b>Neil McArthur</b> <i>General Counsel**</i>	90-95	0-5	–	80-85	0-5	–
<b>Nick Tofiluk</b> <i>Director of Regulation</i>	100-105	0-5	–	100-105	0-5	–
<b>Jenny Williams</b> <i>Chief Executive***</i>	145-150	20-25	18,100	145-150	20-25	18,600
Band of highest paid directors total remuneration (£'000)****	185-190			185-190		
Median total remuneration****	30,516			30,516		
Ratio****	6.1:1			6.1:1		

\* full year equivalent.

\*\* The General Counsel role has changed during the year (from Director of Legal in 2010/11), particularly following the provision of legal services to the NLC. There has been an associated increase in remuneration during the year as a result of the change in responsibilities.

\*\*\* 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.

\*\*\*\*The total remuneration figure included in this disclosure and the resulting ratio for the highest paid director (Chief Executive) is not comparable with those of other staff as she receives no employer pension contribution making her own pension provision out of salary. On a comparable basis her total remuneration would be within the band 155-160, returning a ratio of 5.0:1 against the median total remuneration.



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

	2011/12			2010/11		
	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)
<b>Robin Dahlberg</b> (from 1 January 2012) <i>Commissioner</i>	0-5 (10-15 fye*)	–	1,200	–	–	–
<b>Philip Graf**</b> <i>Chairman</i>	60-65	–	1,900	–	–	–
<b>Ben Gunn</b> <i>Commissioner</i>	10-15	–	1,800	10-15	–	2,000
<b>Bill Knight</b> <i>Commissioner</i>	10-15	–	1,700	10-15	–	2,600
<b>Rachel Lampard</b> <i>Commissioner</i>	10-15	–	3,000	10-15	–	4,400
<b>Anthony Lilley</b> (from 1 January 2012) <i>Commissioner</i>	0-5 (10-15 fye*)	–	500	–	–	–
<b>Andrew McIntosh</b> (retired 31 July 2010) <i>Commissioner</i>	–	–	–	0-5	–	2,100
<b>Walter Merricks</b> (from 1 January 2012) <i>Commissioner</i>	0-5 (10-15 fye*)	–	800	–	–	–
<b>Gill Milburn***</b> <i>Commissioner</i>	15-20	–	200	10-15	–	–
<b>Brian Pomeroy</b> (to 31 March 2011) <i>Chairman</i>	–	–	–	50-55	–	2,000
<b>Eve Salomon</b> <i>Commissioner</i>	10-15	–	2,800	10-15	–	4,300
<b>Graham Sharp</b> (from 1 January 2012) <i>Commissioner</i>	0-5 (10-15 fye*)	–	2,000	–	–	–
<b>Peter Teague</b> <i>Commissioner</i>	10-15	–	1,600	10-15	–	2,500

\* Full year equivalent.

\*\* The Chairman works an extra half day a week on average which accounts for the increase in salary over the previous Chairman.

\*\*\* Gill Milburn received an additional payment of £1,397 during the year in respect of five extra days worked over and above the standard contracted working hours.

**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 around one day per week with a standard daily fee rate. No employees or Commissioners were remunerated by way of service companies or third parties.

**Benefits in kind:** The monetary value of benefits in kind covers any benefits provided by the Commission and treated by

HM Revenue and Customs as a taxable emolument.

- Jenny Williams was reimbursed for costs associated with detached duties on which the Commission also paid the tax due.
- Matthew Hill was reimbursed for costs associated with detached duties.

- 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 2011/12 2012 (12 months to 31 March 2012)

	Accrued pension at age 60 as at 31/03/12 and related lump sum (£'000)	Real increase in pension and related lump sum at pension age (£'000)	*CETV at 31/03/12 (£'000)	*CETV at 31/03/11** (£'000)	Real increase in CETV (£'000)	Employer contribution to partnership pension account (nearest £100)
<b>Sarah Gardner</b> <i>Director of Planning and Performance</i> (from 1 March 2012)	10-12.5 lump sum 30-32.5	0-2.5 lump sum 0-2.5	115	103	2	–
<b>Julie Grant</b> <i>Director of Finance</i> (to 20 December 2011)	5-7.5 lump sum N/A	0-2.5 lump sum N/A	41	33	5	–
<b>Matthew Hill</b> <i>Director of Strategy, Research and Analysis</i>	25-27.5 lump sum 32.5-35	0-2.5 lump sum –	330	297	5	–
<b>Justine Kenny</b> <i>Director of People and Organisational Development</i>	35-37.5 lump sum N/A	0-2.5 lump sum N/A	406	371	2	–
<b>Neil McArthur</b> <i>Director of Legal</i>	20-22.5 lump sum 65-67.5	0-2.5 lump sum 5-7.5	317	266	28	–
<b>Julia Mackisack</b> <i>Director of Corporate Affairs</i>	5-7.5 lump sum N/A	0-2.5 lump sum N/A	129	100	18	–
<b>Tracey Martin</b> <i>Director of Finance</i> (from 16 January 2011)	10-12.5 lump sum 30-32.5	0-2.5 lump sum –	138	131	3	–
<b>Nick Tofiluk</b> <i>Director of Regulation</i>	10-12.5 lump sum N/A	0-2.5 lump sum N/A	122	91	20	–

\* Cash Equivalent Transfer Value.

\*\* The actuarial factors used to calculate CETVs were changed in 2011/12. The CETVs at 31/3/11 and 31/3/12 have both been calculated using the new factors, for consistency. The CETV at 31/3/11 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 in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension

scheme or arrangement) and uses common market valuation factors for the start and end of the period.

### Compensation for loss of office

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 were Bill Knight (Chair), Ben Gunn, Rachel Lampard and Eve Salomon (see page 42 for details).



### Jenny Williams Chief Executive and Accounting Officer

Gambling Commission  
21 June 2012

### 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**. Increases to employee contributions will apply from 1 April 2012. 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/pensions](http://www.civilservice.gov.uk/pensions)

## Statement of the Commission's and 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 judgements 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; and
- 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

**Jenny Williams**  
**Chief Executive**  
**and Accounting Officer**  
**Gambling Commission**  
**21 June 2012**

## Governance Statement for the year ended 31 March 2012

The Gambling 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. This statement explains the key features of the Commission's governance structure, and how it has complied with the principles and provisions of the Corporate Governance Code for central government departments.

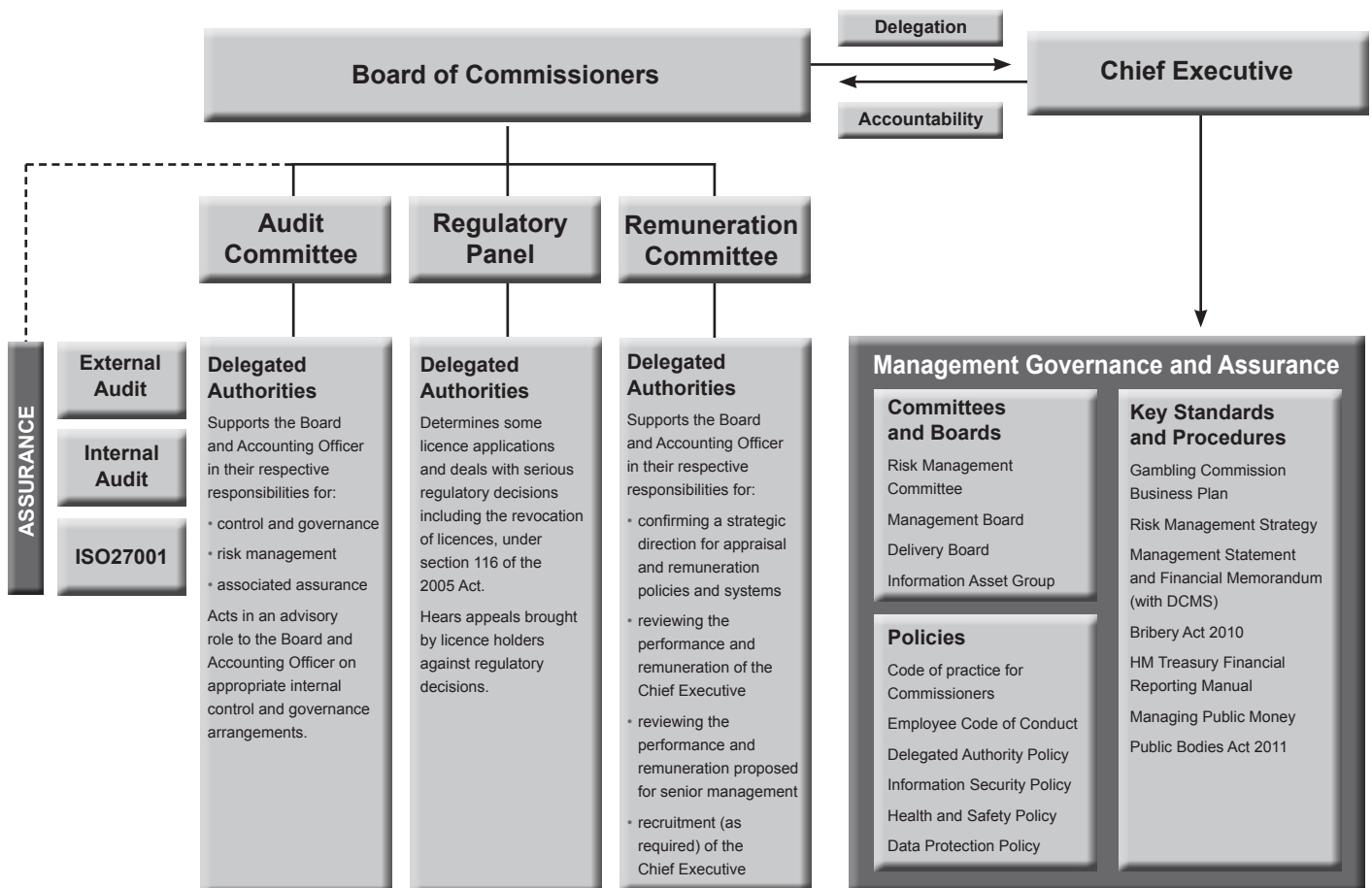
## Governance framework

The Board of Commissioners, led by the Chairman, Philip Graf, 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.

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.

The Chief Executive, as Accounting Officer is responsible for maintaining a sound system of internal control that supports the achievement of the Commission's policies, aims and objectives. The Accounting Officer also ensures that the Commission complies with the principles of the UK Corporate Governance Code (where they are relevant to the Commission), and that it operates within the terms of the Management Statement and Financial Memorandum agreed with DCMS. Delivery of the Commission's strategic objectives is supported by two executive boards, Management Board and Delivery Board, whilst the Risk Management Committee oversees and monitors the management of risk at departmental, programme and corporate levels.

## The Commission's Governance Structure





## Composition of the Board

The Chairman and Commissioners are appointed by the Secretary of State for Culture, Olympics, Media and Sport for a period of between three and five years. Commissioners may be appointed a number of times as long as the total length of appointment does not exceed ten years. Details of the Commissioners are given in Appendix 1.

The composition of the Board changed during the year, as four Commissioners left the Commission at the end of their term of office, and four new Commissioners were appointed. Three month term extensions were accepted by the outgoing Commissioners, taking their period of office until 31 March 2012, to ensure that adequate governance arrangements remained during the transition period. Details of the changes in Board composition are given in the table below:

The Commission recognised the risk of having a high turnover of Commissioners during the year, as terms of office come to an end. This risk was addressed in part by introducing the transition period of three months (January 2012 to March 2012) when the Board was over-represented, and in part by providing newly appointed Commissioners with a structured induction programme giving a detailed overview of the Commission and its obligations.

## Board Performance

### The Board

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.

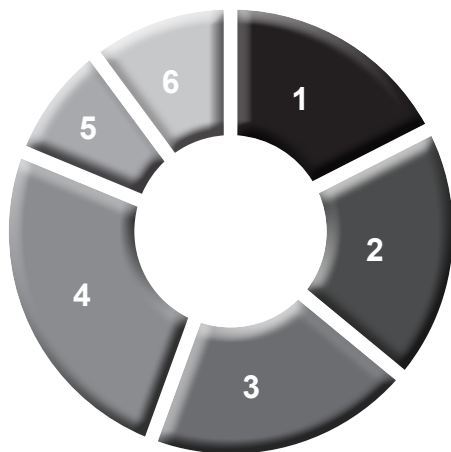
The Board sets the strategic objectives of the Commission and is responsible for performance of the senior management team. Board meetings provide the opportunity for robust and constructive challenge and debate amongst Board members and senior management. As part of this process, Commissioners are required to disclose any potential conflicts of interest, as set out within the Code of Practice for Commissioners. No conflicts of interest were declared during the year.

The diagram on page 38 illustrates how the Board allocated its time at scheduled Board meetings during 2011/12.

Commissioners also spend considerable time outside of Board meetings reviewing cases and liaising with internal and external stakeholders.

Commissioners	Period
Philip Graf (Chairman) Rachel Lampard Peter Teague Jenny Williams (Chief Executive)	1 April 2011 - ongoing
<b>Commissioners – end of term 31 March 2012</b>	
Ben Gunn Bill Knight Gill Milburn Eve Salomon	1 April 2011 - 31 March 2012
<b>Commissioners – appointed 1 January 2012</b>	
Robin Dahlberg Anthony Lilley Walter Merricks Graham Sharp	1 January 2012 - ongoing

## Allocation of Board meeting time



- 1 Financial and strategic planning
- 2 Corporate Governance arrangements
- 3 Monitor business performance
- 4 Compliance and enforcement
- 5 Policy, prevalence and research
- 6 External stakeholder engagement

In line with our Corporate Governance framework and the Code of Practice for Commissioners, the Commission carried out a full external evaluation in 2010/11 of the way in which the Board functions and its overall effectiveness in order to identify areas for improvement and development. The results from this exercise were very positive, indicating a Board that is both capable and committed, taking financial stewardship very seriously. The recommendations arising from this review have been implemented and refined throughout the year, including a Board appraisal system, continued focus on Board scrutiny sessions and the implementation of a 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 performance of the Chair was also reviewed during the year.

As part of the governance process, the Board undertook monthly "scrutiny sessions" whereby representatives from across the Commission are invited to provide a detailed overview of specific topics or areas of importance. All areas of the business are scrutinised in this way to provide the Board with the assurance that the information they are receiving is of sufficient quality. A range of initiatives regarding the way the Commission works and the quality of data and information that it acts on and produces, are underway within regulatory and support functions, upon which the Board receives regular updates. Review of data quality and supporting controls has also been provided by internal audit during the year.

### 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 on page 42.

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 Governance Statement, 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

## Allocation of Audit Committee time



- 1 Internal audit programme
- 2 External audit programme
- 3 Risk management review
- 4 Review and approval of Annual Report
- 5 Review of governance arrangements
- 6 Consideration of Commission activities

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.

### Remuneration Committee

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

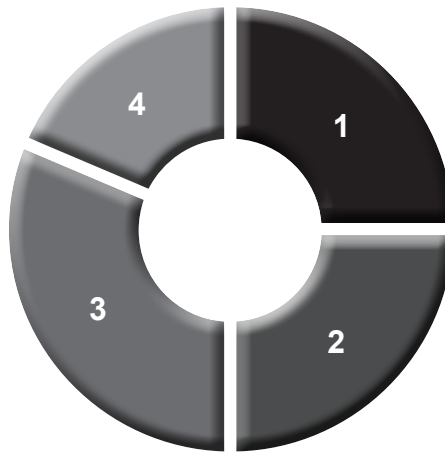
- confirming a strategic direction for appraisal and remuneration policies and systems, and other significant terms and conditions of employment
- reviewing the performance and remuneration of the Chief Executive
- reviewing the remuneration proposed for the senior management team
- recruitment (as required)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

Details of the committee members and their attendance are detailed on page 42.

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

### Allocation of Remuneration Committee time



- 1 Approval of GC pay and reward strategy
- 2 Agreement of staff pay arrangements
- 3 Agreement of senior staff pay arrangements
- 4 Approval of Remuneration Report

- 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.

### 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.

During 2011/12 the Regulatory Panel sat for six days in respect of nine regulatory cases.

### Principal activities undertaken by the Board and Board Committees

The principal activities undertaken by the Board and its committees include approval of our budget, our internal audit programme, the remuneration report and employee pay awards.

Regular financial and risk updates are provided along with details on key topics such as primary gambling activity and TV shows. In addition scrutiny sessions cover key elements of our business plan such as betting integrity.

Agendas and minutes of meetings can be found on the Commission website:  
[www.gamblingcommission.gov.uk](http://www.gamblingcommission.gov.uk)

### Board meeting, Audit Committee and Remuneration Committee attendance

Commissioner	Board	Audit Committee	Remuneration Committee
Philip Graf	9		
Robin Dahlberg (from 1 January 2012)	2		
Ben Gunn (to 31 March 2012)	9		2
Bill Knight (Chair of Remuneration Committee) (to 31 March 2012)	8	3	2
Rachel Lampard	9	4	2
Anthony Lilley (from 1 January 2012)	3		
Walter Merricks (from 1 January 2012)	3		
Gill Milburn (to 31 March 2012)	8	4	
Eve Salomon (to 31 March 2012)	8	2	1
Graham Sharp (from 1 January 2012)	2	1*	
Peter Teague (Chair of Audit Committee)	8	4	
Jenny Williams	9		
<b>Number of meetings per year</b>	<b>9</b>	<b>4</b>	<b>2</b>

\*attendance as an observer



## Risk and internal control framework

The Commission's risk and internal control framework is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The risk and internal control framework is based on a process designed to identify and prioritise the risks to the achievement of the Commission's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage those risks efficiently, effectively and economically. The risk and internal control framework has been in place in the Commission for the year ended 31 March 2012 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

## Risk management architecture

As an integral element of its risk and internal control framework, the Commission has an established corporate approach to risk management. Clearly defined accountabilities exist for all relevant parties, including the roles and responsibilities of the Board, management and employees.

The Commission's Accounting Officer, in conjunction with the Board, is responsible for ensuring that an appropriate corporate governance framework is in place. To that end, the Risk Management Committee exists to support the Chief Executive as Accounting Officer for the management of risk within the Commission (see below for further details).

The Commission's Audit Committee 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 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 page 40 for further details).

**Risk Management Committee (RMC)** – oversees and monitors the operation of the risk management policies and procedures throughout the Commission, including the maintenance of the corporate risk register.

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

**The risk management strategy** – the strategy outlines the objectives and policies for identifying and managing risk to the achievement of the Commission's strategic objectives and business plan.

This also includes the Commission's tolerance or appetite for risk. The framework sets out management roles and responsibilities, the process for identifying and recording risk, allocating ownership of risk, evaluating risk, determining responses to risk and monitoring and reporting on progress in managing risk. The framework applies to all levels of the organisation up to the corporate risk register.

**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.

The Risk Management Committee considered the Commission's risk appetite and presented a more formal appetite framework to Audit Committee and the Board. Our risk management maturity was subject to review by internal audit during the year, and received a positive opinion, with only one medium recommendation for improvement. This has been acted upon and will be considered in detail by the Risk Management Committee.

A formal manner of escalating risks against our business plan workstreams up to our corporate risks is being introduced this year as part of our method of reporting our progress or otherwise to the Board.

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

**An internal audit programme** – this focuses on the requirement to provide assurance that the risks faced by the Commission are

properly managed and controlled. Where control weaknesses are identified, these are drawn to the attention of senior managers, who are responsible for determining and implementing an appropriate response.

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:

- Performance management
- Building data quality
- Health and safety arrangements
- Licence fee modelling
- Risk management arrangements
- Anti fraud, bribery and corruption
- Transition arrangements following co-location with the NLC
- High impact operator assessments
- Budgetary control
- Internal audit review follow up arrangements.

### **Risk assessment and how risk is managed**

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.

Bi-annual assurance statements have been received 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 added an additional risk to the Commission's risk register in respect of the potential merger with the National Lottery Commission. The NLC relocated to the Commission offices on 3 January 2012, and the provision of common services (for example, Finance, HR) to the NLC under a shared services arrangement also commenced from this date. The risk that all costs in relation to the provision of shared services are not fully recovered from NLC is being managed closely, through extensive scoping of requirements under a shared services agreement and ongoing review. Further assurance was sought from Internal Audit that the arrangements are adequate, and that the risks to the Commission are appropriately managed.

The Commission's fee income continues to be subject to uncertainty (for example, due to consolidations and closures) that we attempt to mitigate through regular review and re-forecast of income. Whilst we forecast prudently, in the event of losing a further significant proportion of our income, there remains a risk that we may not be able to reduce our expenditure (which is largely employee based) as swiftly as necessary due to the need to cover redundancy costs. These risks were addressed as part of the budgeting process, through the establishment of downside scenarios as a result of potential events, and the intention to establish provisions to mitigate future variances. Throughout the year, the risk to the Commission's income and expenditure profile is continually reviewed through close monitoring of income and expenditure, and future forecasts.

Our expenditure continues to be continually modified in response to our changing income profile. That profile could change significantly in future years depending on developments here and overseas, in particular in relation to the impending review of remote operators overseas, which in itself poses risks and challenges. To ensure we maintain tight control over our expenditure we continually review our procurement arrangements, and through a central contracts database ensure that all renewed contracts are brought in line with central frameworks where applicable.

The Commission has also recognised the risk that ongoing legal issues, such as the Judicial Review instigated by Camelot in respect of the Health Lottery may also have a significant impact upon resources, and aims to mitigate this risk through the establishment of adequate reserves.

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 2011/12. 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. Data quality has been reviewed by Internal Audit during the year with no high priority areas identified that require attention.

The Commission has continued to review and enhance the Commission's anti fraud and corruption arrangements in light of the Bribery Act 2010. We will continue to identify and adopt any additional measures needed to strengthen our control frameworks. The Commission's anti fraud, bribery and corruption arrangements were reviewed by Internal Audit during the year in light of the Bribery Act 2010 requirements.

### **Internal control framework**

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

#### **Organisational structure and delegation of authority**

The Commission is currently organised into a number of directorates by function, with authority to make decisions and authorise expenditure delegated to the appropriate level of responsibility within each unit. The delegation of authority is reviewed and approved by Audit Committee on an annual basis.

#### **Policies and procedures**

Comprehensive policies and supporting procedures are in place across the Commission at a corporate, departmental and operational level. Policies are reviewed regularly and, where appropriate, presented to Audit Committee for consideration and approval. The appropriateness of Commission policies and procedures are periodically

reviewed by Internal Audit as part of the audit plan, and adherence to policies and procedures is reported to management and the Audit Committee as part of internal audit review.

### **Operational and financial reporting**

The Commission reviews and updates its business plan on an annual basis, and prepares an annual budget to support the delivery of the plan. Both of these elements are reviewed and approved by the Board, and progress against the business plan, and financial performance is reported to the Board on a monthly basis. In addition, the Commission also undertakes a quarterly financial re-forecast to ensure that financial management of the Commission remains robust, which is reviewed and approved by the Board. An internal audit review of budgetary control was undertaken during the year, and a clean audit opinion was provided.

### **Review and sign-off of actions**

The Commission has a series of "checks and balances" in place across the organisation to ensure that decisions and outcomes are appropriately reviewed prior to finalisation. Quality assessment reviews have been undertaken within a number of areas within Compliance to ensure that regulatory activity continues to be of high quality, whilst management review outputs within a range of frontline and support areas to ensure accuracy and relevance. These controls are subject to internal and external audit review as part of the internal audit plan and external audit fieldwork.

### **Whistleblowing policy**

The Commission has a whistleblowing policy in place for the confidential reporting of unlawful conduct or malpractice. The policy is readily available on the intranet for all employees to refer to, and reminders on the requirements of this policy, together with all aspects of the code of conduct are communicated regularly via internal communication methods. All new Commission employees are required to confirm in writing that they have read the Code of Conduct, including the whistleblowing policy as part of the induction programme.

### **Effectiveness of internal controls**

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

- overall, in the areas examined during the year, except for the implementation of health and safety policy and performance management arrangements, internal controls are suitably designed to achieve the risk management objectives required by management.
- And those activities and controls that were examined were operating with sufficient effectiveness to provide reasonable assurance but not absolute assurance that the related risk management objectives were achieved during the period under review.

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

## Principal risks and uncertainties facing the Commission

Risk	Mitigation
<p><b>Legal</b></p> <p><b>Testing the Act</b> Following over four years experience of working with the Act, legal challenges are likely to test and clarify certain areas, leading to expenditure on legal and other expert advice remaining unpredictable.</p> <p><b>Innovation and technology</b> Innovation and technological development within the industry continues to test the boundaries of the Act.</p>	<p>We are building a legal reserve to ensure that we have the capability to respond to legal challenges.</p> <p>Production of short guides for operators on the simple way to stay compliant; provision of advice in general terms on what our concerns are likely to be in considering innovations; investment in staff expertise and the appointment of new Commissioners with expertise in new technologies.</p>
<p><b>Operational/policy delivery</b></p> <p><b>Sports betting integrity</b> The threat to integrity in sports betting, particularly around the Olympics where the main risk is from overseas unlicensed markets.</p> <p><b>Potential legislative developments</b> Uncertainty about the timing of a government decision to require all offshore operators to obtain a licence from the Commission makes contingent preparations challenging.</p> <p><b>Evidence base</b> Need to develop and implement an alternative solution to provide and deliver the research, education and treatment elements of a national responsible gambling strategy.</p> <p><b>Shared regulation</b> The shared nature of gambling regulation remains an area of misunderstanding – with the Commission focused on matters of high impact nationally and regionally and LAs on matters of local importance.</p>	<p>The Commission is working closely with the International Olympic Committee and the police. A Joint Assessment Unit has been established for the duration of the games to tackle any sports betting integrity issues that might threaten the integrity of the Games in Great Britain and an education programme has been implemented for players and sports officials to explain the issues and the sanctions available.</p> <p>We are focusing on ensuring that implementation will be effective whilst minimising any additional regulatory burden on operators and avoiding potential duplication of effort with other regulators.</p> <p>We have spent considerable time and effort in discussion with RGSB and Responsible Gambling Trust to develop the new RET arrangements; we have brought the RGSB secretariat function in house and are working closely with the Trust to develop and embed the new arrangements.</p> <p>We have created the local authority liaison unit (LALU) and appointed an ex-LACORS expert to support work on shared regulation.</p>



Risk	Mitigation
<p><b>Capacity and effectiveness</b></p> <p>While the NLC has re-located to Birmingham, the timing of the proposed merger is subject to approval of necessary secondary legislation.</p>	<p>We are working closely with the NLC to understand their business and we now provide common services and support across licensing, legal, finance, human resources and corporate affairs.</p>
<p><b>Value for money</b></p> <p>The British gambling industry continues to change quite significantly with factors such as consolidation affecting the number, size and type of licensed operators – with a consequent impact on fee income – and therefore the Commission’s ability to deliver effective regulation and meet expectations.</p>	<p>We are working closely with LAs to provide support and expertise to enable them to fulfil their regulatory role effectively at a local level while we concentrate on regional and national matters.</p> <p>In conjunction with DCMS we undertook a major fees review this year to reduce the burden of regulation so far as possible and to recover the costs of regulation more equitably. Changes came into effect on 6 April 2012 before licensees were due to pay their 2012 annual fee.</p>

### 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, through the Information Asset Group, seek to embed robust information security principles across the Commission.

Six 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 74 requests for information under the Freedom of Information Act during the year. In four cases we were asked to conduct an internal appeal and this was led by someone other than the

original decision maker, and the outcome was accepted in all four cases. We also received four subject access requests 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.



**Jenny Williams**  
**Chief Executive**  
**and Accounting Officer**  
**Gambling Commission**  
**21 June 2012**

## The audit report of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements of the Gambling Commission for the year ended 31 March 2012 under the Gambling Act 2005. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, 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, Accounting Officer and auditor

As explained more fully in the Statement of Commission's and Chief Executive's Responsibilities, the Gambling Commission and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion 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 report.

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

### Opinion on regularity

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

### Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Gambling Commission's affairs as at 31 March 2012 and of the net income after interest 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 Public Bodies Act 2011 which allows for the merger of the Gambling Commission with the National Lottery Commission. This is subject to the proposal and affirmative resolution of secondary legislation in the Houses of Parliament 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 Secretary of State directions made under the Gambling Act 2005; and
- the information given in the sections entitled “How we manage our business”; “Our people”; “Finances”; “Appendix 1”; and “Appendix 2” for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I report by exception

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

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

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

26 June 2012

**Statement of comprehensive net expenditure  
for the 12 months ended 31 March 2012**

	notes	31 March 2012 £'000	Restated 31 March 2011 £'000
<b>Expenditure</b>			
Employee costs	4	(8,521)	(8,668)
Depreciation	6 & 7	(1,051)	(1,023)
Other expenditure	5	(3,728)	(3,676)
		<b>(13,300)</b>	<b>(13,367)</b>
<b>Income</b>			
Licence fee income	2b	13,269	13,231
Other income	3	274	37
		<b>13,543</b>	<b>13,268</b>
<b>Net income/(expenditure)</b>		<b>243</b>	<b>(99)</b>
Interest receivable	2b	11	15
Interest cost on pensions	4	–	(1)
Tax incurred on interest received		(2)	2
<b>Net income/(expenditure) after interest</b>		<b>252</b>	<b>(83)</b>

Other comprehensive expenditure	notes	31 March 2012 £'000	31 March 2011 £'000
Net gain on pension liability		–	17
<b>Total comprehensive income/(expenditure) for the year ended 31 March 2012</b>		<b>252</b>	<b>(66)</b>

The notes on pages 54 to 71 form part of these accounts.

\* The 12 months ending 31 March 2012 has been restated to reflect the removal of Deferred Government Grant releases to offset depreciation. In accordance with HM Treasury's Financial Reporting Manual the Commission's accounting policy has been changed, and the release will no longer be recognised. This prior period adjustment does not impact upon the Total Comprehensive Expenditure position, nor upon total Reserves.



**Statement of financial position**  
as at 31 March 2012

	notes	31 March 2012 £'000	Restated 31 March 2011 £'000	Restated 31 March 2010 £'000
<b>Non-current assets</b>				
Property, plant and equipment	6	908	1,183	1,488
Intangible assets	7	2,252	2,793	3,294
<b>Total non-current assets</b>		<b>3,160</b>	<b>3,976</b>	<b>4,782</b>
<b>Current assets</b>				
Trade and other receivables	8	835	692	624
Cash and cash equivalents	15	5,731	4,672	3,692
<b>Total current assets</b>		<b>6,566</b>	<b>5,364</b>	<b>4,316</b>
<b>Total assets</b>		<b>9,726</b>	<b>9,340</b>	<b>9,098</b>
<b>Current liabilities</b>				
Trade and other payables	9	(7,821)	(7,578)	(7,621)
<b>Total current liabilities</b>		<b>(7,821)</b>	<b>(7,578)</b>	<b>(7,621)</b>
<b>Non-current assets less net current liabilities</b>		<b>1,905</b>	<b>1,762</b>	<b>1,477</b>
<b>Non-current liabilities</b>				
Other payables	10	(353)	(460)	(572)
Pension liability	11	(12)	(14)	(32)
<b>Assets less liabilities</b>		<b>1,540</b>	<b>1,288</b>	<b>873</b>
<b>Taxpayers' equity</b>				
Income and expenditure reserve		1,540	1,288	873
<b>Total</b>		<b>1,540</b>	<b>1,288</b>	<b>873</b>

The notes on pages 54 to 71 form part of these accounts.

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

*Jenny Williams*

**Jenny Williams**  
Chief Executive and Accounting Officer

Gambling Commission

21 June 2012

**Statement of cash flows**  
for the 12 months ended 31 March 2012

	notes	31 March 2012 £'000	Restated 31 March 2011 £'000
<b>Cash flows from operating activities</b>			
Net expenditure for the year		243	(99)
Adjustments for non-cash transactions			
Depreciation charge	6 & 7	1,051	1,023
(Increase) in trade and other receivables	8	(143)	(68)
(Decrease)/increase in trade and other payables	9 & 10	136	(155)
(Decrease)/increase in provisions		(2)	–
<b>Net cash inflow from operating activities</b>		<b>1,285</b>	<b>701</b>
<b>Cash flows from investing activities</b>			
Interest received		10	15
Payments to acquire property, plant and equipment and intangible assets	6 & 7	(236)	(217)
<b>Net cash outflow from investing activities</b>		<b>(226)</b>	<b>(202)</b>
<b>Cash flows from financing activities</b>			
Grant-in-aid for revenue expenditure	13	–	481
<b>Net cash inflow from financing activities</b>		<b>–</b>	<b>481</b>
<b>Net increase in cash and cash equivalents in the period</b>	15	<b>1,059</b>	<b>980</b>

Cash and cash equivalents at 1 April 2011	4,672
Cash and cash equivalents at 31 March 2012	5,731

The notes on pages 54 to 71 form part of these accounts

**Statement of changes in taxpayers equity  
for the 12 months ended 31 March 2012**

	Income and expenditure reserve restated £'000
<b>Balance at 1 April 2010</b>	<b>873</b>
<b>Changes in reserves</b>	
Release of reserves to the statement of comprehensive net expenditure	(648)
Restatement of revaluation reserve	–
Retained surplus	582
Restatement of deferred Government Grant Reserve	–
<b>Total recognised comprehensive net expenditure for 2010/11</b>	<b>(66)</b>
Grant-in-aid for revenue expenditure	481
<b>Balance at 31 March 2011</b>	<b>1,288</b>
<b>Balance at 1 April 2011</b>	<b>1,288</b>
<b>Changes in reserves</b>	
Restatement of revaluation to the statement of comprehensive net expenditure	–
Retained surplus	252
<b>Total recognised comprehensive net expenditure for 2011/12</b>	
Grant-in-aid for revenue expenditure	–
<b>Balance at 31 March 2012</b>	<b>1,540</b>

The notes on pages 54 to 71 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 2011/12 Financial Reporting Manual (FRM) issued by HM Treasury.

### a) Accounting conventions

These are the accounts for the Commission covering the twelve months from 1 April 2011 to 31 March 2012. 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 11.

**Table 11: 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

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 IAS 36. Any gain or loss arising from the disposal of property, plant and equipment is determined as the difference between the disposal proceeds and the carrying amount of the asset, and is recognised in the Statement of Comprehensive Net Expenditure account as "Other Income" or "Other Expenditure".

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.



## Intangible assets

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

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

- the project is technically feasible to the point of completion and will result in an intangible asset for sale or use;
- the Commission intends to complete the asset and sell or use it;
- the Commission has the ability to sell or use the asset;
- how the intangible asset will generate probable future economic or service delivery benefits 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; and
- the Commission can measure reliably the expenses attributable to the asset during development.

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

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

## 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, and have historically, been identified within the Deferred Government Grant Reserve (see note 22).

Our current policy (FReM compliant) is to have a formal professional revaluation every five years, and to carry out a desktop review in intervening years to ensure that assets are carried at fair value at the Statement of Financial Position date. The next revaluation of non-current assets is due to be undertaken in 2013/14.

The Commission carried out a desk top review of assets for 2011/12. This review concluded that no revaluation or impairment was necessary.

Permanent diminution in the value of non-current assets is charged to the Statement of Comprehensive Net Expenditure, 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

In prior years, and in accordance with IFRS and the FReM, capital grants received from Department for Culture, Media and Sport (DCMS) that relate specifically to the capital costs associated with the set up and establishment of the Commission have been credited to the Deferred Government Grant Reserve. The amount deferred has then been released back to the Statement of Comprehensive Net Expenditure in line with the depreciation and amortisation charged against these specific assets.

During 2011/12, revised FReM guidance abolished the Deferred Government Grant Reserve. Balances within this reserve have therefore been transferred to the Income and Expenditure Reserve. The closure of the Deferred Government Grant Reserve means that there will no longer be any releases to the Statement of Comprehensive Net Expenditure to offset depreciation and amortisation.

This change in accounting policy has had no impact upon the Statement of Comprehensive Net Expenditure position, or overall on Taxpayers' Equity (see note 22).

## d) 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 widow of the former Chairman as they are due. The expected cost of providing the pension was recognised over the period which the Commission benefited from the Chairman's services, through the building up of a fund for the future scheme liability. This was calculated using actuarially assessed assumptions.

### e) 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.

### f) Employee costs

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

Permanent and short term employee costs are presented in accordance with IFRS. Permanent and short term employees are identified as follows:

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

### g) Value added tax

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

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

The Commission collects fee income in relation to the Act. In accordance with its Financial and 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 5 years).

### i) Revenue grant-in-aid

In prior years, the Commission received grant-in-aid from DCMS in relation to studies and research undertaken over the year. Funding of study and research expenditure ceased in 2010/11, and no grant-in-aid was received during 2011/12.

### j) Other income: Shared services provided to the NLC

From January 2012, the Commission has been providing shared service arrangements to the National Lottery Commission. Service Standard Agreements are in place to support the provision of these common services, and a contribution towards the costs incurred in providing these services has been received from the NLC. The contribution from the NLC covers all of the costs incurred in providing the shared service to the NLC, and is recognised in the Statement of Comprehensive Net Expenditure as "Other income". Expenditure is recognised within the Commission's standard expenditure categories.

### **k) Financial instruments**

The Gambling Commission reviews all contracts against IAS 39 in respect of recognition and measurement of financial instruments. As per IAS 39, cash and trade receivables have been identified as financial assets and trade payables have been identified as financial liabilities. The Commission's only non-current liability identified as a financial instrument relates to deferred income collected in advance of recognitions. 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 significant 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 know 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 2012/13. The change in standard is not expected to impact upon the Commission's financial statements.

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 secondary legislation under the Public Bodies Act 2011. Consultation will take place over the Summer on whether the two organisations should merge. Ministers plan to make a decision in November 2012, If this is to proceed with merger this will then be subject to an affirmative resolution being passed in the Houses of Parliament, with changes effective from April 2013. Notwithstanding the outcome of the consultation, current expectations are that the operations of the Commission will continue in all respects. 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 Act came fully into force on 1 September 2007, upon which the gambling industry were required to apply for operator and personal licences under the jurisdiction of the Gambling Act 2005. Fees payable under the Act are received in respect of application fees, annual fees and changes and variations to licences. These monies are retained by the Gambling Commission to fund operational activities under the Act.

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

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

	2012 £'000	2011 £'000
Operator licence applications		
Application fees	706	839
Annual fees	12,095	11,687
Personal licence applications	477	411
<b>Total fee income received</b>	<b>13,277</b>	<b>12,937</b>
Interest on fee income	10	15
<b>Total</b>	<b>13,287</b>	<b>12,952</b>

### 2(b): Gambling Act 2005 income recognised

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

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

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

	2012 £'000	2011 £'000
Operator licence applications		
Application fees	625	786
Annual fees	12,068	11,894
Personal licence applications	576	551
<b>Total fee income</b>	<b>13,269</b>	<b>13,231</b>
Interest on fee income	11	15
<b>Total</b>	<b>13,280</b>	<b>13,246</b>

## 3: Other income

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

	2012 £'000	2011 £'000
Miscellaneous income	121	37
Contribution from NLC re shared services	154	–
<b>Total other income</b>	<b>274</b>	<b>37</b>



## 4: Employee costs

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

	2012 Total £'000	2012 Permanent £'000	2012 Short Term £'000	2011 Total £'000
Salaries and wages	6,783	6,382	401	6,898
Social Security costs	561	524	37	556
<b>Pension costs:</b>				
Included within Statement of Comprehensive Net Expenditure	1,177	1,133	44	1,214
Included as other finance costs	-	-	-	1
Recognised in other comprehensive expenditure	-	-	-	(17)
Total pension costs	1,177	1,133	44	1,198
<b>Total Commissioners' and staff costs</b>	<b>8,521</b>	<b>8,039</b>	<b>482</b>	<b>8,652</b>

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

	2012 Short Term £'000	2011 Total £'000
Employee costs	8,521	8,668
Interest costs on pension scheme liability	-	1
Actuarial adjustments to pension scheme liability	-	(17)
<b>Total</b>	<b>8,521</b>	<b>8,652</b>

In previous years, costs in relation to two permanent employees have been capitalised during the year (£19,000 in 2010/11). However this year no development projects have taken place, so no employee costs have been capitalised.

### Exit packages agreed in 2011/12

	2011/12			2010/11		
	Compulsary redundancies Number	Other departures agreed Number	Total exit packages by cost band Number	Compulsary redundancies Number	Other departures agreed Number	Total exit packages by cost band Number
Less than £10,000	-	-	-	-	-	-
£10,001-£25,000	-	-	-	-	-	-
£25,001-£50,000	-	2	2	-	-	-
£50,001-£100,000	-	-	-	-	-	-
£100,001-£150,000	-	-	-	-	-	-
£150,001-£200,000	-	-	-	-	-	-
>£200,000	-	-	-	-	-	-
<b>Total number of exit packages</b>	<b>-</b>	<b>2</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total cost</b>	<b>-</b>	<b>71,447</b>	<b>71,447</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

## b) Retirement benefits

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

### (i) Employees

The Commission provides pension benefits for permanent staff under the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme but the Commission is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007.

You can find details in the resource accounts of the Cabinet Office:

Civil Superannuation [www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)

For 2011/12, employers' contributions of £1,142,402 were payable to the PCSPS (2010/11 £1,180,070) 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 employees on secondment at the Commission. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2012-13, 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 2011/12 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 £9,843 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 £843 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 Position date were £787. 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 analogous with the civil service classic scheme. There is no minimum retirement age and there are certain minor modifications to the standard civil service arrangements in respect of enhancements. The scheme is unfunded and benefits are paid as they fall due.

A full actuarial valuation of the scheme was carried out by the Government Actuary at 31 March 2011. Given the low value of the scheme liability, and the associated cost of carrying out the annual valuation exercise appearing large by proportion, the Commission has taken the view that a formal revaluation of the scheme would not have a material effect on the annual accounts. In addition the main financial assumptions and life expectancy assumptions used by the actuary in the calculation of the scheme liability were reviewed to ensure that there had been no significant changes or therefore, a full actuarial valuation of the scheme was not carried out by the Government Actuary at 31 March 2012. 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 2012	31 March 2011
Inflation assumption	2.00%	2.65%
Rate on increase in salaries	4.25%	4.90%
Rate of increase for pensions in payment, in line with inflation	2.00%	2.65%
Discount rate for scheme liabilities	4.85%	5.60%

## Life expectancy at retirement

Current pensioners	As at 31 March 2012		As at 31 March 2011	
	men (years)	women (years)	men (years)	women (years)
Exact age				
60	29.0	32.4	29.2	32.5
65	24.0	27.3	24.1	27.3

The present value of the scheme liability at 31 March 2012 is £12,715.

The cumulative amount of actuarial gains since the formation of the Gambling 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.

	2012 £'000	2011 £'000
<b>Analysis of amount charged to operating surplus:</b>		
Current service cost (net of employee contribution)	–	–
<b>Analysis of amount charged to other finance costs:</b>		
Interest on pension scheme liabilities	–	1
<b>Analysis of amount recognised in statement of changes in taxpayers equity (SCTE):</b>		
Actuarial gain/(loss)	–	17
Overnight increase in liability (change on return)	–	
<b>Total gain recognised in Other Comprehensive Expenditure</b>	<b>–</b>	<b>17</b>

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

	2012	2011
<b>Permanent staff</b>	<b>198</b>	<b>210</b>
<b>Other staff</b>	<b>13</b>	<b>10</b>
	<b>211</b>	<b>220</b>

## 5: Other operating costs

	<b>2012</b>	2011
	<b>£'000</b>	£'000
Accommodation	<b>1,221</b>	1,168
Professional and accountancy fees	<b>634</b>	695
Travelling and subsistence	<b>367</b>	361
Agency and other staff costs	<b>90</b>	65
Recruitment, training and development	<b>204</b>	61
Hospitality	<b>14</b>	35
Office services	<b>794</b>	805
External audit fee*	<b>40</b>	40
Internal audit costs	<b>39</b>	32
Amounts payable to CRB	<b>56</b>	33
Other**	<b>269</b>	381
<b>Total operating costs</b>	<b>3,728</b>	3,676

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

\*\* Other costs includes costs associated with prevalence studies into gambling. This totalled £192,000 in 2011/12 (£271,000 in 2010/11).

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

	<b>2012</b>	2011
	<b>£'000</b>	£'000
<b>Land and buildings</b>	<b>844</b>	816
<b>Other</b>	<b>9</b>	12
	<b>853</b>	828

## 6: Property, plant and equipment

	IT hardware £'000	Furniture and fittings £'000	Plant and machinery £'000	Transport equipment £'000	Total £'000
<b>Cost/valuation</b>					
At 1 April 2010	870	1,911	179	10	2,970
Additions	35	–	–	–	35
Disposals	–	–	–	–	–
At 31 March 2011	905	1,911	179	10	3,005
<b>Accumulated depreciation</b>					
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
<b>Net book value at 31 March 2011</b>	116	997	67	3	1,183
<b>Net book value at 31 March 2010</b>	209	1,182	92	5	1,488

	IT hardware £'000	Furniture and fittings £'000	Plant and machinery £'000	Transport equipment £'000	Total £'000
<b>Cost/valuation</b>					
At 1 April 2011	905	1,911	179	10	3,005
Additions	49	19	–	–	68
Disposals	(30)	–	–	–	(30)
At 31 March 2012	924	1,930	179	10	3,043
<b>Accumulated depreciation</b>					
At 1 April 2011	789	914	112	7	1,822
Provided in year	91	227	22	3	343
Disposals	(30)	–	–	–	(30)
At 31 March 2012	850	1,141	134	10	2,135
<b>Net book value at 31 March 2012</b>	74	789	45	–	908
<b>Net book value at 31 March 2011</b>	116	997	67	3	1,183

Disposals during the year relate to obsolete IT equipment. This does not affect the net book value of IT hardware at 31 March 2012, as the majority of items had been fully depreciated, with the appropriate depreciation being charged to the Statement of Comprehensive Net Expenditure during the life of the asset. The exception was the disposal of two items slightly before the end of the useful life, resulting in a loss on disposal of £219. This loss has been recognised within the Statement of Comprehensive Net Expenditure.



## 7: Intangible assets

	Development expenditure £'000	Software £'000	Software licences £'000	Websites delivering services £'000	Total £'000
<b>Cost/valuation</b>					
At 1 April 2010	–	4,219	399	235	4,853
Additions	–	182	–	–	182
Disposals	–	–	(144)	–	(144)
At 31 March 2011	–	4,401	255	235	4,891
<b>Accumulated amortisation</b>					
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
<b>Net book value at 31 March 2011</b>	–	2,515	104	174	2,793
<b>Net book value at 31 March 2010</b>	–	2,947	140	207	3,294

	Development expenditure £'000	Software £'000	Software licences £'000	Websites delivering services £'000	Total £'000
<b>Cost/valuation</b>					
At 1 April 2011	–	4,401	255	235	4,891
Additions	–	167	–	–	167
Disposals	–	–	–	–	–
At 31 March 2012	–	4,568	255	235	5,058
<b>Accumulated amortisation</b>					
At 1 April 2011	–	1,886	151	61	2,098
Provided in year	–	638	36	34	708
Disposals	–	–	–	–	–
At 31 March 2012	–	2,524	187	95	2,806
<b>Net book value at 31 March 2012</b>	–	2,044	68	140	2,252
<b>Net book value at 31 March 2011</b>	–	2,516	104	174	2,793

## 8: Trade receivables and other current assets

	2012 £'000	2011 £'000
Trade receivables	90	54
Other receivables	155	–
Deposits and advances	54	65
Prepayments and accrued income	536	573
	<b>835</b>	<b>692</b>

The Commission are due the following balances with other government bodies as at 31 March 2012.

### Other receivables

National Lottery Commission – £147,468 in respect of the provision of Common Services.

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

## 9: Trade payables and other current liabilities

	2012 £'000	2011 £'000
Trade payables	179	72
Staff cost payables	489	418
Other payables	2	3
Accruals and deferred income	7,151	7,085
	<b>7,821</b>	<b>7,578</b>

The Commission held the following balances with other government bodies as at 31 March 2012.

### Trade payables

Ministry of Defence – £234 in respect of information checks performed.

### Staff cost payables

HMRC – £181,030 in respect of employee tax and NI contributions due.

Cabinet Office – £113,264 in respect of PCS/PCS pension contributions due.

DCMS – £34,821 in respect of seconded staff.

### Other payables

HMRC – £2,040 in respect of corporation tax due.

The remaining balances are held with bodies external to government.

The Commission holds deferred income balances of £6,135,456.35 (£6,138,656 in 2010/11).

This relates to:

Licence fees paid that are due to be released to income in 2012/13 – £6,052,305.80.

Licence fees paid in advance of the anniversary of the licence – £83,150.55.

## 10: Amounts falling due after more than one year

	2012 £'000	2011 £'000
Deferred income	353	460
	<b>353</b>	<b>460</b>

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 2013/14 onwards.

## 11: Pension liability

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

	2011 £'000
At 1 April 2010	32
Current service cost	–
Staff contribution	–
Interest cost	1
Actuarial loss/(gain) in the period	(17)
Pensions paid in the year	(2)
<b>At 31 March 2011</b>	<b>14</b>

	2012 £'000
At 1 April 2011	14
Current service cost	–
Staff contribution	–
Interest cost	–
Actuarial loss/(gain) in the period	–
Pensions paid in the year	(2)
<b>At 31 March 2012</b>	<b>12</b>

## 12: Third party assets

The Commission held the following assets on behalf of third parties at 31 March 2012.

	2012 £'000	2011 £'000
At 1 April	192	4
Arising in the year	12	190
Settled in the year	–	(2)
<b>At 31 March</b>	<b>204</b>	<b>192</b>

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, or returned.

## 13: Financing

The Commission no longer routinely receives grant-in-aid for the funding of prevalence studies into gambling (£481,000 received in 2010/11).

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

	notes	2012 £'000	2011 £'000
Income and expenditure reserve excluding pension liability		1,552	1,302
Pension liability	11	(12)	(14)
<b>Income and expenditure reserve</b>		<b>1,540</b>	<b>1,288</b>

## 15: Cash and cash equivalents

	2012 £'000	2011 £'000
Balance at 1 April	4,672	3,692
Net change in cash and cash equivalent balances	1,059	980
<b>Balance at 31 March</b>	<b>5,731</b>	<b>4,672</b>

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

## 16: Capital commitments

There were no contracted capital commitments at 31 March 2012 for which no provision had been made (£0 in 2011).

## 17: Commitments under operating leases

At 31 March 2012 the Commission was committed to making the following payments in respect of operating leases.

	At 31 March 2012		At 31 March 2011	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases:				
Within one year	832	9	832	12
In the second to fifth years inclusive	2,386	5	3,218	8
Over five years	–	1	–	–
	<b>3,218</b>	<b>15</b>	<b>4,050</b>	<b>20</b>

## 18: Related party transactions

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

The DCMS is regarded as a related party. During the 12 months to 31 March 2012, the Commission has had a small number of material transactions with DCMS, comprising of:

£93,264 paid in relation to DCMS staff on secondment;  
(£34,821 as creditors at the 31 March 2012).

The National Lottery Commission is also regarded as a related party. Following co-location and the provision of shared services from 4 January 2012, the following transactions occurred during 2011/12:

Other Income: Shared Service Agreement and seconded staff	(£153,736)
Cash receipts: Shared Service Agreement and seconded staff	£7,747
Other Debtors: SSA, seconded staff and sundry costs	£155,233
Trade Creditors: Sundry NLC costs due for payment	(£9,245)

During the period none of the Commissioners, members of key management staff 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) establishes principles for the presentation, recognition and measurement, and disclosure of financial instruments as liabilities or equity.

Because of the way that the Gambling Commission is funded, the Commission is not exposed to the degree of financial risk faced by business entities.

Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which these standards mainly apply.

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

### Currency risk

The Gambling 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 Gambling Commission does not provide credit arrangements for the payment of licence fees by the industry – all fees must be paid on or before the date prescribed to prevent a breach of the licence, and the licence being revoked. Because the Commission relies on fees receivable from the gambling industry (payable immediately), and departmental grant-in-aid for specific projects, the Commission has very low exposure to credit risk.

### Liquidity risk

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

#### (i) Financial Assets and Financial Liabilities

##### Financial Assets

Currency	Total £'000	Floating rate £'000	Fixed rate £'000	Non-interest bearing £'000	Fixed rate		Non-interest bearing
					Weighted average interest rate %	Weighted average period for which fixed Years	Weighted average term Years
At 31 March 2012							
Sterling	5,875	5,731	–	144	0.00		
<b>Gross financial assets</b>	<b>5,875</b>	<b>5,731</b>	<b>–</b>	<b>144</b>			
At 31 March 2011							
Sterling	4,791	4,672	–	119	0.00		
<b>Gross financial assets</b>	<b>4,791</b>	<b>4,672</b>	<b>–</b>	<b>119</b>			



## Financial liabilities

Currency	Total £'000	Floating rate £'000	Fixed rate £'000	Non-interest bearing £'000	Fixed rate		Non-interest bearing
					Weighted average interest rate %	Weighted average period for which fixed Years	Weighted average term Years
At 31 March 2012							
Sterling	6,880	–	–	6,880	0.00	–	–
<b>Gross financial liabilities</b>	<b>6,880</b>	<b>–</b>	<b>–</b>	<b>6,880</b>			
At 31 March 2011							
Sterling	6,885	–	–	6,885	0.00	–	–
<b>Gross financial liabilities</b>	<b>6,885</b>	<b>–</b>	<b>–</b>	<b>6,885</b>			

## (ii) Financial assets and financial liabilities

### Financial assets

	At fair value through profit and loss £'000	Loans and receivables £'000	Available for sale £'000	Total £'000
Embedded derivatives	–	–	–	–
Debtors	–	144	–	144
Debtors over 1 year	–	–	–	–
Cash at bank and in hand	–	5,731	–	5,731
Other financial assets	–	–	–	–
<b>Total at 31 March 2012</b>	<b>–</b>	<b>5,875</b>	<b>–</b>	<b>5,875</b>

Embedded derivatives	–	–	–	–
Debtors	–	119	–	119
Debtors over 1 year	–	–	–	–
Cash at bank and in hand	–	4,672	–	4,672
Other financial assets	–	–	–	–
<b>Total at 31 March 2011</b>	<b>–</b>	<b>4,791</b>	<b>–</b>	<b>4,791</b>

**Financial liabilities**

	At fair value through profit and loss £'000	Other £'000	Total £'000
Embedded derivatives	-	-	-
Creditors	6,527	-	6,527
Creditors over 1 year	353	-	353
Borrowings	-	-	-
Private Finance Initiative and finance lease obligations	-	-	-
Other financial liabilities	-	-	-
<b>Total at 31 March 2012</b>	<b>6,880</b>	<b>-</b>	<b>6,880</b>

Embedded derivatives	-	-	-
Creditors	6,425	-	6,425
Creditors over 1 year	460	-	460
Borrowings	-	-	-
Private Finance Initiative and finance lease obligations	-	-	-
Other financial liabilities	-	-	-
<b>Total at 31 March 2011</b>	<b>6,885</b>	<b>-</b>	<b>6,885</b>

**20: Contingent liabilities**

There are no contingent liabilities to report at 31 March 2012 (£0 2010/11).

**21: Post balance sheet events**

The Commission is currently defending a Judicial Review instigated by Camelot in respect of the Health Lottery. The hearing is scheduled for 11-13 July 2012, and therefore the outcome of the Review was not known at audit certificate date.

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

There are no post balance sheet events to report since this date.

## 22: Impact of accounting policy change re DGGR

	Income and Expenditure Reserve £'000	Deferred Government Grant Reserve £'000	Total Reserves £'000
Reserves at 31 March 2010 (prior to accounting policy change)	(2,156)	3,029	873
Adjustments for:			
Restatement of Deferred Government Grant Reserve	3,029	(3,029)	–
<b>Reserves at 1 April 2010 (post accounting policy change)</b>	<b>873</b>	<b>-</b>	<b>873</b>

	<b>31 March 2012 £'000</b>	31 March 2011 £'000
Net Expenditure after Interest (prior to accounting policy change)	<b>893</b>	565
Adjustments for:		
Reversal of Deferred Government Grant Reserve Release	<b>(641)</b>	(648)
<b>Net expenditure after Interest (post accounting policy change)</b>	<b>252</b>	(83)

For all periods up to and including the year ended 31 March 2011, the Commission, in accordance with HM Treasury FReM guidance, held a Deferred Government Grant Reserve in respect of grant funded assets. Deferred government grant was released from this reserve to the Statement of Comprehensive Net Expenditure to offset depreciation and amortisation incurred on grant funded assets. In 2011/12, revised FReM guidance abolished the Deferred Government Grant Reserve.

The effect of this Accounting Policy change had the following impact on the Commission for the year ended 31 March 2012:

- The Commission's surplus for the year has decreased by £641,000
- The Income and Expenditure Reserve has increased by £1,333,000 as a result of the transfer of Deferred Government Grant Reserve
- Deferred Government Grant Reserve has fallen by £1,333,000 to zero.
- Total taxpayers' equity remains unchanged.

# Appendices

- **Appendix 1 – Board of Commissioners**
- **Appendix 2 – The Management Board**
- **Appendix 3 – Management boards – remit and membership**
- **Appendix 4 – Employment statistics for 2011/12 (as at 31 March 2012)**
- **Appendix 5 – Glossary**



Scale model of Victoria House located in the building foyer

## Appendix 1

### Board of Commissioners



#### **Philip Graf CBE (Chairman)**

Philip Graf is Chairman of CfBT Education Trust, a leading education consultancy and service organisation, and an associate of Praesta Partners LLP. He is also Vice Chairman of Crisis.

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 was also Vice Chairman of Ofcom until the end of 2011.



#### **Robin Dahlberg (from 1 January 2012)**

Robin Dahlberg is the Vice Chair of the Security Industry Authority and a Board Member of the Health and Safety Executive. He was formerly a Board Member of the Local Better Regulation Office and a Lay Member of the Advisory Panel on Standards for the Planning Inspectorate. He was this year appointed Chair of Orbit Heart of England Housing Association and a Non-executive Board member of Orbit Group Ltd. He has worked extensively with Citizens Advice since 2003 and is currently a Trustee of its Pension and Assurance Plan. He is also the Treasurer of Jubilee Gardens Trust, and was previously Vice Chair of Waterloo Community Development Group and a Trustee of Florence Nightingale Museum Trust. His earlier professional experience involved IT management systems and internet security.



#### **Ben Gunn CBE QPM (to 31 March 2012)**

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 OBE (to 31 March 2012)**

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 and 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.





### **Anthony Lilley OBE (from 1 January 2012)**

Anthony Lilley is the Chief Creative Officer and CEO of Magic Lantern Productions Ltd. He is a Visiting Professor in the Centre for Excellence in Media Practice at Bournemouth University and a Non-executive Director of Zespa Media Ltd. As well as advising a wide range of public sector organisations including NESTA and Arts Council England concerning the use of technology in the arts and media, he is a Patron of UK Media Literacy Taskforce, a Member of the OFCOM Content Board and of the British Screen Advisory Council, a Trustee of English National Opera, and Chairman of Lighthouse, the digital culture agency. He is a Fellow of the Royal Society of the Arts and former Visiting Professor at the University of Oxford.



### **Walter Merricks CBE (from 1 January 2012)**

Walter Merricks qualified as a solicitor. He is currently Chairman of the Trustee Board at the Academy of Medical Royal Colleges, a Board Member of Ombudsman Services Ltd and a Service Complaint Adjudicator for the Legal Ombudsman. He was Chief Ombudsman of the Financial Ombudsman Service and was previously Insurance Ombudsman. He had been Assistant Secretary-General at The Law Society following an earlier career as a lecturer in law and in legal journalism. From 2002-2008 he was a Board Member of the Human Fertilisation and Embryology Authority, including periods as its Deputy Chairman and Interim Chairman.



### **Gill Milburn (to 31 March 2012)**

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 program 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 (to 31 March 2012)**

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.



### **Dr Graham Sharp (from 1 January 2012)**

Dr Graham Sharp is a member of the Accounts Commission for Scotland. He originally trained as a chartered accountant with Thomson McIntock (now KPMG) in Glasgow. He possesses a wealth of private sector experience drawn from senior positions in the financial field and worked in the City of London for many years. He has held a number of roles at Board level including being on the Board of the leading merchant bank Samuel Montagu and being a founding director of the commercial property investment company Minerva. He was a trustee of Victoria Convalescent Trust.



### **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)**

See Management Board details in Appendix 2.

## Appendix 2

### The 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 (to December 2011)**

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 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, 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 45 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.



### **Tracey Martin: Director of Finance (from January 2012)**

Tracey joined the Gambling Commission in January 2012. She began her career in the Private sector as a Land Surveyor leading teams on large scale Civil Engineering projects, and later moved into the defence sector as a Cartographer, developing digital mapping technology. Tracey then changed direction, qualifying as an Accountant, moving into finance, leading multi-million pound projects for the defence sector. She has built substantial expertise in strategic finance working in partnership with the private sector. Tracey has most recently led the creation of a health related Social Enterprise company borne from government policy.

#### **Role**

Tracey's role as Director of Finance is to ensure financial probity of the Gambling Commission's finances, and underpinning strategy ensuring sustainability. Allied to this is the need to ensure an appropriate fee structure meets the needs of all stakeholders demonstrating value for money.



### **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 - the last year of which he spent as the Police National Database Programme Director. His specialist executive responsibilities have included force and regional intelligence development and operations, establishing the UK National Ballistics Intelligence Service, intelligence and information exchange technologies. He also held executive responsibility for the delivery of policing services to Birmingham and Wolverhampton.

#### **Role**

Nick has responsibility for the employees that deliver all aspects of the operation of the licensing, compliance and enforcement regimes. This includes the licence application and maintenance arrangements for operators and individuals, the activity of the regional compliance teams and the enforcement activity conducted against unlawful operators.

## Appendix 3

### Management boards – remit and membership

#### Management Board

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.

#### Delivery Board

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

The Risk Management Committee meets quarterly and provides the direction, ownership and resources with which to assess and manage risk. The Chief Executive, who is also the Accounting Officer, chairs the Committee and it includes all directors who between them own and manage each of the corporate risks.

The Board takes its own view of corporate risk as part of its strategic role and its oversight of the risk management process in the Commission and is advised by the Risk Management Committee. The Risk Management Committee involves, and is supported by, employees in the risk assessment and management process in a number of ways including employee induction, the focus of job roles and responsibilities, policy and procedure guides and specific training and development programmes. 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.

Risk registers are maintained and regularly reviewed by the members of the Management Board and the Risk Management Committee plays an active role in ensuring that risks are identified, recorded and reviewed. The outcome of the risk management strategies are challenged and monitored by the Board. This process ensures that any significant emerging issues are communicated to Board and any appropriate mitigating action is effectively applied.

**Table 12: Management boards – membership**

Name	Role	MB*	DB*	RMC*
Jenny Williams	Chief Executive	Chair	√	√
Matthew Hill	Director of Strategy, Research and Analysis	√	√	√
Julie Grant (to 31 December 2011)	Director of Finance	√	√	√
Justine Kenny	Director of People and Organisational Development	√	√	√
Julia Mackisack	Director of Corporate Affairs	√	√	√
Tracey Martin (from 16 January 2012)	Director of Finance	√	√	√
Neil McArthur	Director of Legal	√	Chair	√
Nick Tofiluk	Director of Regulation	√	√	√
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 RMC = Risk Management Committee.

## Appendix 4

### Employment statistics for 2011/12 (as at 31 March 2012)

<b>Total employees by contract type</b>	
Secondees	3
Short term employees	9
Permanent employees	192
<b>Total</b>	<b>204</b>

<b>Departmental split</b>	
Corporate Affairs	5
Directors	7
Executive/Admin	7
Finance	8
Legal	3
People, Organisation and Development	6
<b>Regulation including</b>	<b>123</b>
Compliance	51
Enforcement	17
Licensing	45
Regulatory Co-ordination	5
Regulation	5
<b>Strategy, Research and Analysis including</b>	<b>45</b>
Facilities	2
ICT	9
Information	14
Intelligence	10
Policy and Research	10
<b>Total</b>	<b>204</b>

<b>Diversity – gender</b>	
Female	90
Male	114
<b>Total</b>	<b>204</b>

<b>Diversity – age</b>	
Under 20	0
21 to 30	18
31 to 40	76
41 to 50	50
51 to 60	46
60+	14
<b>Total</b>	<b>204</b>

<b>Diversity – ethnic origin</b>	
Asian or Asian British - Bangladeshi	0
Asian or Asian British - Indian	13
Asian or Asian British - Other	1
Asian or Asian British - Pakistan	1
Black or Black British - Caribbean	6
Chinese	1
Mixed race - other	1
Mixed race - White / Asian	1
Mixed - White and Black Caribbean	1
White British	170
White Irish	2
White Other	2
Not disclosed	5
<b>Total</b>	<b>204</b>

<b>Diversity – disability</b>	
Employees with a disability as defined under the Disability Discrimination Act 2005	1
Employees without a disability as defined under the Disability Discrimination Act 2005	203
<b>Total</b>	<b>204</b>

<b>Sickness absence rates</b>	
1 April 2011 to 31 March 2012	% of working days lost
Quarter 1	2.0
Quarter 2	2.1
Quarter 3	2.2
Quarter 4	1.9



## Appendix 5

### Glossary

the Act	Gambling Act 2005
AGC	Adult Gaming Centre
BGPS	British Gambling Prevalence Survey
BOA	British Olympic Authority
CPS	Crown Prosecution Service
DCMS	Department for Culture, Media and Sport
EBT	Electronic Bingo Terminals
EC	European Commission
ELM	External Lottery Manager
ESSA	European Sports Security Association
FOBT	Fixed Odds Betting Terminal (now known as a B2 gaming machine)
GRaHM	Gambling Related Harm Minimisation
GREaT	GREaT Foundation – an industry fundraising body that merged with RGF in April 2012 to form the Responsible Gambling Trust
GREF	Gaming Regulators European Forum
HMRC	HM Revenue and Customs
IAGR	International Association of Gambling Regulators
ISM	International Sports Monitoring
IOC	International Olympic Committee
LA	Licensing Authority
LALU	Licensing Authority Liaison Unit
LOCOG	London Organising Committee of the Olympic Games
NAO	National Audit Office
NLC	National Lottery Commission
OIC	Olympic Intelligence Centre
POCA	Proceeds of Crime Act 2022
RGF	Responsible Gambling Fund merged with GREaT in April 2012 to form the Responsible Gambling Trust
RGSB	Responsible Gambling Strategy Board
the Trust	Responsible Gambling Trust
SBIU	Sports Betting Intelligence Unit
SWP	Skill with prizes
VBT	Video Bingo Terminals

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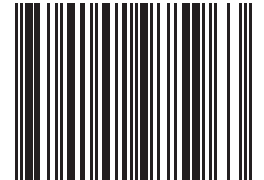
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