GAMBLING COMMISSION

Keeping gambling fair and safe for all

Annual Report & Accounts

2012/13

Gambling Commission
Annual Report and Accounts 2012/13

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Contents

Our approach to regulation

The Gambling Commission's role is to ensure that those who provide gambling facilities put the licensing objectives set out in the 2005 Gambling Act at the heart of their business and can demonstrate this. Our starting point is that it is for gambling operators to take primary responsibility for embedding those licensing objectives and ensuring that the gambling they offer is free from crime, is provided fairly and openly and does not harm people who are under age or otherwise vulnerable. Operators are best placed to identify and mitigate the risks involved.

Chairman's and Chief Executive's statement

We also deter and disrupt illegal gambling and take action against those that would exploit or cheat consumers. At the same time we advise central and local government and other stakeholders on gambling, its effects and regulation. In these ways we help responsible gambling operators to flourish while minimising any harm from gambling. But as the Culture, Media and Sport Commons Select Committee's report on the Gambling Act 2005 agreed, it is not for the Commission to go further and promote the gambling industry – to do so would be to call into question our independence as a regulator.

Challenge to industry

We welcome innovation and creativity in the sector but, as regulator, seek assurance that such developments rather than simply seeking to push regulatory boundaries, enhance players' enjoyment responsibly.

This year we have challenged[1] the industry to do more to address the genuine and legitimate concerns about the harm that can be caused to those who gamble to excess or are otherwise exploited. Operators need to demonstrate that they are genuinely concerned about the licensing objectives, for example, by supporting the gathering of evidence regarding actions which are effective in reducing harm from gambling or by developing consumer protection measures.

The industry not only needs to do all it reasonably can to prevent and mitigate harm from gambling but it also has to persuade a sceptical public it has the interests of the consumer and others potentially affected, such as their families, at heart. Otherwise, it will not secure the support of the public and policy makers to the more flexible regulatory framework it needs to continue to grow and innovate.

The Commission's focus

For our part we have continued to develop our approach and organisation to ensure we use our resources most effectively. Foremost amongst this is our focus on those issues and operators that potentially present the greatest risk to the licensing objectives. We will consider and, indeed, carry out enforcement action where operators are unwilling to or incapable of making the necessary improvements, where formal sanctions are required to act as a deterrent, or to prevent the less compliant or illegal operator undercutting those who operate responsibly. We always prefer, however, to use our powers to educate and support the industry in understanding how to comply with the law.

We devote particular attention to the work of our Local Authority Liaison Unit in support of our shared regulation partners and to securing improved arrangements for research, education and treatment. The improved arrangements we recently developed with the industry have already borne fruit in the work now underway, commissioned by the Responsible Gambling Trust[2] to assess the impact of gaming machines on gambling related harm. These priorities were in line with the recommendations of the Culture, Media and Sport Select Committee's report[3] and the Government's response.[4]

As the law currently stands, we cannot provide any assurance as to the way in which operators based overseas provide gambling facilities to British customers. Nor can we insist on the introduction of consistent or enhanced consumer protection measures from those

[1] http://blogs.culture.gov.uk/main/2013/01/public_confidence_is_key_to_gr.html
[2] The fundraising charity that commissions research, education and treatment services as prioritised in the national responsible gambling strategy
[3] http://www.publications.parliament.uk/pa/cm201213/cmselect/cmcumeds/421/42102.htm
[4] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/86445/Select_Cttee_response_to_A_bet_worth_taking.pdf

licensed overseas – for example if action is needed on social gambling. Nor can we require information from such operators, for example on suspicious betting transactions or on the way in which they are tackling risks to the licensing objectives, such as measures to prevent under age gambling. At present over 85% of the British remote gambling market is regulated by overseas jurisdictions and not by the Gambling Commission.

We therefore welcome the Culture, Media and Sport Committee's endorsement of the proposed repatriation of gambling regulation so that all those selling gambling facilities to British consumers are subject to the same Commission requirements and oversight. The Gambling (Licensing and Advertising) Bill, legislation we have been seeking for some years, is now before Parliament and is expected to be in force in 2014. It will give us a far better basis on which to provide the consumer with assurance that remote gambling is and continues to be provided fairly and openly and with proper regard to the interests of those it might harm.

Our people and organisational effectiveness

As indicated in previous reports, the Commission constantly works to become a more highly skilled and responsive organisation through a combination of investment in developing our people and targeted recruitment. We have further reduced the number of directors this year, and secured efficiencies in the way we do routine processing of licensing and compliance checks. At the same time we have needed additional employees with the specialised experience and expertise to deal with the challenges of regulating and advising on gambling in the innovative and competitive environment in which we find ourselves.

Both the proposed merger with the National Lottery Commission (NLC) and the extension of our remit to cover overseas operators selling gambling to British consumers require additional skills which will enrich the Commission's pool of experience and expertise in the most effective way. Our aim is always that the cost of effective regulation should be as low as possible.

Over recent years the Commission has worked hard to improve the way we regulate while reducing costs. Those working at the Commission remain deeply committed to keeping gambling fair and safe for all. This is particularly encouraging after two years of pay freezes and severe pay constraints. We would like to thank colleagues for their hard work, enthusiasm and commitment.

This has been the first full year for our new board of Commissioners. In addition to their normal board and regulatory panel duties, Commissioners have performed a very useful role as sounding boards and advisers to a number of the specialist work streams in the Commission, for example those looking at the digital economy and at complaints handling. In April we were delighted to welcome Mary Chapman and Robert Foster as new Commissioners bringing valuable NLC experience to the Board.

We owe a substantial debt of gratitude to Sir Brian Pomeroy, Chair of the Responsible Gambling Strategy Board (RGSB) who has stepped down as planned after helping to develop and embed the new arrangements needed to secure authoritative advice. We welcome his successor, Sir Christopher Kelly, along with three new RGSB Board members – Dr Kate Antony, Dr Sanju George and Dr Simon Tanner.

The future

Protecting players and the wider public from gambling related harm, be that from illegal slot machines, consumer exploitation or problematic gambling behaviour, will always remain at the heart of what we do. We will continue to push operators to develop their approach to social responsibility through, for example, the use of technology to track and analyse player activity, improved customer interaction and more focus on the potential harm that their products might cause. Improving public confidence through demonstrable progress in player protection measures is key if this popular leisure industry is to be allowed to innovate and thrive. If player protection measures can be better targeted at the potential risks, the very large numbers who enjoy gambling without coming to harm can be given more scope to enjoy their leisure time as they choose.

We will continue to develop our evidence base in conjunction with the RGSB and the Responsible Gambling Trust. In addition to the research commissioned by the Responsible Gambling Trust on Category B gaming machines and other issues, we will produce a report during 2014 on the combined results of the questions we commissioned in the Health Survey for Scotland and the Health Survey for England. This will provide updated information on problem gambling that is comparable with the previous British Gambling Prevalence Surveys as well as providing additional information for example on co–morbidities such as concurrent incidence of depression or other mental health problems with problem gambling.

Our other priorities for the coming year include supporting the Department for Culture, Media and Sport (DCMS) as they reach conclusions on the triennial review of machine stakes and prizes, assisting as they take the Gambling (Licensing and Advertising) Bill through Parliament and subsequently preparing for its implementation. We will of course be spending a significant part of our time as a Board getting to grips with the challenges of our new extended remit

The coming year looks challenging but we are confident that the Board, reinforced by two new Commissioners bringing NLC experience, and the Commission's employees working together, will ensure that gambling is kept fair and safe for all. At the same time the newly-merged Commission will continue to regulate the National Lottery to maximise the return to good causes whilst ensuring probity and player protection.

Philip Graf
Chairman

Jenny Williams
Chief Executive

Operating and financial review

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 remit

The Commission regulates most commercial gambling in Great Britain, apart from the National Lottery and spread betting, working closely with our partners, local licensing authorities (LAs) and other organisations such as the police and HMRC. The industries regulated by the Commission generated an estimated £5.8 billion in gross gambling yield[5] in 2011/12. The National Lottery is regulated by the National Lottery Commission (NLC) which is expected to merge with the Commission later in 2013.

The Commission is a non-departmental public body (NDPB) sponsored by the Department for Culture, Media and Sport (DCMS) with the remit to permit gambling "in so far as the Commission thinks"[6] it is reasonably consistent with the three statutory licensing objectives:

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

It also has 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 Gambling Act 2005 (the Act) the Commission licenses individuals and operators offering gambling in Great Britain while LAs license premises and issue permits[7]. 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.

Our approach

Our business plan sets out the Commission's aims for the financial year 2012/13 and beyond. It details our planned activity, the resources we will use to fulfil our aims and the milestones by which we will measure progress. It also reflects the objectives we have set to shape the organisation we want to be – these are our strategic objectives.

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 their ability to restrict under-age access. This approach is supported by risk based interventions from us, focused on the effectiveness of the operator's internal controls, and targeted enforcement activity where needed.

We share responsibility for compliance and enforcement with local LAs – the Commission concentrating on matters of regional and national significance and LAs focussing on those of local significance – along with local police and other agencies such as HMRC and Trading Standards. Our Local Authority Liaison Unit (LALU) provides technical support and expertise to LAs, the police and other local bodies.

During the last year this has meant:

- continuing to produce quick guides for example on the illegal siting of gaming machines to help smaller operators stay compliant
- working with operators to address issues that have arisen, for example in relation to the testing of new games, and publicising the steps taken to remedy the shortcomings and prevent their re-occurrence
- gathering and sharing intelligence on illegal or non-compliant activities with our regulatory and law enforcement partners, for example passing intelligence on illegal gambling to licensing

[5] The amount retained by operators after the payment of winnings but before the deduction of the costs of the operation.
[6] Gambling Act 2005
[7] 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.

authorities who are best placed to assess local priorities

- assisting LAs and the police with gambling expertise, for example by running workshops on identifying non-compliant gaming machines or tackling illegal poker
- being prepared to litigate where this clarifies the law, for example, our successful defence of the judicial review of our decision to licence The Health Lottery.
- taking firm regulatory action, for example where those with a betting operator's licence have not developed a genuine betting business but have persisted, despite advice, in providing category B gaming machines
- concentrating on fewer but more complex enforcement cases with the result that, for example, an illegal operator received a six-month prison sentence and a substantial fine

As a result of this approach we have been able to reduce the number of visits to premises by over 50% – just one way in which we have been able to improve efficiency and thereby reduce the vast majority of licence fees in real terms.

Sports betting integrity

The innovatory joint assessment unit we developed with the International Olympic Committee (IOC) and the Metropolitan Police to assess and mitigate the risks of betting related corruption for the duration of the London Olympic Games last summer proved effective in the run up to and during the games. It left its own legacy in terms of improved ways of working nationally and internationally to promote sports betting integrity. The IOC and others have been considering how to use the approach to provide similar, effective support at future Games and other major sporting events.

We have continued to contribute our experience as a member of the IOC working group to tackle irregular and illegal betting in sport internationally. And, in conjunction with DCMS, we are contributing to the work of the Council of Europe in developing an international convention to tackle the threat to sports betting.

Personal licences

During the past year we have checked and updated licences held by over 3,600 personal licence holders. Such licences are a critical element in our regulatory approach, particularly as we hold over 4,000 personal management licence holders in key positions[8] personally accountable for the way in which their businesses pursue the licensing objectives.

Advice and assurance

During a time of continued reduction in staffing at DCMS, we have been particularly busy this year in three key areas:

- provision of advice and support in relation to the merger with the NLC proposed in the Public Bodies Act 2011
- the proposed legislation to require overseas operators selling gambling to British consumers to come under Commission regulation
- the triennial review of machine stakes and prizes.

Proposed NLC merger

In addition to assisting DCMS with their consultation on the proposed merger, we have been working closely with the NLC to ensure that effective regulation continues seamlessly, notwithstanding the upheaval caused by their relocation to Birmingham. Support services such as legal, HR, Finance have been provided jointly to both Commissions and a series of briefings and inductions arranged across both Commissions and at all levels, as well as with Camelot. Two NLC commissioners have been appointed as Gambling Commission commissioners to help ensure continuity and prevent the loss of expertise.

[8] Such as marketing, finance or IT security

Repatriation of remote gambling regulation

We gave evidence to the Culture, Media and Sport Select Committee supporting the Government's proposals to repatriate the regulation of remote gambling used by British consumers and assisted DCMS in responding to its report and taking its recommendations into account. Preparations for regulating the entire British remote gambling market have been helped by our work with other gambling regulators offshore and our involvement in an expert group set up by the European Commission to promote regulatory cooperation. Our aim is to minimise any additional regulatory burden for those operators that can demonstrate they meet British standards.

The triennial review of stakes and prizes

It is for DCMS to decide whether to change gaming machine stakes and prizes to support growth and innovation in the gambling industry. However, we have been heavily engaged in helping DCMS identify and consult on the relevant factors and, in conjunction with RGSB, in providing expert advice on the potential impact on the licensing objectives of the proposals in the departmental consultation paper including the call for evidence for a precautionary cut in the stakes and prizes for Category B2 machines.

Social gambling

In addition we have been assessing the potential risks from the growing interest in social gambling, that subset of social gaming resembling real money gambling but where players do not win money or money's worth. We are seeking further information from the social gambling industry and promoting public consideration of the issues along with other regulators here and overseas, such as Ofcom. In the meantime we have made it clear that those providing gambling-like activities commercially should act responsibly, in line with the licensing objectives, if they do not want formal regulation extended to them.

Building the evidence base

To underpin our risk based approach to licensing, compliance and enforcement and to support our role as the statutory adviser on the effects of gambling and its regulation, we continued to build our evidence base through such means as:

- improved analysis of regulatory returns provided by all licensed operators
- collating and analysing the results from engagement with individual operators
- collection and dissemination of industry data
- introducing 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 worked closely with our advisory body, RGSB, led by Sir Brian Pomeroy, and with the trustees of first GREaT and then its successor body the Responsible Gambling Trust to ensure that the replacement voluntary funding and commissioning scheme works as intended. That means provision not only of treatment but also the authoritative evidence we need on what works in terms of prevention, identification of those at risk and treatment.

The RGSB published its updated strategy in December, setting out a framework for the effective delivery of research, education, harm prevention and treatment to help address gambling-related harm in Great Britain. And the Trust has begun commissioning against this strategy with work already underway, for example, looking at Category B gaming machines to understand better how people behave when playing these machines and what helps people to stay in control and play responsibly. While we do not expect any silver bullets to help us reduce the risk of harm from gambling, the results will contribute to our understanding and help towards minimising the level of problem gambling in Britain.

Commission funding

The Commission is an independent public body funded solely by application and licence fees set by the Secretary of State, approved by Parliament and paid by gambling operators.

A number of fee changes came into effect on 6 April 2012 giving an overall reduction in the fee level. These changes reflected the continuing shift in focus of compliance and enforcement activity; the accumulated experience of three years operating under the Act enabled us to recover the necessary costs of regulation more equitably across operators in each sector, and between sectors.

The changes made at a senior level last year are now well established and we have made a further reduction in the senior team while targeting some limited recruitment to meet specialist requirements, particularly in the area of remote gambling. At the same time we continue to invest in developing colleagues to improve both personal and organisational effectiveness and in specialised training, for example, anti money laundering and cybercrime.

Our People

We continue to follow Cabinet Office guidelines for pay within the public sector and limited pay awards to 1% based on performance through the year. Employees performing to exceptional standards or those subject to a contractual performance related bonus scheme received an appropriate non-consolidated additional payment.

As of March 2013 there were 199 employees working at the Commission with 39 being home based. A full breakdown is included at Appendix 4.

Sickness rates

During the year, the average proportion of working days lost to sickness was 2.5% (2011/12 – 2.25%). This compares favourably with the public sector average of 3.3% as reported in the CIPD Annual Survey report 2012.

Equality in the workplace

The Commission is required to meet the public sector equality duty that came into force on 5 April 2011. We also have a clear values and behaviours statement setting out our expectations and individuals are trained in regard to the legislation. This expectation is supported by clear policies and procedures to reinforce acceptable behaviours.

The Commission and the environment

We have not included full details on sustainability, as organisations occupying less than a total of 1,000m^2 of floor area or with fewer than 250 FTE staff are exempt from providing this information.

However, 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. Our carbon footprint at 31 March 2013 was 0.70 tonnes per employee (2011/12 – 0.87 tonnes per employee), a reduction of around 14%, against the Government's request that public sector organisations reduce their footprint by 10% per year.

Finances

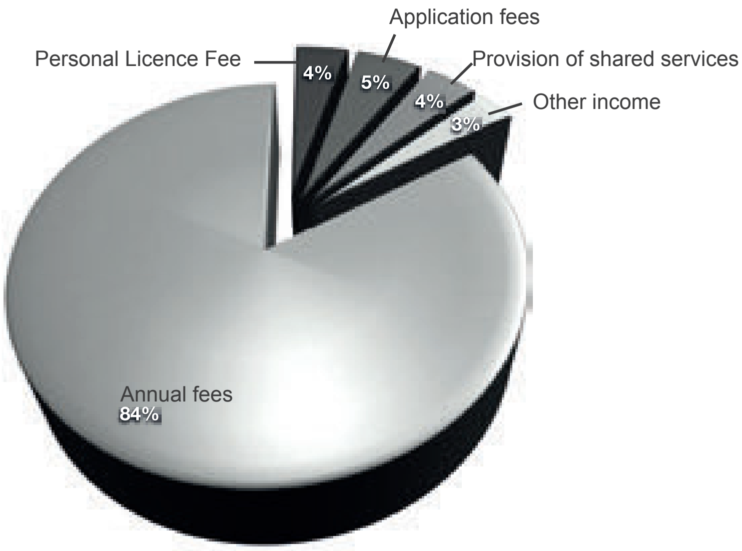
Income

Our total income from fees and other sources was £14.13 million for the year (2011/12: £13.54m). After allowing for income from the NLC for services (including accommodation) and from the reimbursement of exceptional legal costs (see below), this represents a modest decrease of 1.3% on the prior financial year.

Operator application fee income for the year amounted to £0.68 million (2011/12: £0.63m), a 8% increase on the previous year. Chart A provides a breakdown of our total income from fees. In accordance with our accounting policies, fees recognised for the current year amount to £0.63 million (2011/12: £0.58m) for personal licences and £11.84 million (2011/12: £12.07m) for operator annual licence fees (see table 2b page 38). Licence fees and other charges can be found on our website at www.gamblingcommission.gov.uk

This year the Commission received £0.57 million (2011/12 £0.15m) from the NLC for providing services throughout the financial year compared to a three-month period in 2011/12. The Commission also received £0.42 million in miscellaneous income (2011/12 £0.12m). The increase is mainly attributable to the recovery of legal fees incurred as a result of the judicial review of the Commission's decision in respect of The Health Lottery.

Chart A: Total income from fees



Expenditure

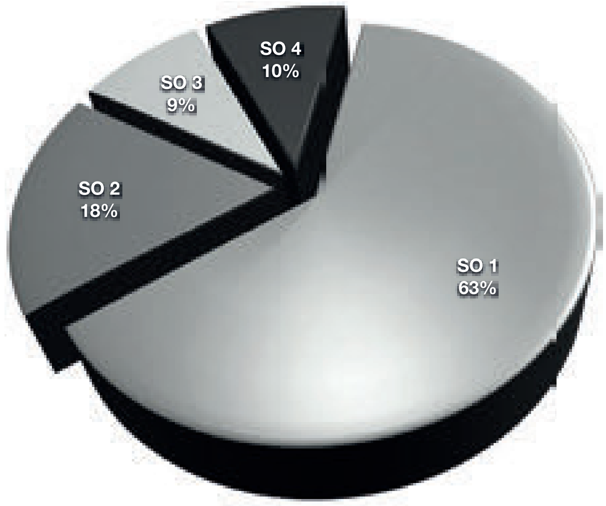
During the year, expenditure on operational costs excluding depreciation was £12.8 million (2011/12 – £12.2m). After allowing for expenditure on services provided to the NLC (£570k) and exceptional external legal costs in connection with The Health Lottery judicial review (£283k), both of which were fully reimbursed, expenditure (£11.9m) fell by £0.1 million (0.7%) on the prior financial year. We have continued to streamline our operational activity and increase efficiency.

Employee costs for 2012/13 were £8.8 million (2011/12 – £8.5m), £0.3 million higher than the prior year. However, this includes £0.3 million in respect of employees providing services to the NLC. Despite the recruitment of more skilled, specialised employees, delays to the recruitment of vacant posts have resulted in costs remaining relatively stable on a like for like basis.

Other operating costs for 2012/13 were £4.0 million (2011/12 – £3.7m).

Our expenditure is analysed 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 'm' on page 37).

Chart B: Expenditure by strategic objective (SO)



SO 1. Regulating gambling in the public interest

SO 2. Providing authoritative advice on gambling and its regulation

SO 3. Engaging with stakeholders

SO 4. Developing its employees and organisation

Costs of regulation

The following table shows how the Commission's work continues to change as we focus increasingly on higher impact operators while providing assistance and support for LAs working in their local area.

Costs 2009/10 – 2012/13 (excluding depreciation and amortisation)

	2009/10 £'000	2010/11 £'000	2011/12 £'000	**2012/13 £'000**
RGSB, prevalence and other data collection costs	767	736	450	**445**
Other thematic programmes				
Test cases	45	100	250	**200**
Major enforcement activity	–	200	200	**250**
Betting integrity	100	500	600	**750**
Innovation etc.	300	300	350	**325**
Advisory Work/Reviews	230	295	95	**215**
Other thematic programmes total	675	1,395	1,495	**1,740**
Compliance and enforcement	6,642	6,015	6,000	**5,665**
Legal costs				
Judicial Review external legal costs	–	–	80	**283**
Other legal costs	818	710	548	**619**
Legal costs total	818	710	628	**902**
Intelligence	695	455	384	**322**
Licensing	1,694	1,482	1,499	**1,642**
HR, Finance and Communications	456	417	431	**463**
Infrastructure and IT	1,123	1,134	1,208	**1,031**
Total	12,870	12,344	12,095	**12,210**
Cost of NLC Service Provision	–	–	154	**570**
Total as per the Accounts	12,870	12,344	12,249	**12,780**

Commission funding

The Commission does not receive any funding from DCMS and is expected to manage its expenditure in line with the income it receives in licence fees and repayment for services.

Net expenditure for the year

The income and expenditure surplus for the year was £0.31m resulting in a cumulative surplus at 31 March 2013 of £1.86 million. This surplus has arisen as a result of the timing of planned recruitment and subsequent employee costs falling into 2013/14.

Statement of financial position

At 31 March 2013 the book value of non current assets was £2.43 million. Assets less liabilities at 31 March 2013 amounted to £1.86 million.

The year-end closing cash balance at 31 March 2013 was £6.40 million (2011/12 – £5.73m). The cash balance reaches its peak between August and October each year, after the largest tranche of annual fees fall due which are paid in advance by operators.

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 2013 96% (target 95%) of invoices totalling £4.5 million were paid within 30 days of receipt.

Financial statements and accounts

Remuneration report

This report covers the 12 months ending 31 March 2013 and sets out the policy and disclosures in relation to the remuneration of the Commissioners and senior managers of the Commission.

Remuneration of senior management

Commissioners

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

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.

Full details of our Commissioners can be found in Appendix 1 on page 52

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.

Remuneration (including salary) and pension entitlements

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

(i) Remuneration
(salary and payments in kind)

	2012/13			2011/12		
	Salary £'000	**Bonus Payments £'000**	**Benefits in kind (to nearest £100)**	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)
Sarah Gardner *Director – Planning and Performance* (from 1 March 2012)	**80-85**	**0-5**	**–**	5-10 (80-85 fye†)	–	–
Matthew Hill *Director – Regulatory Risk and Analysis*	**90-95**	**0-5**	**9,000**	90-95	0-5	8,500
Justine Kenny* *Board Adviser* (left 31 December 2012)	**120-125**	**0-5**	**–**	90-95	0-5	–
Julia Mackisack *Board Adviser*	**70-75**	**0-5**	**–**	70-75	0-5	–
Tracey Martin** *Director – Finance* (started 16 January 2012, left 8 April 2013)	**85-90**	**0-5**	**–**	15-20 (85-90 fye†)	–	–
Neil McArthur *General Counsel*	**90-95**	**0-5**	**–**	90-95	0-5	–
Nick Tofiluk *Director – Regulatory Operations*	**100-105**	**0-5**	**–**	100-105	0-5	–
Jenny Williams *Chief Executive****	**145-150**	**20-25**	**16,100**	145-150	20-25	18,100
Julie Grant *Director of Finance* (left 20 December 2011)	**–**	**–**	**–**	50-55 (75-80 fye†)	0-5	–
Band of highest paid directors total remuneration (£'000)****	**180-185**			185-190		
Median total remuneration****	**31,205**			30,516		
Ratio****	**5.85:1**			6.10:1		

† Full year equivalent

* Justine Kenny left the Gambling Commission on 31 December 2012. Her salary for the period falls within the '£65,000-£70,000' range (full year equivalent £90,000-£95,000) and she also received a compensation payment of £52,578 for compulsory redundancy.

** Tracey Martin left the Gambling Commission on 8 April 2013. Her responsibilities are now covered at Executive Board level by Sarah Gardner.

*** The Chief Executive's salary and bonus arrangements are comparable with other non departmental public bodies' Chief Executives. 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 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.

Financial statements and accounts continued

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

	2012/13			2011/12		
	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)
Robin Dahlberg (from 1 January 2012) *Commissioner*	**10-15**	**–**	**3,600**	0-5 (10-15 fye†)	–	1,200
Philip Graf *Chairman*	**65-70**	**–**	**3,200**	60-65	–	1.900
Rachel Lampard *Commissioner*	**10-15**	**–**	**3,800**	10-15	–	3,000
Anthony Lilley (from 1 January 2012) *Commissioner*	**10-15**	**–**	**3,000**	0-5 (10-15 fye†)	–	500
Walter Merricks (from 1 January 2012) *Commissioner*	**10-15**	**–**	**2,000**	0-5 (10-15 fye†)	–	800
Graham Sharp (from 1 January 2012) *Commissioner*	**10-15**	**–**	**9,900**	0-5 (10-15 fye†)	–	2,000
Peter Teague *Commissioner*	**10-15**	**–**	**600**	10-15	–	1,600
Ben Gunn (left 31 March 2012) *Commissioner*	**–**	**–**	**–**	10-15	–	1,800
Bill Knight (left 31 March 2012) *Commissioner*	**–**	**–**	**–**	10-15	–	1,700
Gill Milburn* (left 31 March 2012) *Commissioner*	**–**	**–**	**–**	15-20	–	200
Eve Salomon (left 31 March 2012) *Commissioner*	**–**	**–**	**–**	10-15	–	2,800

Benefits in kind appear to have increased from a year on year perspective for a number of Commissioners but this is due to employment commencing part way through 2011/12. This has resulted in the 2011/12 numbers appearing significantly lower than 2012/13 which covers a full year of remuneration and reimbursement.

† Full year equivalent

* Gill Milburn received an additional payment during 2011-12 in respect of 5 extra days worked during the year.

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 Department 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 secondment to the Commission.
- 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. Bonuses relate to the performance in the year in which they become payable to the individual.

Pension benefits 2012/13

2013 (12 months to 31 March 2013)

	Accrued pension at age 60 as at 31/03/13 and related lump sum (£'000)	Real increase in pension and related lump sum at pension age (£'000)	*CETV at 31/03/13 (£'000)	*CETV at 31/03/12** (£'000)	Real increase in CETV (£'000)	Employer contribution to partnership pension account (nearest £100)
Sarah Gardner *Director – Planning and Performance* (from 1 March 2012)	12.5-1.5 lump sum 42.5-45	2.5-5 lump sum 10-12.5	171	118	44	–
Matthew Hill *Director of Regulatory Risk and Analysis*	27.5-30 lump sum 35-37.5	0-2.5 lump sum 0-2.5	377	330	27	–
Neil McArthur *General Counsel*	22.5-25 lump sum 67.5-70	0-2.5 lump sum 0-2.5	343	317	6	–
Julia Mackisack *Board Adviser*	7.5-10 lump sum n/a	0-2.5 lump sum n/a	165	129	25	–
Tracey Martin *Director – Finance* (from 16 January 2011, left 8 April 2013)	20-22.5 lump sum n/a	0-2.5 lump sum n/a	254	232	4	–
Nick Tofiluk *Director of Regulatory Operations*	12.5-15 lump sum n/a	0-2.5 lump sum n/a	201	153	28	–

* Cash Equivalent Transfer Value

** The actuarial factors used to calculate CETVs were changed in 2012/13. The CETVs at 31/3/12 and 31/3/13 have both been calculated using the new factors, for consistency. The CETV at 31/3/12 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.

Financial statements and accounts continued

Civil Service Pensions

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

Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for **classic** and 3.5% and 8.25% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2013. 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**

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

During the year, Justine Kenny left the Commission as a result of compulsory redundancy. Full details can be found in Note 4, Employee Costs on page 39.

Remuneration Committee

The members of the Remuneration Committee are Rachel Lampard (Chair), Phillip Graf and Walter Merricks (see Appendix 1 for details).

Jenny Williams
Chief Executive
and Accounting Officer
The Gambling Commission
26 June 2013

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

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

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

- observe the Accounts Direction issued by the Secretary of State for Culture, Media and Sport, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; 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 Commission. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Commission's assets, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum published by the Treasury.

Jenny Williams
Chief Executive
and Accounting Officer
The Gambling Commission
26 June 2013

Governance Statement for the year ended 31 March 2013

The Commission was established in accordance with Part 2 of the Act on 1 October 2005 and became fully operational on 1 September 2007. This statement explains the key features of the Commission's governance structure.

The Board has complied with the Code of Good Practice for Corporate Governance in Central Government but did not complete an annual effectiveness review during 2012/13 due to the recent turnover in Commissioners. This is a departure from the Code but a review commenced in March 2013 and is due to complete shortly. In addition, Tracey Martin, the Director – Finance left in April 2013 and her responsibilities will be covered at Executive Board level by Sarah Gardner, Director – Planning and Performance supported by a qualified head of Finance.

Governance Framework

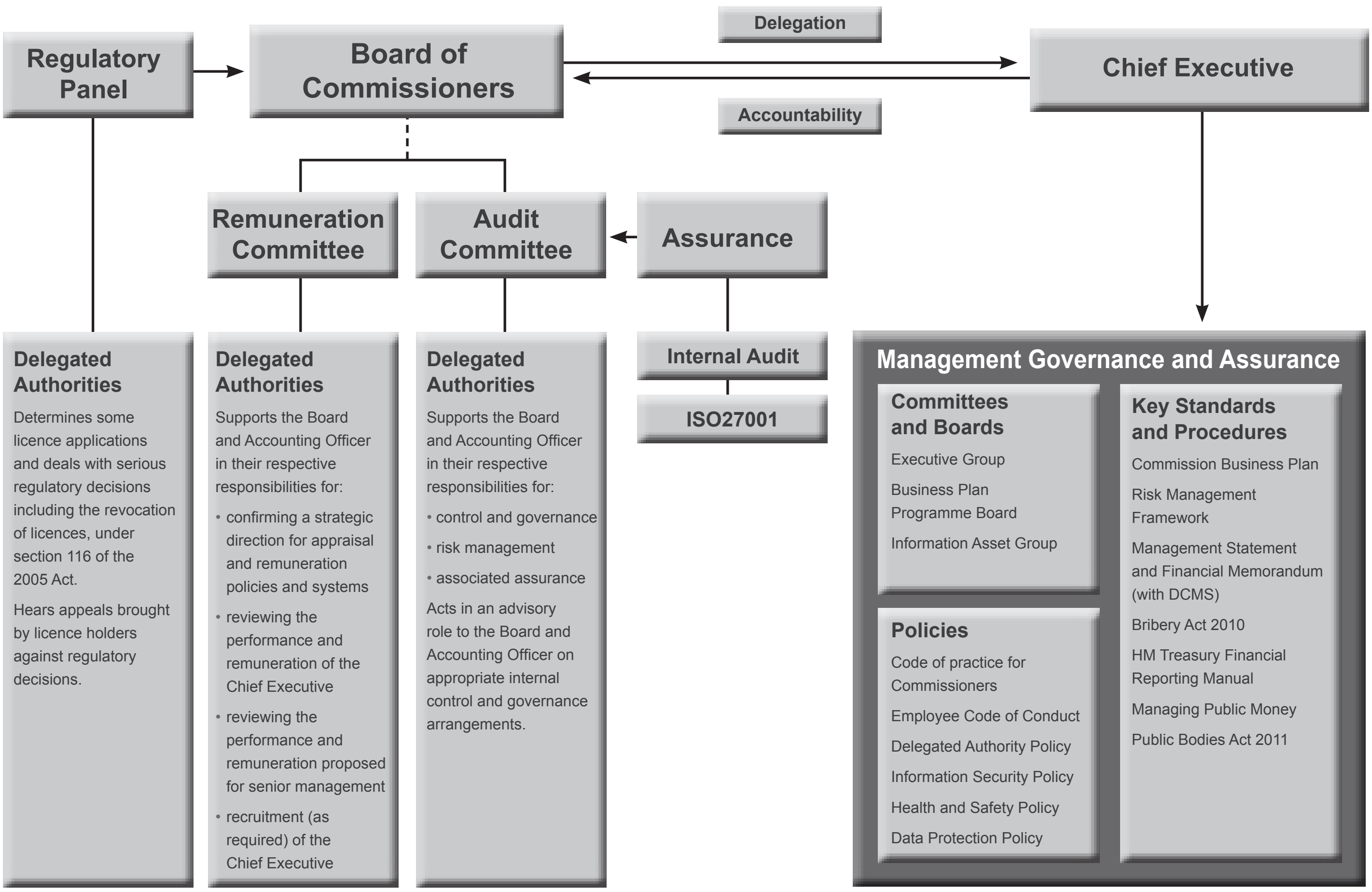
The Board of Commissioners, led by the Chairman, Philip Graf, oversees the business of the Commission. The day to day activity of the Commission is managed by the Executive Group, led by the Chief Executive, Jenny Williams.

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 the Executive Group and the Business Plan Programme Board (BPPB).

The Executive Group is responsible for dealing with matters that concern the Commission as a whole, its organisation, management and use of resources. The Executive Group has oversight of the business plan and is supported by the BPPB, which ensures delivery of the business plan.

The Commission's Governance Structure



Composition of the Board

The Chairman and Commissioners are appointed by the Secretary of State for Culture, Media and Sport for a period of between three and five years, and this may be renewed for a further term. Details of the Commissioners are given in Appendix 1.

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. Board meeting attendance records can be found on page 23. 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.

During 2012/13, the Board allocated its time at scheduled Board meetings as follows:

- Financial and strategic planning – 9%
- Corporate governance arrangements – 16%
- Monitoring of business performance – 24%
- Compliance and enforcement – 10%
- Policy, prevalence and research – 16%
- External stakeholder engagement – 25%

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

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. The results from this exercise were very positive, indicating a Board that is both capable and committed, taking financial stewardship very seriously.

Following last year's decision to make stakeholder engagement a priority a number of trade bodies, representing each of the industry sectors that we regulate, were invited to meet Commissioners and visits were organised to a range of gambling premises. In addition, Commissioners met with representatives from other regulators such as the Advertising Standards Agency (ASA) and Ofcom and with our Community Liaison Group that includes faith groups, researchers and those working with problem gamblers.

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 can be found on page 23.

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 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.

During 2012/13, the Audit Committee allocated its time at scheduled meetings as follows:

- Internal audit programme – 30%
- External audit – 15%
- Risk management review – 7%
- Review and approval of the annual report – 20%
- Review of governance arrangements – 15%
- Consideration of Committee activities – 13%

Remuneration Committee

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

- confirming 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 can be found on page 23.

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

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

During 2012/13, the Remuneration Committee allocated its time at scheduled meetings as follows:

- Approval of performance management arrangements – 21%
- Review of merger arrangements – 14%
- Agreement of staff pay arrangements – 32%
- Agreement of senior staff pay arrangements – 32%

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 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.

The Regulatory Panel sat on 13 occasions during 2012/13.

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 the Select Committee review and the judicial review. They also received a number of presentations from external stakeholders within the gambling industry.

Minutes of the Board meetings can be found on the Commission website:

www.gamblingcommission.gov.uk

Board meeting, Audit Committee and Remuneration Committee attendance

Commissioner	Board Meeting	Audit Committee	Remuneration Committee
Robin Dahlberg	8	4	
Philip Graf	8		4
Rachel Lampard	9	4	5
Anthony Lilley	7		
Walter Merricks	9		5
Graham Sharp	8	4	
Peter Teague	7	4	
Jenny Williams	9		
Number of meetings per year	**9**	**4**	**5**

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 Commission's internal auditors, Grant Thornton, undertook a review of the risk management framework and the efficacy of the Risk Management Committee in April 2012. Although the audit opinion was positive, the Commission had separately decided to refresh its approach to ensure it meets the future needs of the organisation, especially in light of the more developed workstream management arrangements. Grant Thornton supported this.

The Risk Management Committee agreed the requirement and objectives of the risk management framework review. The revised framework takes account of:

- the changed management arrangements supporting cross functional working
- the process developed to embed the Commission's risk tolerance

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

The BPPB and Programme directors agree risks to be escalated to the corporate risk register and submitted to the Executive Group for ratification and onward submission to the Board. As a result, the Risk Management Committee will no longer be required.

The revised risk and internal control framework replaced the previous version in May 2012 and has been in place in the Commission for the remainder of the year ended 31 March 2013 and up to the date of approval of the annual report and accounts. It accords with Treasury guidance.

Financial statements and accounts continued

Risk management architecture

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

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

The Commission's Audit 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.

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

Directors and Programme directors – own and manage risk. The Executive Group reviews 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 tolerance is expressed through the level of residual risk judged acceptable for each risk identified.

The Commission measures its tolerance for risk against five distinct areas; reputation, policy delivery, finances, legal standing and capacity/effectiveness, each of which will have varying acceptable residual levels of risk.

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

The Commission's governance framework – 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.

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

- Risk management arrangements
- Governance arrangements around the planned merger
- Stakeholder management
- High Impact Operator assessments
- Performance management arrangements

We also received advisory reports on the progress made on risk, performance and stakeholder management.

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.
- Our expenditure continues to be modified to reflect the demands on the Commission arising from changes in the regulatory landscape. Those demands could change significantly in future years depending on developments here and overseas, in particular in relation to the proposed extension of licensing to overseas operators advertising or providing gambling facilities to British consumers, which in itself poses risks and challenges.
- 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 are addressed as part of the budgeting

process, through prudent planning and long term management of reserves. Throughout the year, the risk to the Commission's income and expenditure profile is continually reviewed through close monitoring of actual income and expenditure, and forecasts.

- To ensure we maintain tight control over our expenditure we continually review our procurement arrangements, and through a central contracts database ensure that all renewed contracts are brought in line with central frameworks where applicable.
- In order to deliver our strategic objectives our business plan comprises programmes made up of cross functional workstreams.

There have been no reported actual or attempted frauds at the Commission during 2012/13. However given the high profile of the gambling industry and the Commission within the public domain, it is important that the Commission remains proactive in identifying instances where there is potential for fraud and corruption. The quality assurance mechanisms which have been developed for the compliance and enforcement processes depend in their turn on accurate, timely and complete information, to help safeguard the Commission's professional integrity and improve operational efficiency.

Internal Control Framework

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

Organisational Structure and Delegation of Authority

The Commission is currently organised into work programmes that bring together our programmatic work (every day activity), our project work and thematic work, for example, under age gambling. Authority to make decisions and authorise expenditure is delegated to the appropriate level of responsibility within each work programme. 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 and operational level. Policies are reviewed regularly and, where appropriate, presented to the 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. The budget also considers long term implications to ensure that risks and uncertainties can be mitigated where possible. Both of these elements are reviewed and approved by the Board, and progress against the business plan, and financial performance is reported to the Board on a monthly basis. In addition, the Commission also undertakes monthly financial re-forecasts to ensure that financial management of the Commission remains robust. This is also reviewed and approved by the Board.

Review and sign-off of actions

The Commission has a series of checks and balances in place across the organisation to ensure that draft decisions and outcomes are appropriately reviewed. Quality assessment reviews have been undertaken within a number of areas in 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 audit review as part of the internal audit plan.

Whistle-blowing policy

The Commission has a whistle-blowing 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. As part of their induction programme all new Commission employees are required to confirm in writing that they have read the Code of Conduct, including the whistle-blowing policy.

Effectiveness of internal controls

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

- overall, in the areas examined during the year, internal controls are suitably designed to achieve the risk management objectives required by management.
- 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.

Financial statements and accounts continued

Principal risks and uncertainties facing the Commission

Risk	Mitigation
Legal **Merger with the NLC** The risk that the merger implementation will not adequately address all of the issues resulting in a failure to meet statutory requirements, delays and impact to reputation.	Establishment of a joint project board with representation from the Commission, NLC and DCMS to oversee implementation plan. Internal audit reviews of the current Commission/NLC merger plan and its implementation to ensure identification and resolution of issues.
Operational/policy delivery **Industry growth and innovation** The risk that misalignment between the Act and the operating structure of the industry, compounded by growth in technology and innovation resulting in complex product offerings reduces the Commission's ability to regulate in accordance with the licensing objectives.	A close watching brief and engagement with the industry and other stakeholders and commentators in UK and overseas is maintained to ensure the Commission's knowledge and ability matches the growth and innovation witnessed in the industry.
Commission approach The risk that the Commission's risk-based regulatory approach does not effectively protect the licensing objectives and fails to uncover a significant breach to the regulatory framework.	Concentrating our regulatory effort on those operators and issues that create the greatest risk to the licensing objectives while adopting a lighter touch with smaller operators relying increasingly on sampling, education and guidance and communication our approach is reviewed regularly.
Lack of engagement The risk that a lack of engagement, resources and prioritisation from LAs for shared regulation results in non compliance or failure to pursue the licensing objectives.	The Local Authority Liaison Unit (LALU) created last year is promoting a multi-agency, risk based approach to minimise risks to the licensing objectives. LA's performance is also reviewed on an annual basis.
Capacity and effectiveness **Resource allocation** The risk that the allocation of resources is not aligned to business plan priorities reducing effectiveness of regulatory activities and value for money.	The Commission is improving its planning and resource allocation processes, underpinned by monitoring and review at BPPB to meet Commission priorities, supported by a robust evidence base.
Income The risk that 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.	We are building our evidence base and identify underlying trends within the industry. The information obtained is used to inform the budgeting process and ensure that effective regulation can be maintained.

Information assurance

The Commission was re-accredited against the ISO27001 (Information security management systems) standard by 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 (IAG), seek to embed robust information security principles across the Commission. IAG monitors information risk and ensures adequate controls are put in place.

Seven breaches of the Commission's Information Security Management System (ISMS) were reported to senior management during the year, one of which related to the inadvertent disclosure of personal data. These were all minor in nature.

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 83 requests for information under the Freedom of Information Act during the year. In two cases we were asked to conduct an internal review. This was led by someone other than the original decision maker, and the outcome was accepted in both cases. We also received six 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
26 June 2013

The Certificate and report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Gambling Commission for the year ended 31 March 2013 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 Commission Accounting Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Gambling Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Gambling Commission; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate and 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 2013 and of the net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Gambling Act 2005 and Secretary of State directions issued thereunder.

Emphasis of matter

Without qualifying my opinion, I draw attention to the disclosures made in note 1 to the financial statements concerning the application of the going concern principle in the light of the proposed merger of the Gambling Commission with the National Lottery Commission, which would be achieved by abolition of the National Lottery Commission and the transfer of its functions, property, rights and liabilities to the Gambling Commission. As the structure of the merger is subject to the affirmative resolution in the Houses of Parliament of the draft Public Bodies (Merger of the Gambling Commission and the National Lottery Commission) Order 2013 there is 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 Operating and Financial Review, 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.

Report

I have no observations to make on these financial statements.

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

3 July 2013

Statement of comprehensive net expenditure
for the 12 months ended 31 March 2013

	notes	**31 March 2013 £'000**	31 March 2012 £'000
Expenditure			
Employee costs	4	**(8,820)**	(8,521)
Depreciation and Amortisation	6 & 7	**(1,037)**	(1,051)
Other expenditure	5	**(3,960)**	(3,728)
		(13,817)	(13,300)
Income			
Licence fee income	2b	**13,138**	13,269
Other income	3	**993**	274
		14,131	13,543
Net income		**314**	243
Interest receivable	2b	**11**	11
Tax incurred on interest received		**(2)**	(2)
Net income after interest		**323**	252

Other comprehensive expenditure	notes	**31 March 2013 £'000**	31 March 2012 £'000
Net gain on pension liability		**–**	–
Total comprehensive income for the year ended 31 March 2013		**323**	252

The notes on pages 34 to 50 form part of these accounts

Statement of financial position
as at 31 March 2013

	notes	31 March 2013 £'000	31 March 2012 £'000
Non-current assets			
Property, plant and equipment	6	**772**	908
Intangible assets	7	**1,661**	2,252
Total non-current assets		**2,433**	3,160
Current assets			
Trade and other receivables	8	**749**	835
Cash and cash equivalents	14	**6,405**	5,731
Total current assets		**7,154**	6,566
Total assets		**9,587**	9,726
Current liabilities			
Trade and other payables	9	**(7,196)**	(7,821)
Total current liabilities		**(7,196)**	(7,821)
Non-current assets less net current liabilities		**2,391**	1,905
Non-current liabilities			
Other payables	10	**(518)**	(353)
Pension liability	11	**(10)**	(12)
Assets less liabilities		**1,863**	1,540
Taxpayers' equity			
Income and expenditure reserve		**1,863**	1,540
Total		**1,863**	1,540

The notes on pages 34 to 50 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 **26 June 2013**

Statement of Cash Flows
for the 12 months ended 31 March 2013

	notes	**31 March 2013 £'000**	31 March 2012 £'000
Cash flows from operating activities			
Net expenditure for the year		**314**	243
Adjustments for non-cash transactions			
Depreciation and amortisation charge	6 & 7	**1,037**	1,051
(Increase) in trade and other receivables	8	**86**	(143)
(Decrease)/increase in trade and other payables	9 & 10	**(460)**	136
(Decrease)/increase in provisions		**(2)**	(2)
Net cash inflow from operating activities		**975**	1,285
Cash flows from investing activities			
Interest received		**11**	10
Payments to acquire property, plant and equipment & intangible assets	6 & 7	**(312)**	(236)
Net cash outflow from investing activities		**(301)**	(226)
Net increase in cash and cash equivalents in the period	14	**674**	1,059

Cash and cash equivalents at 1 April 2012	**5,731**
Cash and cash equivalents at 31 March 2013	**6,405**

The notes on pages 34 to 50 form part of these accounts

Statement of changes in taxpayers equity
for the 12 months ended 31 March 2013

	Income and expenditure reserve £'000
Balance at 1 April 2011	**1,288**
Changes in reserves	
Retained surplus	252
Total recognised comprehensive net expenditure for 2011-12	**1,540**
Balance at 31 March 2012	**1,540**
Balance at 1 April 2012	**1,540**
Changes in reserves	
Retained surplus	323
Total recognised comprehensive net expenditure for 2012-13	**1,863**
Balance at 31 March 2013	**1,863**

The notes on pages 34 to 50 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 2012/13 Financial Reporting Manual (FReM) issued by HM Treasury.

a) Accounting conventions

These are the accounts for the Commission covering the twelve months from 1 April 2012 to 31 March 2013. They have been prepared in a form directed by the Secretary of State for Culture, Media, and Sport with the approval of the Treasury, in accordance with Schedule 4 of the Gambling Act 2005 (the 2005 Act). A copy of the accounts direction can be obtained from the Commission.

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

b) Non current assets

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

Depreciation/Amortisation

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

Anticipated life of assets

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

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

Property, plant & equipment

Property, plant and equipment is stated at depreciated historic cost as a proxy for fair value. All of the Commission's assets are short life assets and therefore depreciated historic cost is 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 e.g. the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset
- adequate financial, technical and other resources are available to the Commission to complete the development and sell or use the asset
- the Commission can measure reliably the expenses attributable to the asset during development.

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

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

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.

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 2012/13. 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) Pension costs

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

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

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

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

Notes to the accounts continued

d) Operating leases

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

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

e) Employee costs

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

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

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

f) Value added tax

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

g) Licence fee receipts & fee income recognition

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

Operator licence application fees

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

Operator licence annual fees

Income is recognised equally over the duration of the licence.

Personal licence fees

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

The remaining 40% is recognised equally over the duration of the licence (i.e. five years).

h) 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 2012-13.

i) Other income: Shared services provided to the NLC

From January 2012, the Commission has been providing services to the NLC. Service 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.

j) Financial instruments

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

k) Presentational/Functional Currency

The Commission's functional 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.

l) Corporation Tax

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

m) 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.

n) 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.

o) Going concern

The financial statements have been prepared on a going concern basis. On 25 March 2013 the Government laid before Parliament the draft Public Bodies (Merger of the Gambling Commission and the National Lottery Commission) Order 2013. If approved by both Houses of Parliament this order, which has been laid under section 11(2) of the Public Bodies Act 2011, will merge the Gambling Commission with the National Lottery Commission. If approved, the merger will be achieved by the abolition of the National Lottery Commission and transfer of its functions, property, rights and liabilities to the Gambling Commission. It is anticipated that the merger will take place during the 2013-14 financial year.

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

The Commission has reviewed new and revised standards issued during the year (including those not yet adopted by the European Union) that are not required to be followed until the financial year 2013/14 or beyond. Of these, the change in standard below may have a minor effect on the Commission's financial statements.

IAS 19: Post Employee Benefits - this implements new presentation and disclosure requirements.

Notes to the accounts continued

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 Act. Fees payable under the Act are received in respect of application fees, annual fees and changes and variations to licences. These monies are retained by the Commission to fund operational activities under the Act.

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

The Act fee receipts in the year are as follows:

	2013 £'000	2012 £'000
Operator licence applications		
Application fees	**629**	706
Annual fees	**11,291**	12,095
Personal licence applications	**701**	477
Total fee income received	**12,621**	13,277
Interest on fee income	**11**	10
Total	**12,632**	13,287

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:

	2013 £'000	2012 £'000
Operator licence applications		
Application fees	**676**	625
Annual fees	**11,836**	12,068
Personal licence applications	**626**	576
Total fee income	**13,138**	13,269
Interest on fee income	**11**	11
Total	**13,149**	13,280

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. It also includes the recovery of legal costs arising from the Judicial Review in 2012/13.

The increase in the NLC contribution is due to the impact of a full year of service provision during 2012/13 compared to a three month period during 2011/12.

	2013	2012
	£'000	£'000
Miscellaneous income	**423**	121
Contribution from NLC re. services	**570**	154
Total other income	**993**	274

4: Employee costs

a) Analysis of Commissioner and employee costs

	2013 Total	**2013 Permanent**	**2013 Short Term**	2012 Total
	£'000	**£'000**	**£'000**	£'000
Salaries & wages	**7,003**	**6,429**	**574**	6,783
Social security costs	**583**	**528**	**55**	561
Pension costs:				
Included within statement of comprehensive net expenditure	**1,234**	**1,155**	**79**	1,177
Included as other finance costs	–	–	–	–
Recognised in other comprehensive expenditure	–	–	–	–
Total pension costs	**1,234**	**1,155**	**79**	1,177
Total Commissioners' and employee costs	**8,820**	**8,112**	**708**	8,521

Exit packages agreed in 2012/13

	2012-13			2011-12		
Exit package cost band (including any special payment element)	**Compulsory redundancies**	**Other departures agreed**	**Total exit packages by cost band**	Compulsory redundancies	Other departures agreed	Total exit packages by cost band
	Number	**Number**	**Number**	Number	Number	Number
Less than £10,000	**–**	**–**	**–**	–	–	–
£10,001-£25,000	**–**	**–**	**–**	–	–	–
£25,001-£50,000	**–**	**–**	**–**	–	2	2
£50,001-£100,000	**1**	**–**	**1**	–	–	–
£100,001-£150,000	**–**	**–**	**–**	–	–	–
£150,001-£200,000	**–**	**–**	**–**	–	–	–
>£200,000	**–**	**–**	**–**	–	–	–
Total number of exit packages	**1**	**–**	**–**	–	2	2
Total cost	**52,578**	**–**	**52,578**	–	71,447	71,447

Notes to the accounts continued

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

For 2012-13, employers' contributions of £1,198,402 were payable to the PCSPS (2011-12 £1,141,887) 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 2013-14, 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 2012-13 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account or a stakeholder pension with an employer contribution. Employers' contributions of £8,945 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 £705 (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. £4,700 was also incurred from the Department for Work and Pensions for an employee on secondment at the Commission.

Contributions due to the partnership pension providers at the Statement of Financial Position date were £882. 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. A full actuarial valuation of the scheme was not carried out by the Government Actuary at 31 March 2013.

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 2013	31 March 2012
Inflation assumption	**1.70%**	2.00%
Rate on increase in salaries	**4.10%**	4.25%
Rate of increase for pensions in payment, in line with inflation	**1.70%**	2.00%
Discount rate for scheme liabilities	**2.35%**	4.85%

Life expectancy at retirement

Current pensioners	**As at 31 March 2013**		As at 31 March 2012	
Exact age	**men (years)**	**women (years)**	men (years)	women (years)
60	**28.6**	**30.7**	29.0	32.4
65	**23.9**	**25.8**	24.0	27.3

The present value of the scheme liability at 31 March 2013 is £10,132.

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

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

	2013	2012
Permanent staff	**199**	198
Other staff	**12**	13
	211	211

Notes to the accounts continued

5: Other operating costs

	2013 £'000	2012 £'000
Accommodation	**1,206**	1,221
Professional & accountancy fees	**782**	634
Travelling & subsistence	**383**	367
Agency and other staff costs	**125**	90
Recruitment, training and development	**279**	204
Hospitality	**14**	14
Office services	**870**	794
External audit fee*	**40**	40
Internal audit costs	**45**	39
Amounts payable to Criminal Records Bureau**	**97**	56
Other***	**119**	269
Total operating costs	**3,960**	3,728

* 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.
** Amounts payable to the Criminal Records Bureau rose in the year as a result of increased levels of personal licence applications.
*** Other costs includes costs associated with prevalence studies into gambling. This totalled £51,000 in 2012/13 (£192,000 in 2011/12).

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

	2013 £'000	2012 £'000
Land and buildings	**836**	844
Other	**9**	9
	845	853

6: Property, plant and equipment

	IT hardware £'000	Furniture and fittings £'000	Plant and machinery £'000	Transport equipment £'000	Total £'000
Cost/valuation					
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
Accumulated depreciation					
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
Net book value at 31 March 2012	74	789	45	–	908
Net book value at 31 March 2011	116	997	67	3	1,183

	IT hardware £'000	**Furniture and fittings £'000**	**Plant and machinery £'000**	**Transport equipment £'000**	**Total £'000**
Cost/valuation					
At 1 April 2012	**924**	**1,930**	**179**	**10**	**3,043**
Additions	**140**	**29**	**–**	**–**	**169**
Disposals	**(11)**	**–**	**–**	**–**	**(11)**
At 31 March 2013	**1,053**	**1,959**	**179**	**10**	**3,201**
Accumulated depreciation					
At 1 April 2012	**850**	**1,141**	**134**	**10**	**2,135**
Provided in year	**85**	**195**	**25**	**–**	**305**
Disposals	**(11)**	**–**	**–**	**–**	**(11)**
At 31 March 2013	**924**	**1,336**	**159**	**10**	**2,429**
Net book value at 31 March 2013	**129**	**623**	**20**	**–**	**772**
Net book value at 31 March 2012	**74**	**789**	**45**	**–**	**908**

Notes to the accounts continued

7: Intangible assets

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

	Software £'000	**Software licences £'000**	**Websites delivering services £'000**	**Total £'000**
Cost/valuation				
At 1 April 2012	**4,568**	**255**	**235**	**5,058**
Revaluations	**–**	**–**	**–**	**–**
Additions	**141**	**–**	**–**	**141**
Transfers	**–**	**–**	**–**	**–**
Disposals	**–**	**–**	**–**	**–**
At 31 March 2013	**4,709**	**255**	**235**	**5,199**
Accumulated amortisation				
At 1 April 2012	**2,524**	**187**	**95**	**2,806**
Revaluations	**–**	**–**	**–**	**–**
Provided in year	**662**	**36**	**34**	**732**
Disposals	**–**	**–**	**–**	**–**
At 31 March 2013	**3,186**	**223**	**129**	**3,538**
Net book value at 31 March 2013	**1,523**	**32**	**106**	**1,661**
Net book value at 31 March 2012	**2,044**	**68**	**140**	**2,252**

8: Trade receivables and other current assets

	2013 **£'000**	2012 £'000
Trade receivables	**104**	90
Other receivables	**1**	155
Deposits and advances	**69**	54
Prepayments & accrued income	**575**	536
	749	835

All of the Commission's receivables are due from bodies external to Government apart from £5,533 owed by the NLC (2011/12 £147,468 owed by the NLC).

9: Trade payables and other current liabilities

	2013 **£'000**	2012 £'000
Trade payables	**108**	179
Staff cost payables	**423**	489
Other payables	**2**	2
Accruals and deferred income	**6,663**	7,151
	7,196	7,821

The Commission held the following balances with other Government bodies as at 31 March 2013.

Trade payables
The Home Office – £231 in respect of information checks performed.

Staff cost payables
HMRC – £188,390 in respect of employee tax & NI contributions due.
Cabinet Office – £122,739 in respect of PCSPS pension contributions due.
DCMS – £35,227 in respect of seconded staff.
DWP – £30,225 in respect of seconded staff.

Other Payables
HMRC – £2,235 in respect of Corporation Tax due.

The remaining balances are held with bodies external to Government.

The Commission holds total deferred income balances of £6,434,960 (£6,488,958 in 2011/12) included in notes 9 and 10.

This relates to:
Licence fees paid that are due to be released to income within one year – £5,850,805 (£6,052,306 in 2011/12)
Licence fees paid that are due to be released to income after one year – £518,012 (£353,502 in 2011/12)
Licence fees paid in advance of the anniversary of the licence – £66,143 (£83,151 in 2011/12)

10: Amounts falling due after more than one year

	2013 **£'000**	2012 £'000
Deferred income	**518**	353
	518	353

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 2014/15 onwards.

Notes to the accounts continued

11: Pension liability

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

	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)
At 31 March 2012	12

	2013 **£'000**
At 1 April 2012	12
Current service cost	–
Staff contribution	–
Interest cost	–
Actuarial loss/(gain) in the period	–
Pensions paid in the year	(2)
At 31 March 2013	10

12: Third party assets

The Commission held the following assets on behalf of 3rd parties at 31 March 2013.

	2013 **£'000**	2012 £'000
At 1 April	**204**	192
Arising in the year	**–**	12
Settled in the year	**(19)**	–
At 31 March	**185**	204

The only 3rd party assets that the Commission holds are in relation to seized funds from suspected non-compliant activity. These funds are held in a separate Commission bank account, and can be either retained by the Commission under the Proceeds of Crime Act 2002, or returned.

13: Impact of pension liability on income and expenditure reserve

	notes	**2013** **£'000**	2012 £'000
Income and expenditure reserve excluding pension liability		**1,873**	1,552
Pension liability	11	**(10)**	(12)
Income and expenditure reserve		**1,863**	1,540

14: Cash and cash equivalents

	2013	2012
	£'000	£'000
Balance at 1 April	**5,731**	4,672
Net change in cash and cash equivalent balances	**674**	1,059
Balance at 31 March	**6,405**	5,731

All of the Commission's cash and cash equivalent balances were held at a commercial bank or as cash in hand.

15: Capital commitments

At 31 March 2013 there was one capital creditor totalling £13.1k for the supply of IT hardware which has been capitalised (£0 in 2012).

16: Commitments under operating leases

At 31 March 2013 the Commission was committed to making the following payments in respect of operating leases.

	at 31 March 2013		at 31 March 2012	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Operating leases:				
Within one year	**832**	**2**	832	9
In the second to fifth years inclusive	**1553**	**5**	2,386	5
Over five years	**–**	**–**	–	1
	2,385	**7**	3,218	15

17: Related party transactions

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

The DCMS is regarded as a related party. During the 12 months to 31 March 2013, the Commission has had a small number of material transactions with DCMS, comprising:

£129,447 paid in relation to a DCMS employee on secondment (£93,264 paid in 2011/12).

The NLC is also regarded as a related party. Following co-location and the provision of shared services from 4th January 2012, the following transactions occurred during 2012/13:

Other income: Service agreement & seconded employees	(£570,454)
Cash receipts: Service agreement & seconded employees	£566,239
Other debtors: Service agreement, seconded employees and sundry costs	£5,533

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

Notes to the accounts continued

18: Financial instruments

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

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

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

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

Currency risk

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

Market rate risk

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

Credit risk

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

Liquidity risk

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

(i) Financial assets & financial liabilities

Financial assets

					Fixed rate		Non-interest bearing
Currency	**Total** £'000	**Floating rate** £'000	**Fixed rate** £'000	**Non-interest bearing** £'000	**Weighted average interest rate** %	**Weighted average period for which fixed** Years	**Weighted average term** Years
At 31 March 2013							
Sterling	**6,578**	**6,405**	**–**	**173**	**0.00**	**–**	–
Gross financial assets	**6,578**	**6,405**	**–**	**173**	**–**	**–**	**–**
At 31 March 2012							
Sterling	5,875	5,731	–	144	0.00	–	–
Gross financial assets	5,875	5,731	–	144	**–**	**–**	**–**

Financial liabilities

					Fixed rate		Non-interest bearing
Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Weighted average interest rate	Weighted average period for which fixed	Weighted average term
	£'000	£'000	£'000	£'000	%	Years	Years
At 31 March 2013							
Sterling	**6,867**	**–**	**–**	**6,867**	**0.00**	**–**	**–**
Gross financial liabilities	**6,867**	**–**	**–**	**6,867**	**–**	**–**	**–**
At 31 March 2012							
Sterling	6,880	–	–	6,880	0.00	–	–
Gross financial liabilities	6,880	–	–	6,880	–	–	–

(ii) Financial assets and financial liabilities

Financial assets

	At fair value through profit and loss	Loans and recievables	Available for sale	Total
	£'000	£'000	£'000	£'000
Embedded derivatives	**–**	**–**	**–**	**–**
Debtors	**–**	**173**	**–**	**173**
Debtors over one year	**–**	**–**	**–**	**–**
Cash at bank and in hand	**–**	**6,405**	**–**	**6,405**
Other financial assets	**–**	**–**	**–**	**–**
Total at 31 March 2013	**–**	**6,578**	**–**	**6,578**

Embedded derivatives	–	–	–	–
Debtors	–	144	–	144
Debtors over one year	–	–	–	–
Cash at bank and in hand	–	5,731	–	5,731
Other financial assets	–	–	–	–
Total at 31 March 2012	–	5,875	–	5,875

Notes to the accounts continued

Financial liabilities

	At fair value through profit and loss £'000	Other £'000	Total £'000
Embedded derivatives	**–**	**–**	**–**
Creditors	**6,349**	**–**	**6,349**
Creditors over one year	**518**	**–**	**518**
Borrowings	**–**	**–**	**–**
Private finance initiative and finance lease obligations	**–**	**–**	**–**
Other financial liabilities	**–**	**–**	**–**
Total at 31 March 2013	**6,867**	**–**	**6,867**

Embedded derivatives	–	–	–
Creditors	6,527	–	6,527
Creditors over one year	353	–	353
Borrowings	–	–	–
Private finance initiative and finance lease obligations	–		–
Other financial liabilities	–	–	–
Total at 31 March 2012	6,880	–	6,880

19: Contingent liabilities

There are no contingent liabilities to report as at 31 March 2013 (2011/12 – £0).

20: Post balance sheet events

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

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

Appendices

- **Appendix 1 – Board of Commissioners**
- **Appendix 2 – The Management Board**
- **Appendix 3 – Management boards – remit and membership**
- **Appendix 4 – Employment statistics for 2010/12 (as at 31 March 2012)**

Appendices continued

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.

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 Trustee and then Vice Chair of Crisis from 2004-2012.

Robin Dahlberg

Robin Dahlberg is the Vice Chair of the Security Industry Authority, the Treasurer of the Jubilee Gardens Trust and the Chair of the Customer Challenge Group at Affinity Water. He has worked extensively with Citizens Advice since 2003, in both paid and volunteer roles. He was formerly on the Boards of the Health and Safety Executive and the Local Better Regulation Office. He was also a Lay Member of the Advisory Panel on Standards for the Planning Inspectorate, Vice Chair of the Waterloo Community Development Group, Chair of the Orbit Heart of England Housing Association, a Non-executive Board member of Orbit Group Ltd. and a Trustee of the Florence Nightingale Museum Trust. His earlier professional experience involved IT management systems and Internet security.

Anthony Lilley OBE

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.

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.

Walter Merricks CBE

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.

Dr Graham Sharp

Dr Graham Sharp is a member of the Accounts Commission for Scotland and of the Competition Commission. He originally trained as a chartered accountant with Thomson Mclintock (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 CADCAM Ltd. He holds one other public appointment as a member of Ofcom's Spectrum Clearance Finance Committee.

Jenny Williams (Chief Executive)

See 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 Vice Chair of the homelessness charity, The Connection 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 Commission's senior executive and is responsible for the development and effective delivery of the strategy agreed by the Board of Commissioners. She manages our employees through the Executive Group comprising the Executive directors and, as Accounting Officer, is responsible for the proper management and financial governance of the organisation.

Matthew Hill: Director – Regulatory Risk 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

As well as contributing to the corporate leadership of the Commission and the delivery of its business plan, Matthew focuses on understanding the gambling landscape and applying that understanding to identify and address key issues. He plays a particularly prominent role in the Commission's relationship with external stakeholders and is involved in leading a portfolio of high priority compliance work.

Sarah Gardner: Director – Planning and Performance

Sarah joined the Commission in 2009 and was appointed Director, Planning and Performance in March 2012. Before joining, Sarah spent most of her career as a civil servant in a number of government departments covering a wide range of topics including tax, European and international issues, consumer protection, competition, better regulation, small business and enterprise.

Role

As well as contributing to the corporate leadership of the Commission, Sarah develops, oversees and coordinates the execution of the business plan and works with colleagues across the organisation to support them in the delivery of our corporate objectives. She is responsible for ensuring that we have effective programme delivery and decision making arrangements in place. Sarah supports the Board in their development of strategy and oversees the provision of effective secretariat and related services to the Board and senior management team as well as being involved in leading a portfolio of high priority compliance work. Sarah also has responsibility for finance, supported by a head of finance.

Neil McArthur: General Counsel

Neil qualified as a solicitor in 1997. He is a graduate of Leicester Polytechnic and Leicester University and holds a post-graduate diploma in local government law from the College of Law. He 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 joined the Commission in October 2006. He is our 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 as well as managing provision of external legal advice.

Appendices continued

Appendix 2 continued

Tracey Martin: Director – Finance

Tracey joined the 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, qualified 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 and prior to joining the Commission led the creation of a health related Social Enterprise company. Tracey left the Commission during April 2013.

Role
Tracey's role as Finance Director was to ensure financial probity of the Commission's finances, and its underpinning strategy ensuring sustainability including the maintenance of an appropriate fee structure and demonstrable value for money.

Nick Tofiluk: Director – Regulatory Operations

Nick joined us 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 based in London 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
As well as contributing to the corporate leadership of the Commission and the delivery of the business plan, Nick focuses on programmes of work that encompass licensing, compliance, intelligence and enforcement delivery through partnership activity with particular responsibility for work in combating sports betting integrity issues. He is also involved in leading a portfolio of high priority compliance work.

Appendix 3

Management boards – remit and membership

Executive Group

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

- endorses any major decisions taken within and between workstreams
- decides any escalated matters
- approves significant new workstreams and significant changes to existing workstreams
- oversees the Commission's use of financial and human resources, ensuring that all resources are used efficiently and effectively
- clears papers for the Board and recommends the agenda for Board meetings.

Business Plan Programme Board (BPPB)

The role of BPPB is to:

- develop the business plan
- monitor and ensure delivery of the business plan
- monitor risks and identify those for escalation to the Executive Group, Board of Commissioners and/or the corporate risk register
- identify unresolved problems, slippage, resource or policy conflicts and agree how best to handle.

Management boards – membership

Senior management team		Management Boards	
Name	**Role**	**Executive Group**	**Business Plan Programme Board**
Jenny Williams	Chief Executive	Chair	
Rebekah Eden	Programme director		✓
Kay Greenbank	Programme director		✓
Sarah Gardner	Director	✓	Chair
Matthew Hill	Director	✓	
Justine Kenny (to 31 Dec 2012)	Board Adviser		✓
Neil McArthur	General Counsel	✓	
Sharon McNair	Programme director		✓
Julia Mackisack	Board Adviser		✓
Tracey Martin	Director	✓	✓
Alistair Quigley	Programme director		✓
Nick Tofiluk	Director	✓	

Appendix 4

Employment statistics for 2012/13 (as at 31 March 2013)

Total employees by contract type	
Secondees	2
Fixed term employees	7
Permanent employees	190
Total	**199**

Departmental split	
Corporate Affairs	7
Directors	6
Executive support	7
Finance	9
Legal	3
Compliance	32
Enforcement	13
Licensing	44
Regulation	11
Evidence, analysis, planning and secretariat	15
Intelligence	9
Research, education and treatment	2
Sector and Thematic Impact	24
Support services including:	17
Human Resources	5
Facilities	2
ICT	10
Total	**199**

Sickness absence rates	
1 April 2012 to 31 March 2013	% of working days lost
Quarter 1	2.1
Quarter 2	2.4
Quarter 3	2.4
Quarter 4	3.1

Diversity – gender	
Female	94
Male	105
Total	**199**

Diversity – disability	
Employees with a disability as defined under the Equality Act 2010	3
Employees without a disability as defined under the Equality Act 2010	196
Total	**199**

Diversity – ethnic origin	
Asian or Asian British – Bangladeshi	0
Asian or Asian British – Indian	14
Asian or Asian British – Other	1
Asian or Asian British – Pakistani	4
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	160
White Irish	2
White Other	2
Not disclosed	6
Total	**199**

Diversity – age	
Under 20	3
21 to 30	18
31 to 40	77
41 to 50	46
51 to 60	43
60+	12
Total	**199**

GAMBLING
COMMISSION

Keeping gambling fair and safe for all

2012/13

Gambling Commission

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